



PRESTIGE ASSURANCE PLC

THE UNAUDITED FINANCIAL STATEMENTS

**FIRST QUARTER
2014**

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

We the undersigned hereby certify the following with regards to our unaudited report for the quarter ended 31st March 2014 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.

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

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

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 International Financial Reporting Standards (IFRSs) Roadmap issued by the Financial Reporting Council of Nigeria (FRC), following a decision by the Federal Executive Council, requires all publicly listed and other significant public interest entities to adopt IFRS by the year starting 1 January 2012.

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) effective or available as at 31 December 2012.

The financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g certain financial instruments that are measured at fair value). Historical cost includes expenditure that is directly attributable to the acquisition of the item.

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. at 31 December, 2012

(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 amount.

Fair value or revaluation as deemed cost (IAS 16 and IAS 38)

An entity may elect to measure an item of property, plant and equipment, investment property or intangible assets at the date of transition to IFRS at its fair value and use that fair value as its deemed cost at that date; or may elect to the use a previous GAAP revaluation of these assets at, or before, the date of transition to IFRS as deemed cost at the date of the revaluation.

The Company has property, plant and equipment and the Company has an option to revalue its property, plant and equipment for the financial year ended 1 January 2011 and the revalued amount represents the deemed cost in the Company's opening IFRS statement of financial position under IFRS. Due to regulatory requirements, the Company has broadly classified its property and equipment at cost less depreciation under NGAAP as the deemed cost under IFRS.

Designation of previously recognised financial instruments (IAS 39)

IAS 39 permits a financial asset to be designated on initial recognition as available-for-sale or a financial instrument (provided it meets certain criteria) to be designated as a financial asset or financial liability at fair value through profit or loss. Despite this requirement, exceptions apply in the following circumstances: an entity is permitted to make an available-for-sale designation at the date of transition to IFRSs. An entity is permitted to designate, at the date of transition to IFRSs, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria in paragraph 9(b)(i), 9(b)(ii) or 11A of IAS 39 at that date.

The Company has designated its financial assets or financial liability as either, held to maturity, loans and recoverables, available-for-sale, held for trading, and fair value through profit and loss for those that meet the criteria in IAS 39.

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 statements.

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 and Amendments

The following new standards, amendments and interpretations have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2012 and have not been early adopted by Prestige Assurance Plc. The Directors anticipate that the new standards, amendments and interpretations will be adopted in the Company's financial statements when they become effective. The Company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

(a) Amendments to IAS 19 Employee Benefits

The amendments to IAS 19 removes the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income statement effective date of the standard is 1 January 2013. The adoption of these amendments will require the Company to recognise the service cost and a net interest income or expense in profit or loss and the remeasurements of the pension assets and liabilities, i.e., actuarial gains and losses in the other comprehensive income.

(b) Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 require changes to the presentation of other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The effective date of the standard is 1 January 2013. The Company decided not to early adopt the amendments and expects that the adoption will only affect the presentation of the statement of comprehensive income.

(c) IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the Board's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected in 2013. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company financial assets. However, the Company has decided that the effect will be quantified only in conjunction with the other phases when completed to present a comprehensive picture.

(d) IFRS 13 Fair Value Measurement

IFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The standard is effective for annual periods on or after 1 January 2013. The adoption of IFRS 13 will affect the fair value of certain assets and liabilities and thus affecting the profit and equity of the Company.

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.

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 and 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 financial assets

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 financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using 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 investments

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale or are not classified in any of the two preceding categories 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 the statement of profit or loss and other comprehensive income.

iv Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are mainly receivables arising from insurance contracts. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost less any impairment losses. They include receivables from Direct insured, Agents and Brokers, Coinsurance and Reinsurance companies; Other loans and receivables include staff loans and advances and other Sundry receivables which arise in the ordinary course of business.

Impairment provisions are recognized when there is objective evidence that the Company will not be able to collect all of the amounts due under the terms of the receivable; (evidence include significant financial difficulties on the part of the counterparty or default or significant delay in payment - over 90 days). 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. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

v Prepayments

Prepayments are carried at amortised cost.

vi 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:

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

The 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 or significant financial difficulties of the debtors) 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.

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.

(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.

vii 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.

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.

ix 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

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) Deferred tax assets and liabilities

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

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

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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12) 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 lessee. 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 lessee 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.

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

Land is 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.

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.

14) **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.

15) **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

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.

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) **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.

16) Trade payables

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

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

The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less settled, cancelled or expired.

17) 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.

18) Retirement obligations and Employee benefits

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

(i) **Defined benefits gratuity scheme**

The company has a defined contribution 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.

(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.

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.

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 I17 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) Premiums and Unearned Premiums

Premiums written comprise the premiums on contracts incepting in the financial year. Premiums written are stated gross of commissions payable to agents and exclusive of taxes levied on premiums. The 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 premiums.

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) Other operating 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) Income tax expenses

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

33) 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.

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.

PRESTIGE ASSURANCE PLC

THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH 2014

Prestige Assurance Plc

Unaudited IFRS Financial Results For
The FIRST Quarter Ended 31 MARCH, 2014

Statement of Financial Position As at 31st March, 2014

	Notes	31-Mar 2014 N'000	31 December 2013 N'000
Assets			
Cash and Cash Equivalents	1	2,447,543	2,449,694
Financial Assets:			
Held-for-Trading	2a	527,228	586,924
Held- to- Maturity	2b	325,306	355,998
Available-for- sale	2c	538,713	538,713
Trade Receivables	3	5,265	222
Other Receivables and Prepayments	4	98,503	123,152
Reinsurance Assets	5	2,067,538	3,168,227
Deferred Acquisition Cost	6	38,934	120,121
Intangible Assets	7	6,075	6,300
Investment in Finance Lease	8	105,385	130,366
Property, plant and equipment	9	2,352,343	2,354,776
Statutory Deposit	10	300,000	300,000
Total Assets		8,812,833	10,134,493
Liabilities			
Insurance Contract liabilities	11	2,585,143	3,877,074
Trade Payables	12	188,691	383,526
Provisions and other payables	13	190,107	183,610
Short Term borrowing		500,000	500,000
Retirement benefits obligations	14	116,960	116,960
Current Income tax liabilities	15	443,432	391,091
Deferred tax liabilities	16	268,889	268,889
Total liabilities		4,293,222	5,721,150
Equity			
Issued and paid up share capital	17	1,254,157	1,254,157
Share Premium	18	1,155,540	1,155,540
Contingency reserves	19	1,544,298	1,522,696
Retained Earnings	20	(658,029)	(742,695)
Assets Revaluation reserves	21	1,004,717	1,004,717
Reserves on Actuarial valuation of Gratuity	22	(29,058)	(29,058)
Reserves on Available-for-sale	23	247,986	247,986
Total Equity		4,519,611	4,413,343
Total liabilities and reserves		8,812,833	10,134,493

Prestige Assurance Plc

Unaudited IFRS Financial Results For
The First Quarter Ended 31 March, 2014

Statement of profit or Loss for the period ended 31 March 2014

	Notes	31 March 2014 N'000	31 March 2013 N'000
Gross premium Written		720,062	641,165
Gross premiums income	24	1,234,053	1,628,396
Re-insurance expenses	25	<u>(617,087)</u>	<u>(899,043)</u>
Net premium income		616,966	729,353
Commission income	26	<u>58,960</u>	<u>194,635</u>
Total underwriting income		675,926	923,988
Claims expenses	27	(59,025)	(356,380)
Underwriting expenses		<u>(405,993)</u>	<u>(333,025)</u>
Total underwriting expenses		<u>210,908</u>	<u>234,583</u>
Underwriting profit		210,908	234,583
Investment income	28	73,250	93,225
Other Income	29	1,958	5,974
Net fair value loss		(59,696)	78,363
NET OPERATING INCOME		226,420	412,145
Less:			
Management expenses		(67,811)	(80,490)
Provision for impairment losses on premium	30	<u>-</u>	<u>-</u>
PROFIT BEFORE TAXATION		158,609	331,655
Less			
Taxation expense		<u>(52,341)</u>	<u>(108,385)</u>
PROFIT AFTER TAXATION		106,268	223,270
RETAINED PROFIT FOR THE YEAR		<u>106,268</u>	<u>223,270</u>

Prestige Assurance Plc

Unaudited IFRS Financial Results For
The First Quarter Ended 31, March 2014Statement of Other Comprehensive Income
For The Period Ended 31st March, 2014

	31 March 2014 N'000	31 March 2013 N'000
Profit for the year	106,268	223,270
Other comprehensive income	-	-
Total comprehensive income for the year	106,268	223,270
Attributable to owners of the parent	106,268	223,270
Attributable to minority interest	-	-
	106,268	223,270
Earnings per share:		
Basic earnings per share (kobo)	4.24	8.90
Diluted earnings per share (kobo)	4.24	8.90

Unaudited IFRS Financial Results For
The First Quarter Ended 31 March 2014

Statement of Changes in Equity

	Share capital N'000	Share premium N'000	Bonus issue reserve N'000	Statutory contingency reserve N'000	General reserve N'000	Available for Sale Investment N'000	Gratuity Valuation reserve N'000	Revaluation Surplus Reserve N'000	Total N'000
Balance 1 January 2014	1,254,157	1,155,540	-	1,522,696	(742,695)	247,986	(29,058)	1,004,717	4,413,343
Profit for the quarter	-	-	-	-	106,268	-	-	-	106,268
Transfer from/to Bonus issue	-	-	-	-	-	-	-	-	-
Transfer to Contingency reserve	-	-	-	21,602	(21,602)	-	-	-	-
Changes in -Available -for sale	-	-	-	-	-	-	-	-	-
Revaluation Surplus	-	-	-	-	-	-	-	-	-
Balance 31 March 2014	1,254,157	1,155,540	-	1,544,298	(658,029)	247,986	(29,058)	1,004,717	4,519,611

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

	Share capital N'000	Share premium N'000	Bonus issue reserve N'000	Statutory contingency reserve N'000	General reserve N'000	Available for Sale Investment N'000	Gratuity Valuation reserve N'000	Revaluation Surplus Reserve N'000	Total N'000
Balance as at 1 January 2013	1,254,157	1,155,540	-	1,396,026	(525,190)	157,928	(20,028)	470,497	3,888,930
Profit for the year	-	-	-	-	(90,835)	-	-	-	(90,835)
Right Issue expenses	-	-	-	-	-	-	-	-	-
Transfer to Contingency reserve	-	-	-	126,670	(126,670)	-	-	-	-
Revaluation Surplus	-	-	-	-	-	-	-	534,220	534,220
Changes in Available-for- sale	-	-	-	-	-	90,058	-	-	90,058
Gain in change in Acturial valuation	-	-	-	-	-	-	(9,030)	-	(9,030)
Dividend paid	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2013	1,254,157	1,155,540	-	1,522,696	(742,695)	247,986	(29,058)	1,004,717	4,413,343