



EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS
31 DECEMBER, 2013



EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Adetutu Buraimo	-	Chairman
Mr. Ibidolapo Balogun	-	Vice-Chairman/GMD
Mr. Godwin Alegieuno		
Mrs Ola Adeola		
Mr. Ibikunle Balogun		
Mrs. Markie Idowu		
Mr. Olanrewaju Ogunbanjo		
Mr. Ekpe Ukpabio	-	MD /CEO

COMPANY SECRETARY

Taiwo Ayanbadejo
Plot 1196, Bishop Oluwole street
Victoria Island, Lagos

REGISTERED OFFICE

Equity Place
Plot 1196, Bishop Oluwole Street
Victoria Island, Lagos

RC No:	-	65443
FRC Registration no:	-	FRC/2012/0000000000408

REGISTRARS AND TRANSFER OFFICE

Sterling Registrars Limited
Knight Frank House
24 Campbell street
Lagos

BANKERS

Ecobank Plc
First Bank of Nigeria Limited
Guaranty Trust Bank Plc
Skye Bank Plc
Sterling Bank Plc
United Bank for Africa Plc
Zenith Bank Plc

RE-INSURERS

Munich Mauritius Reinsurance Co. Ltd
African Reinsurance Corporation
Continental Reinsurance Plc
Nigerian Reinsurance Corporation

ACTUARIES

HR Nigeria Limited

EXTERNAL AUDITORS

BDO PROFESSIONAL SERVICES

ADOL House
15 CIPM Avenue
CBD, Alausa, Ikeja
Lagos, Nigeria.

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER, 2013(Cont'd)

RE-ELECTION OF DIRECTORS

In accordance with article 93 of the Company's Article of Association, Mrs Markie Idowu and Mr.Ibikunle Balogun will retire by rotation , and being eligible, will be offering themselves for re-election.

CORPORATE GOVERNANCE

The Board is responsible for the corporate governance of the Holding Company. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial status of the company and ensures that the financial statements comply with the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004.

They are also responsible for safeguarding the assets of the Company by taking reasonable steps for the prevention and detection of fraud and irregularities.

During the year under review, the Company was managed by a Board of 8 Directors consisting of 6 non-Executive Directors (which includes the Chairman) and 2 Executive Directors.

The Board of Directors ensured that the Company's objectives were implemented through the following constituted board committees:

BOARD AUDIT COMMITTEE

The Committee is established in compliance with Section 359(6) of the Companies and Allied Matters Act CAP C20 LFN 2004 and it has the oversight responsibility for the Company's accounts.

BOARD FINANCE & INVESTMENT COMMITTEE

The Board Committee oversees the Company's investment and corporate finance transactions, reviews management policies and guidelines, reviews the Company's investment performance, and the Company's capital structure. The Committee also makes recommendations to the Board concerning:

- 1 The Company's investment policies and guidelines, the Company's implementation of and compliance with those policies and guidelines, and the performance of the Company's investment portfolios and investment managers.
- 2 Corporate financial policies relating to capital structure, financial performance, in relation to both the capital and revenue budgets, including debt limits, dividend policy, stock splits and repurchases of stocks or other securities.
- 3 The Company's Capital needs and financing arrangements, the Company's ability to access capital market and management's financing plans.
- 4 The Company's policies and procedures for investment risk management.
- 5 The Company's accounting and investment policies

BOARD TECHNICAL, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

The Committee has oversight functions over the internal control, assessment of associated risk in the Company's business and compliance functions within the Company.

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Committee has oversight functions in determining the terms of reference for the Executive Management. It recommends the remuneration of the Executive Directors.

REINSURANCE ARRANGEMENT

The company had treaty arrangements with the following Companies during the year:

Munich Mauritius Reinsurance Co. Ltd
African Reinsurance Corporation
Continental Reinsurance Plc
Nigerian Reinsurance Corporation

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER, 2013(Cont'd)

EMPLOYMENT AND EMPLOYEES

1. Employment of disabled persons

It is the policy of the Company that there should be no discrimination in considering applications for employment including those from disabled persons. During the year under review, there were no disabled persons in the Company's employment.

2. Health, safety at work and welfare of employees

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The Company provides subsidies to all levels of employees for medical, transportation, housing, lunch, etc.

3. Employees' involvement and training

The Company is committed to keeping employees fully informed as far as possible regarding the Company's performance and progress and in seeking their views wherever practicable on matters which particularly affect them as employees.

Employees' development is carried out at various levels within the Company through both internal and external training.

Management, professional and technical expertise are the Company's major assets and investments in developing such skills continue.

Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of those schemes include bonus, etc.

AUDITORS

The Auditors, BDO Professional Services (Chartered Accountants) have indicated their willingness to continue in office as the Company's Auditors in accordance with Section 357(2) of the Companies and Allied Matters Act CAP C20 LFN 2004. A resolution will be proposed authorizing the Directors to determine their remuneration at the next Annual General Meeting.

Lagos, Nigeria

BY ORDER OF THE BOARD

Taiwo Ayanbadejo
COMPANY SECRETARY
FRC/2013/NBA/00000002571
September 22, 2014

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER, 2013

As at 31 December, 2013, Equity Group comprises of Equity Assurance Plc (Parent company) and 3 subsidiaries. The group's major business activities are insurance, health and asset management respectively.

This "Management Discussion and Analysis" (MD&A) has been prepared as at 31 December, 2013 and should be read in conjunction with the consolidated financial statements of EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES.

Forward Looking Statements

The MD & A contains forward looking statements related to Equity Assurance Plc financial and other projections, expected future plans, event, financial and operating results, objectives and performance as well as underlying assumptions all of which involve risk and uncertainties. When used in this MD&A the words "believe", "anticipation", "intended", "estimate" and similar expression are used to identify forward looking statements, although not all forward looking statements contain such words. These statements reflect management's current belief and are based on information available to Equity Assurance Plc and are subject to certain risk, uncertainties and assumptions.

Business Strategy of the Company and Overall Performance

The Group is engaged in providing insurance, health management and investment management to the corporate and retail sector of Nigeria and in Ghana. It also aims to establish itself as the apex insurance company in Nigeria and the West Africa region. Equity Assurance Plc began the implementation of the NAICOM directive on "no premium no cover policy" from the 1 January, 2013. The policy aims to stimulate liquidity within the system by reducing the huge receivables being carried on the statement of financial position of insurance companies. This will positively impact the income statements of insurance companies by eliminating the large portion of provision for outstanding premium charged for the receivables and make more cash available which can be used to generate more investment income.

On the contrary, this would reduce the premium income recognised by companies initially (as premium would only be recognised when cash is received) but the situation would normalize as the insured public adjust their cash flow management to the new regulation.

The Group's strategy is to use technology and international best practices to provide its customers with tailor made solutions, superior services and specially designed programs to assist its patrons through a network of regional and agency offices spread over Nigeria and Ghana.

Operating Result, Cashflow and Financial Condition

(in thousands of Nigerian Naira)

	Group			Company		
	Dec-13	Dec-12	%chg	Dec-13	Dec-12	%chg
Gross premium written	4,616,050	3,923,738	18	3,256,827	2,612,848	25
Net Insurance Premium	3,209,794	3,112,797	3	2,028,909	2,075,390	(2)
Underwriting results	1,626,849	1,606,216	1	935,145	961,595	(3)
Investment income	417,867	219,301	91	307,362	231,207	33
Operating expenses	-2,463,392	-1,942,326	27	(1,715,078)	(1,326,969)	29
(Loss)/profit before tax	-364,940	245,855	-248	(752,133)	97,555	(871)

% change = Percentage change in years.

The Group experienced a growth of 18% in gross written premium when compared to prior year result. The growth was mainly attributed to increasing marketing network via the various agency outlet spreads across the country and Ghana with key emphasis on providing insurance services and products that meet the global needs of customers.

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER, 2013 (Cont'd)

Revenue and Underwriting Result

The increase in the Group's level of activity was also reflected in the earned premium of N3.21 billion, an increase of 3% over December 2012 figure of N3.11billion.

The underwriting result at the end of the year amounted to N1.63 billion compared to N1.61 billion earned during the year ended December 2012.

Investment Income

Investment income for the year amounted to N417.84million, an increase of 91% over December 2012 figure of N219.30million.

Operating Expenses

Operating expenses for the year totalled N2.46 billion an increase of 32% when compared to prior year.

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER, 2013

(IN THOUSAND OF NIGERIAN NAIRA UNLESS OTHERWISE STATED)

	NOTES	Group 2013	Group 2012	Company 2013	Company 2012
ASSETS					
Cash and cash equivalents	6	1,818,259	1,906,356	1,461,238	1,516,110
Financial assets					
- At fair value through profit or loss	7.1	191,759	136,878	185,425	132,203
- Available-for-sale	7.2	38,622	38,635	38,622	38,635
- Held-to-maturity	7.3	330,049	300,408	-	250
Trade receivables	8	864,968	1,061,015	403,409	482,813
Reinsurance receivables	9	1,008,096	902,791	773,196	703,741
Deferred acquisition cost	10	311,608	192,044	221,311	160,727
Prepayments and other receivables	11	604,266	447,880	481,726	441,765
Investment in subsidiaries	12	-	-	1,122,066	846,715
Investment properties	13	803,678	375,500	-	-
Intangible assets	14	1,032,546	1,054,575	1,022,117	1,047,061
Property, plant and equipment	15	2,362,843	2,223,725	2,253,275	2,131,539
Statutory deposit	16	323,203	319,305	300,000	300,000
Total assets		9,689,897	8,959,111	8,262,384	7,801,559
Liabilities					
Insurance Contract Liabilities	17	2,754,236	2,205,355	2,332,272	1,813,182
Trade payables	18	256,738	201,942	112,079	27,826
Other payables	19	294,748	337,142	119,525	105,571
Deposit for shares	20	82,582	-	-	-
Borrowings	21	2,231,452	1,779,053	2,241,255	1,804,194
Income tax liabilities	22	173,358	146,983	69,195	75,737
Deferred tax	23	44,657	32,298	48,994	30,986
Total liabilities		5,837,771	4,702,773	4,923,320	3,857,496
EQUITY					
Paid up share capital	24	4,423,649	4,423,649	4,423,649	4,423,649
Share premium	25	1,105,193	1,105,193	1,105,193	1,105,193
Contingency reserves	26	623,027	508,687	554,990	457,285
Revaluation reserves	27	1,560,477	1,398,403	1,560,477	1,398,403
Available for sale reserve	28	6,587	-	6,587	-
Retained earnings	29	-4,087,900	-3,379,779	-4,311,832	-3,440,467
Foreign currency translation reserve		19,531	-	-	-
Non controlling interest	30	201,561	200,185	-	-
Total equity		3,852,126	4,256,338	3,339,064	3,944,063
Total liabilities and equity		9,689,897	8,959,111	8,262,384	7,801,559

Signed on behalf of the Board of Directors on September 22, 2014

Mr. Akeem Adamson
FRC/2013/ICAN/00000002182
Chief Financial Officer

Mr. Ekpe Ukpabio
FRC/2013/CIIN/00000002047
Managing Director

Mr. Adetutu Buraimo
FRC/2013/ICAN/00000002871
Chairman

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER, 2013

(IN THOUSAND OF NIGERIAN NAIRA UNLESS OTHERWISE STATED)

	NOTES	Group 2013	Group 2012	Company 2013	Company 2012
Gross premium written	32	4,616,050	3,923,738	3,256,827	2,612,848
Gross premium income	32	4,082,147	3,696,261	2,762,470	2,538,776
Re-insurance expenses		-872,353	-583,464	-733,561	-463,386
Net premium income	32	3,209,794	3,112,797	2,028,909	2,075,390
Commission income	33	169,114	169,289	109,400	98,141
Net underwriting income		3,378,908	3,282,086	2,138,309	2,173,531
Claims:					
Claims expenses (Gross)		1,418,052	1,516,244	842,435	1,146,225
Claims expenses recovered from reinsurers		-463,481	-446,761	-295,132	-382,754
Claims expenses (Net)	34	954,571	1,069,483	547,303	763,471
Underwriting expenses	35	797,488	606,387	655,861	448,465
Total underwriting expenses		1,752,059	1,675,870	1,203,164	1,211,936
Underwriting results		1,626,849	1,606,216	935,145	961,595
Net income from non-insurance subsidiaries	36	144,458	131,274	-	-
Investment income	37	417,867	219,301	307,362	231,207
Net realised gains on assets	38	9,539	6,068	9,539	6,068
Net fair value gain on investment property		184,100	-	-	-
Net fair value gains on financial assets	39	21,481	43,114	19,821	49,931
Other operating income	40	42,793	263,843	34,259	257,216
Employee benefit expenses		(568,443)	-515,105	(343,722)	-310,620
Impairment loss	41	-453,023	-473,946	-311,894	-383,000
Other operating expenses	42	(1,441,926)	-953,275	(1,059,462)	-633,349
Results of operating activities		-16,305	327,490	-408,952	179,048
Finance costs	43	-348,635	-81,635	-343,181	-81,493
(Loss)/profit before tax		-364,940	245,855	-752,133	97,555
Income tax expense	22.1	-72,892	-96,225	-21,527	-37,668
(Loss)/profit for the year		-437,832	149,630	-773,660	59,887
Profit attributable to:					
Owners of the parent		(507,483)	139,605	-773,660	59,887
Non-controlling interests	30	69,650	10,025	-	-
		-437,832	149,630	-773,660	59,887
Other comprehensive income:					
<i>Items within OCI that may be reclassified to profit or loss</i>					
Gain on available for sale financial assets		6,587	-	6,587	-
Exchange difference on translation of foreign operations		6,663	-64,307	-	-
<i>Items within OCI that may not be reclassified to profit or loss</i>					
Gain on revaluation of Property, plant & equipment	27	162,074	325,000	162,074	325,000
Other comprehensive income for the year		175,324	260,693	168,661	325,000
Total comprehensive income for the year		-262,509	410,323	-604,999	384,887
Attributable to:					
Owners of the parent		(332,159)	400,298	-604,999	384,887
Non-controlling interests		69,650	10,025	-	-
Total comprehensive income for the year		-262,509	410,323	-604,999	384,887
(Loss)/earnings per share:					
Basic (loss)/earnings per share	44	(5.7)	1.6	(8.7)	0.7

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2013
IN THOUSANDS OF NIGERIAN NAIRA

Group	Share capital	Share premium	Revaluation reserves	Foreign currency reserves	Available for sale reserve	Contingency reserves	Retained Earnings	Total	Non-Controlling interest	Total Equity
Balance at 1 January, 2013	4,423,649	1,105,193	1,398,403	-	-	508,687	-3,379,779	4,056,153	200,185	4,256,338
Total Comprehensive income for the year										
(Loss)/profit for the year	-	-	-	-	-	-	-507,483	-507,483	69,650	-437,832
Transfer to contingency reserves	-	-	-	-	-	119,891	-119,891	-	-	-
Other comprehensive income:										
Gain on available for sale financial assets	-	-	-	-	6,587	-	-	6,587	-	6,587
Revaluation surplus on Property, Plant & Equipment	-	-	162,074	-	-	-	-	162,074	-	162,074
Exchange difference on translation of foreign operations	-	-	-	19,531	-	-5,551	(7,318)	6,663	-	6,663
Total comprehensive income for the year	-	-	162,074	19,531	6,587	114,340	-634,691	-332,159	69,650	-262,509
Transactions with owners, recorded directly in equity contributions by and distributions to owners										
Capitalisation of reserves -Bonus shares	-	-	-	-	-	-	(42,422)	-42,422	-	-42,422
Rights issue	-	-	-	-	-	-	-	-	2,419	2,419
Transfer from deposit for shares	-	-	-	-	-	-	-	-	2,122	2,122
Dividend paid	-	-	-	-	-	-	(36,484)	-36,484	(17,516)	-54,000
Disposal of MHS shares by non-controlling interest	-	-	-	-	-	-	5,476	5,476	(52,409)	-46,933
Deposit for shares utilised	-	-	-	-	-	-	-	-	(2,890)	-2,890
Total transactions with owners	-	-	-	-	-	-	-73,430	-73,430	-68,274	-141,704
Balance at 31 December 2013	4,423,649	1,105,193	1,560,477	19,531	6,587	623,027	-4,087,900	3,650,565	201,561	3,852,126

Group	Share capital	Share premium	Revaluation reserves	Foreign currency reserves	Available for sale reserve	Contingency reserves	Retained Earnings	Total	Non-Controlling interest	Total Equity
Balance at 1 January, 2012	4,423,649	1,105,193	1,073,403	-	-	411,476	-3,357,867	3,655,854	156,426	3,812,280
Total Comprehensive income for the year										
Profit for the year	-	-	-	-	-		139,605	139,605	10,025	149,630
Transfer to contingency reserves	-	-	-	-	-	104,228	-104,228	-	-	-
Other comprehensive income:				-	-					
Revaluation surplus on Property, Plant & Equipment	-	-	325,000	-	-	-	-	325,000	-	325,000
Exchange difference on translation of foreign operations	-	-	-	-	-	-7,017	-57,290	-64,307	-	-64,307
Total comprehensive income for the year	-	-	325,000	-	-	97,211	-21,913	400,298	10,025	410,323
Transactions with owners, recorded directly in equity contributions by and distributions to owners										
Additional MHS shares acquired by non-controlling interest	-	-	-	-	-	-	-	-	108,658	108,658
Utilized deposit for MHS shares by non-controlling interest	-	-	-	-	-	-	-	-	-77,814	-77,814
Deposit for MHS shares by non-controlling interest	-	-	-	-	-	-	-	-	2,890	2,890
Total transactions with owners	-	-	-	-	-	-	-	-	33,734	33,734
Balance at 31 December 2012	4,423,649	1,105,193	1,398,403	-	-	508,687	-3,379,780	4,056,152	200,185	4,256,337

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2013
IN THOUSANDS OF NIGERIAN NAIRA

Company

	Share capital	Share premium	Available for sale reserves	Revaluation reserves	Contingency reserves	Retained Earnings	Total
Balance at 1 January, 2013	4,423,649	1,105,193		1,398,403	457,285	-3,440,467	3,944,063
Total Comprehensive income for the year							
Loss for the year	-	-	-	-	-	-773,660	-773,660
Transfer to contingency reserves	-	-	-	-	97,705	-97,705	-
Other comprehensive income:	-	-	-				
Revaluation surplus on Property, Plant & Equipment	-	-	-	162,074	-	-	162,074
Gain on available for sale financial assets	-	-	6,587				6,587
Total comprehensive income for the year	-	-	6,587	162,074	97,705	(871,365)	-604,999
Transactions with owners, recorded directly in equity contributions by and distributions to owners							
Bonus shares	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Balance at 31 December, 2013	4,423,649	1,105,193	6,587	1,560,477	554,990	-4,311,832	3,339,064
Balance at 1 January 2012	4,423,649	1,105,193		1,073,403	378,899	-3,421,968	3,559,176
Total Comprehensive income for the year							
(Loss)/profit for the year	-	-	-	-	-	59,887	59,887
Transfer to contingency reserves	-	-	-	-	78,386	-78,386	-
Other comprehensive income:							
Revaluation surplus on Property, Plant & Equipment	-	-	-	325,000	-	-	325,000
Total comprehensive income for the year	-	-		325,000	78,386	-18,499	384,887
Transactions with owners, recorded directly in equity contributions by and distributions to owners							
Bonus shares	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Balance at 31 December, 2012	4,423,649	1,105,193	-	1,398,403	457,285	-3,440,467	3,944,063

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER, 2013

(IN THOUSANDS OF NIGERIAN NAIRA)

	NOTES	Group 2013	Group 2012	Company 2013	Company 2012
Cash collection		4,812,097	2,985,913	3,336,231	1,972,825
Cash paid to Suppliers and employees		(4,170,112)	-2,623,687	-2,665,650	-1,936,327
Tax paid		(44,483)	(55,613)	(28,069)	(42,412)
Net cash inflow/(outflow) from operating activities	45	597,502	306,613	642,512	(5,914)
Cash flows from investing activities					
Proceeds from disposals of financial assets		-	287,809	-	561,314
Additions to financial assets		(64,951)	-	(33,401)	-
Disposal of financial assets		-	122,438	-	-
Additions to investment in subsidiaries		-	-	(275,351)	-
Proceeds from Investment Properties		-	-	-	-
Additions to Investment properties	13	(244,078)	(200)	-	-
Additions to Intangible assets	14	(6,551)	(1,437)	-1,200	-
Exchange difference on intangible assets	14	-	(1,299)	-	-
Proceeds from disposal of Property Plant & Equipment		6,901	12,852	601	3,365
Additions to property, plant & Equipment	15	(123,645)	-123,418	-46,190	-80,868
Additions to foreign statutory deposit		(3,898)	-	-	-
Exchange difference on Statutory deposit		-	(76)	-	-
Net cash (outflow)/inflow from investing activities		(436,222)	296,669	-355,541	483,811
Cash flows from financing activities					
Deposit for shares	20	82,582	-	-	-
Financial Liabilities		-290,268	-100,739	-300,152	-80,260
Non Controlling Interest		-	43,759	-	-
Net cash outflow from financing activities		(207,686)	(56,980)	-300,152	-80,260
Net (decrease)/increase in cash and cash equivalents		(46,406)	546,302	-13,181	397,637
Cash and cash equivalents brought forward		1,864,665	1,318,363	1,474,419	1,076,782
Cash and cash equivalents carried forward	6	1,818,259	1,864,665	1,461,238	1,474,419

5.3 CAPITAL MANAGEMENT

The Group's objectives with respect to capital management are to maintain a capital base that is designed to satisfy regulatory requirement and optimize capital allocations.

Equity Assurance Plc has over the years been deploying capital from earnings and equity funds to support growth in business volumes while striving to meet dividend commitments to shareholders. To be able to continue to generate and deploy capital both to grow core businesses and reward shareholders, there is need for the Company to execute the right strategy, the right growth dynamics, the right cost structure and risk discipline as well as the right capital management.

The Group's capital management strategy focus on the creation of shareholders' value whilst meeting the crucial and equally important objective of providing an appropriate level of capital to protect stakeholders' interests and satisfies regulators.

The Group's objectives when managing capital are as follows:

1. To ensure that capital is, and will continue to be, adequate for the safety, soundness and stability of the Group.
2. To generate sufficient capital to support the Group's overall business strategy.
3. To ensure that the Group meets all regulatory capital ratios
4. To maintain a strong risk rating.
5. To ensure that capital allocation decisions are optimal, considering the return on economic and regulatory capital.
6. to determine the capital required to support each business activity based on returns generated on capital to facilitate growth/expansion of existing businesses.
7. To establish the efficiency of capital utilisation;

In reporting financial strength, capital and solvency are measured using the rules prescribed by the National Insurance Commission. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

Minimum Capital Requirement

Equity Assurance Plc complied with the minimum capital requirement of N3 billion for non-life operations. This is shown under Shareholders' fund in the statement of financial Position.

Solvency Margin

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

Section 24 of the Insurance Act 2003 defines Solvency margin of a non-life insurer as the difference between the admissible assets and liabilities and this shall not be less than 15% of Net premium income or the minimum capital base (N3billion) whichever is higher.

This test compares insurers' capital against the risk profile. The regulator indicated that insurers should produce a minimum solvency margin of 100%. The company experienced a shortfall in its solvency margin for the year ended 31st December, 2013.

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2013 (Cont'd) IN THOUSANDS OF NIGERIAN NAIRA

In order to continually meet the company's obligation to policy holders, the company has taken concrete steps towards attracting potential investors as shareholders to boost her capital base. It is expected that the capital injection initiatives will crystallise on or before December 31, 2014 and would address the solvency margin concerns.

	December 2013
	N'000
Cash and Cash equivalents	1,461,238
Quoted stocks at market value	185,425
Trade receivables	403,409
Statutory deposits	300,000
Unquoted stocks at cost	1,160,688
Land and building	1,000,000
Furniture & fittings	18,912
Office equipments	51,270
Motor vehicles	70,469
Amount due from retrocession	773,196
Deferred acquisition costs	221,311
Intangible assets other than computer software	989,503
Admissible assets	<u>6,635,420</u>
Insurance liabilities	2,332,272
Premium creditors	112,079
Obligation under finance lease	13,706
Convertible redeemable loan	2,227,549
Other credit balances	119,525
Taxation	69,195
Admissible liabilities	<u>4,874,326</u>
Solvency margin	<u>1,761,094</u>
The higher of 15% of net premium income and shareholders funds	<u>3,000,000</u>
Solvency ratio	<u>58.70</u>

EQUITY ASSURANCE PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
IN THOUSANDS OF NIGERIAN NAIRA

5.4 SEGMENT REPORTING -2013

GROUP	NON-LIFE	HEALTHCARE	ASSET MGT	ELIMINATION ADJUSTMENTS	TOTAL
Revenue:					
Derived from external customers					
Gross Premium	4,217,462	398,588	-	-	4,616,050
Gross Premium income	3,685,571	396,576	-	-	4,082,147
Reinsurance expenses	(872,353)	-	-	-	-872,353
Net Premium income	2,813,218	396,576	-	-	3,209,794
Commission income	169,114	-	-	-	169,114
Income from non-insurance subsidiaries	-	115,377	29,081	-	144,458
Investment income attributable to insurance fund	-	-	-	-	-
Investment income	379,860	31,616	6,391	-	417,867
Net realised gains on financial assets	9,539	-	-	-	9,539
Net fair value gain /(loss) on financial assets at fair value through profit or loss	19,821	1,660	-	-	21,481
Other operating income	38,760	1,393	2,641	-	42,793
Fair value gains on investment property	-	184,100	-	-	184,100
Rental income	-	-	-	-	-
Net income	3,430,312	730,722	38,112	-	4,199,146
Insurance claims	1,191,360	226,692	-	-	1,418,052
Insurance claims recovered from reinsurer	(463,481)	-	-	-	-463,481
Net insurance claims	727,878	226,692	-	-	954,571
Acquisition costs	663,138	9,734	-	-	672,872
Other underwriting expenses	124,616	-	-	-	124,616
Employee benefit expense	443,319	115,336	9,787	-	568,443
Depreciation and amortization	-	-	-	-	-
Impairment loss-Others	141,846	-	-	-	141,846
Impairment loss on trade receivables	311,177	-	-	-	311,177
Other expenses	1,274,755	156,290	10,882	-	1,441,927
Net expenses	3,686,729	508,053	20,670	-	4,215,452
Reportable segment profit	-256,417	222,669	17,443	-	-16,305
Finance cost	(345,369)	(3,206)	(60)	-	-348,635
Profit before income tax from reportable segments	-601,786	219,463	17,382	-	-364,940
Income tax	(63,276)	(4,737)	(4,878)	-	-72,892
(Loss)/profit after income tax	-665,062	214,726	12,504	-	-437,832

SEGMENT REPORTING -2012

GROUP	NON-LIFE	HEALTHCARE	ASSET MGT	ELIMINATION ADJUSTMENTS	TOTAL
Revenue:					
Derived from external customers					
Gross Premium	3,559,202	364,536	-	-	3,923,738
Gross Premium income	3,340,422	355,838	-	-	3,696,260
Reinsurance expenses	-583,464	-	-	-	-583,464
Net Premium income	2,756,958	355,838	-	-	3,112,796
Commission income	169,289	-	-	-	169,289
Income from non-insurance subsidiaries	-	103,594	33,297	-5,617	131,274
Investment income attributable to insurance fund	-	-	-	-	-
Investment income	275,541	21,653	2,998	-85,613	214,579
Net realised gains on financial assets	6,068	-	-	-	6,068
Net fair value gain /(loss) on financial assets at fair value through profit or loss	49,931	-6,817	-	-	43,114
Other operating income	260,187	25	3,631	-	263,843
Fair value gains on investment property	-	-	-	-	-
Rental income	-	2,222	2,500	-	4,722
Net income	3,517,974	476,515	42,426	-91,230	3,945,685
Insurance claims	1,307,912	208,332	-	-	1,516,244
Insurance claims recovered from reinsurer	-446,761	-	-	-	-446,761
Net insurance claims	861,151	208,332	-	-	1,069,483
Acquisition costs	517,736	6,722	-	-	524,458
Other underwriting expenses	79,461	2,468	-	-	81,929
Employee benefit expense	396,220	108,046	10,839	-	515,105
Depreciation and amortization	140,305	4,968	1,049	-	146,322
Impairment loss on trade receivables	473,946	-	-	-	473,946
Other expenses	695,234	105,188	6,530	-	806,952
Net expenses	3,164,053	435,724	18,418	-	3,618,195
Reportable segment profit	353,921	40,791	24,008	-91,230	327,490
Finance cost	-84,372	-2,880	-	5,617	-81,635
Profit before income tax from reportable segments	269,549	37,911	24,008	-85,613	245,855
Income tax	-80,451	-15,213	-561	-	-96,225
Profit after income tax	189,098	22,698	23,447	-85,613	149,630

Cash flow workings

	Group N'000 2013	Company N'000 2013
Cash collection		
Trade receivables b/f	1,061,015	482,813
Trade receivables c/f	-864,968	-403,409
Premium income written	4,616,050	3,256,827
	<u>4,812,097</u>	<u>3,336,231</u>
Trade payable b/f	(201,942)	-27,826
Trade payable c/f	256,738	112,079
Other payable b/f	(337,142)	-105,571
Other payables c/f	294,748	119,525
Insurance contract liabilities b/f	(2,205,355)	-1,813,182
Insurance contract liabilities c/f	2,754,236	2,332,272
Retirement benefit obligations b/f	-	0
Retirement benefit obligations c/f	-	0
Prepayment and other receivables b/f	447,880	441,765
Prepayment and other receivables c/f	(604,266)	-481,726
Reinsurance receivables b/f	902,791	703,741
Reinsurance receivables c/f	(1,008,096)	-773,196
Deferred acquisition cost b/f	192,044	160,727
Deferred acquisition cost c/f	(311,608)	-221,311
Reinsurance expenses	(872,353)	-733,561
Net Claims expenses	(954,571)	-547,303
Acquisition cost	(797,488)	-655,861
Unearned premium	(533,903)	-494,357
Commission income	169,114	109,400
Net income from non-insurance subsidiaries	144,458	
Investment income	375,445	307,362
Net realised gains(losses) on assets	9,539	9,539
Net fair value gain on investment property	-	
Net fair value gains(losses) on financial assets	1,660	0
Other operating income	42,793	34,259
Employee benefit expenses	(568,443)	-343,722
Impairment loss	(453,023)	-311,894
impairment charge on available for sale assets	6,600	6,600
Impairment charge on government bonds	250	250
Other operating expenses	(1,441,926)	-1,059,462
Profit on disposal of fixed assets	(1,254)	-591
Depreciation	128,298	79,812
Amortisation	52,685	50,859
Movement in NCI	(68,274)	
Movement in Reserves	(31,008)	
Exchange difference on intangible assets	610	-1
Exchange difference on PPE	5,949	
Exchange difference on contingency reserves	(12,869)	
Movement in foreign exchange reserves	19,531	
Exchange difference in taxation	(7,683)	
Exchange loss on Daewoo loan	435,723	435,723
	<u>-4,170,112</u>	<u>-2,665,650</u>

Income tax paid

Current income tax liabilities b/f	(146,983)		-75,737
Current income tax liabilities c/f	173,358		69,195
Deferred income tax liabilities b/f	(32,298)		-30,986
Deferred income tax liabilities c/f	26,649		30,986
Taxation (income statement)	(72,892)	-	21,527.00
Exchange difference on income tax	7,783		
Exchange difference on deferred tax	(100)		-
	<u>-44,483</u>		<u>-28,069</u>

7,683	19,531	6,663	7,683
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