

CUSTODIAN AND ALLIED PLC

CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS
31st DECEMBER, 2014

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CORPORATE INFORMATION

DIRECTORS

Chief Michael Ade Ojo (Chairman)
Mr. Wole Oshin
Mr. Ibrahim Dikko
Mr. Richard Asabia
Mr. Toni Ogunbor
Mr. Ravi Sharma (Rep. Aureos Africa Fund LLC)

SECRETARY

Custodian Trustees Limited
16A, Commercial Avenue
Sabo, Yaba,
Lagos
Phone: +234 01-2774000-9

REGISTRATION NO

RC No. 171209

REGISTERED OFFICE

Custodian House
16A, Commercial Avenue
Sabo, Yaba,
Lagos
Phone: +234 01-2774000-9
Email: enquiries@custodianinsurance.com
Website: www.custodianinsurance.com

SUBSIDIARIES

Custodian and Allied Insurance Limited
Custodian Life Assurance Limited
CrusaderSterling Pensions Limited
Custodian Trustees Limited

ASSOCIATE

Leadway Pensure PFA Limited

AUDITORS

Akintola Williams Deloitte
235, Ikorodu Road
Ilupeju
Lagos, Nigeria.

REGISTRARS

Meristem Registrars Limited
213, Herbert Macaulay Way, Yaba,
Lagos.

BANKERS

First Bank of Nigeria Limited,
United Bank for Africa Plc,
Zenith Bank Plc,
Guaranty Trust Bank Plc

CONSULTING ACTUARIES

HR Nigeria Limited
7th Floor, AIICO Plaza
Afribank Street
Victoria Island, Lagos, Nigeria

BRANCH DIRECTORY

Head Office

Custodian House
16A, Commercial Avenue,
Sabo, Yaba, Lagos.
Tel: (+234) 1 2707206-7, 2793740, 27937401
0700-CUSTODIAN, (+234) 1 2774000-9
Fax: (+234) 1 2707203
P. O. Box 2101, Lagos.
Email: enquiries@custodianinsurance.com
Website: www.custodianplc.com.ng

Branch Office

27, Commercial Avenue,
Sabo, Yaba, Lagos.
0700-CUSTODIAN
P. O. Box 2101, Lagos

Abuja

Prime Plaza
Plot 1012, Adetokunbo Ademola Crescent
Opposite Rockview, Wuse 2, Abuja
09- 2900465

Apapa

27, Wharf Road
Apapa, Lagos
08033909844, 08063923993

Benin

95A, 1st East Circular Road,
Benin City, Edo State
Tel: 05-2292480

Owerri

103, Wetheral Road
Owerri, Imo State
Tel: 083-431158, 07062534597

Calabar

45, Murtala Mohammed Highway,
Calabar, Cross River State
Tel: 09024894449

Kano

2, Bank Road, Kano
Kano State
Tel: 064-895969, 08033607254

Port Harcourt

180 Aba Road,
Port Harcourt,
Rivers State
Tel: 07085000046, 08053060100

BRANCH DIRECTORY(Cont'd)

Ibadan

6th Floor,
Broking House,
1,AlhajiJimohOdutola Street
Ibadan, Oyo State.
Tel: 022-918538, 08169031408

Akure

Suite 227, 2nd Floor,
Oyemekun Plaza,
Bye-Pass Junction,
Oyemekun Road,
Akure, Ondo State.
Tel: 022-911252, 08037271840

Abeokuta

20A Olusegun Osoba
Way, Oke Ilewo Omida-Ibara
Abeokuta
Tel. 08023860547

Akure

Suite 227, 2nd Floor,
Oyemekun Plaza,
Bye-Pass Junction,
Oyemekun Road,
Akure, Ondo State.
Tel: 022-911252, 08037271840

City Office (Lagos Island)

42/43, Marina, Leventis Building
Lagos.
Tel: 08087183560

Kaduna

3, Kanta Road
P. O. Box 9301
Kaduna, Kaduna State
08033607254

Onitsha

60A, Old Market Road
Onitsha, Anambra State
Tel: 08064445956, 0803923993

Osogbo

37B, Ibadan Road,
Etisalat Building, (Behind Zenith Bank)
Gbongan, Osogbo
Osun State
Tel: 0803771840

Alagomeji

9, Hughes Avenue,
Alagomeji, Yaba,
Lagos.

CUSTODIAN AND ALLIED PLC

**Consolidated Annual Reports and Financial Statements
For the year ended 31 December, 2014**

EXECUTIVE SUMMARY SHEET

	GROUP		COMPANY	
	N '000 31-Dec-14	N '000 31-Dec-13	N '000 31-Dec-14	N '000 31-Dec-13
Cash and cash equivalents	15,868,039	15,420,426	1,807,249	932,391
Financial assets	11,946,916	7,462,379	52,405	64,597
Investment properties	7,350,811	6,309,466	3,515,000	3,055,000
Property, plant and equipment	2,469,421	2,463,747	39,541	6,249
Investment contract liabilities	3,030,332	3,080,315	-	-
Interest-bearing loans and borrowings	2,125,363	1,974,259	-	-
Equity attributable to owners of the parent	22,486,856	19,092,888	11,347,750	10,118,709
Total Assets	48,864,423	45,653,813	12,137,877	10,711,799
Gross Revenue	<u>25,200,119</u>	<u>24,682,019</u>	<u>2,324,092</u>	<u>1,326,850</u>
<i>Gross Premium Income</i>	18,663,477	18,797,404	-	-
<i>Investment Income</i>	2,526,911	2,087,309	2,249,539	359,733
<i>Fees and Commission</i>	2,386,866	2,327,262	-	-
<i>Other Operating Income</i>	1,622,865	1,470,044	74,553	967,117
Operating Expenses	<u>(16,596,909)</u>	<u>(17,129,561)</u>	<u>-</u>	<u>-</u>
<i>Reinsurance Expenses</i>	9,944,035	10,380,644	-	-
<i>Underwriting Expenses</i>	1,976,427	2,216,639	-	-
<i>Net Claims Expenses</i>	4,676,447	4,532,278	-	-
Management expenses	(4,118,179)	(3,583,686)	(206,862)	(290,432)
Finance costs	(100,129)	(359,960)	-	(251,597)
Total comprehensive income for the year, net of tax	<u>4,548,847</u>	<u>3,603,493</u>	<u>2,228,958</u>	<u>1,086,342</u>
EPS - Basic (in kobo)	<u>70</u>	<u>63</u>	<u>40</u>	<u>19</u>
Net assets per share (in kobo)	<u>379</u>	<u>325</u>	<u>193</u>	<u>172</u>

CORPORATE GOVERNANCE

At Custodian, we appreciate the worth of our shareholders and we understand that our obligations go beyond being profitable and include demonstrating good corporate citizenship through ethical behaviour and sound corporate governance practices. We view corporate governance as a guideline for responsible administration of a Company geared at long term creation of value. Continually improving corporate governance is an important principle underlying our business activities.

We adopt Corporate Governance practices that guarantee that the Company's business is conducted in line with the principles of probity, accountability, transparency and fairness. We ensure proper distribution of rights and responsibilities between Shareholders who appoint/approve the Board of Directors who in turn, appoint and review the activities of Management. Our aim in this regard is to foster the confidence of investors, clients, employees and the general public.

Custodian applies the highest standards to its operations and activities and complies with all directives of the Regulators. Custodian complies with the Code of Corporate Governance for public Companies (the Code) issued by the Securities and Exchange Commission which explicitly provides the principles of Corporate Governance to be observed by public companies.

At Custodian we believe that competitiveness and ultimate success of the firm will be the result of teamwork that embodies contributions from a range of different resource providers including investors, employees, creditors, and suppliers. Paramount to us as a Company is the impact that various stakeholders can have on the behaviour and performance of our Company and economic growth. Our corporate governance model is primarily concerned with how effective different governance systems are in promoting commitment amongst the various stakeholders.

Beyond this, we have put in place internal control measures that guarantee that the highest-level of legal and ethical requirements are met by the Board, Management and staff in conducting the affairs of the Company. Compliance with all applicable legislation, regulations, standards and codes is an essential characteristic of the Company's culture.

Corporate legal structure

Custodian and Allied Plc is a Public Company as defined under the Companies and Allied Matters Act (the Act). Corporate powers reside in the Board of Directors and the Shareholders at the Annual General Meeting. The functions and powers of both bodies are stipulated by the Act and the Memorandum and Articles of Association.

Annual General Meeting

Annual General Meetings are duly convened and held in line with the Company's Articles of Association and existing statutory and regulatory requirements. Attendance at Annual General Meetings is open to Shareholders or their proxies while the principle of 'one share, one vote' applies.

Proceedings at Annual General Meetings are usually monitored by representatives of the Nigerian Stock Exchange and the Securities and Exchange Commission.

The Board

The Board which is accountable to Shareholders ensures that the activities of the Company are at all times conducted within the applicable regulatory framework. The Board is responsible for managing the Company, setting objectives and determining strategy. In doing this, the Board safeguards the Company's interests and aspires to achieve a long-term increase in the Company's values. The Board is responsible for putting in place adequate measures that ensure effective risk management and control within the Company. The Board ensures compliance with statutory requirements and internal regulations. Management reports are sent to the Board or a Committee of the Board as appropriate when dealing with issues that require the approval of the Board. The Board ensures regular training of Board members on issues pertaining to their oversight functions and corporate governance generally.

CORPORATE GOVERNANCE (Cont'd)

The Board is responsible for controlling and managing the strategic business of the Company and constantly reviews and presents a balanced and comprehensive assessment of the Company's performance and future prospects.

Meetings of the Board

Regular meetings of the Board are held at such times and places as determined by the Board and special meetings are held at other times as the Board may determine as appropriate. To effectively perform its oversight functions and monitor management's performance, the Board meets at least once every quarter.

Directors' independence

Directors of Custodian are expected to bring views and judgement to Board deliberations that are independent of management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement, having regard to the best interests of the Company as a whole.

Change in a Director's Occupation

The Board does not believe that Directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. However, promptly following such an event, the Director must notify the Board of such event and the Board may take such event into consideration when determining whether to re-nominate such Director.

Directors' Orientation

New Directors are given an orientation regarding the Group's businesses, corporate governance and reporting procedures and are updated on such matters on a continuing basis. In addition, Directors are advised with respect to policies and procedures applicable to Board and committee meetings and the rights and responsibilities of Directors. Various information reports are sent to the Board in order to keep them informed of the Group's businesses.

Director Access to Management and Independent Advisers

Directors receive operating and financial reports of the Company and have access to senior management at Board and Committee meetings. The Board has the authority to retain, terminate and determine the fees and terms of consultants, legal counsel and other advisers to the Board as the Board may deem appropriate in its discretion.

Ethical Standards

Custodian's Board is committed to acting with the utmost integrity and expects the same of every employee at every level of the Company. The Board has adopted the Securities and Exchange Commission (SEC) Code of Corporate Governance for publicly quoted Companies ("Code of Conduct"), which sets out the corporate governance best practice framework for Custodian and incorporates some of the laws, rules and regulations it is required to comply with. Noting also that the Company is also expected to comply with:

- The Securities and Exchange Commission Consolidated Rules and Regulations, 2013.
- The Nigerian Stock Exchange Rules and Regulations.
- Companies and Allied Matters Act, CAP C20 LFN 2004.
- The Investments and Securities Act, CAP S124 LFN 2007.
- Financial Reporting Act 2011.
- The Company's Memorandum and Articles of Association.
- International best practice.

The Company's principles of Business Conduct corroborate Custodian's policy to conduct its affairs in compliance with all applicable laws and regulations and observe the highest standards of business ethics. The Company expects that the spirit as well as the letter of those standards are followed by the Directors, officers and employees of the Company, its subsidiaries and divisions. This is communicated to each new Director, officer and employee and has already been communicated to those in positions at the time the Standards of Business Conduct were adopted.

CORPORATE GOVERNANCE (Cont'd)Board Structure and Composition

The Board of Custodian comprises six (6) Directors. Mr. Ibrahim Dikko is an Independent Director on the Board of the Company and was appointed in accordance with the criteria laid down in the Code and meets the requirement that an independent Director should not have any significant shareholding interest in the Company.

The Board functions either as a full Board or through any of the under listed four Committees which are constituted as follows:

Audit, Compliance and Risk Management Committee

Mr. Richard Asabia - Chairman
Mr. Wole Oshin
Mr. Ravi Sharma (representing Aureos Africa Fund LLC)
Mr. Ibrahim Dikko

Finance, Investment and General Purpose Committee

Mr. Toni Ogunbor - Chairman
Mr. Wole Oshin
Mr. Ravi Sharma (rep. Aureos Africa Fund LLC)
Mr. Ibrahim Dikko

Establishment and Governance of Committee

Chief Michael Ade Ojo - Chairman
Mr. Wole Oshin
Mr. Richard Asabia
Mr. Ravi Sharma (representing Aureos Africa Fund LLC)
Mr. Ibrahim Dikko

Statutory Audit Committee

Mr. Olaniyi Dada - Chairman
Group Captain Bola Sotubo (Rtd.)
Mr. Oladipo Lambo
Mr. Ravi Sharma (representing Aureos Africa Fund LLC)
Mr. Ibrahim Dikko
Mr. Richard G. Asabia

A record of attendance at Board of Directors meetings are provided below:

Directors	March 27, 2014	May 6, 2014	July 25, 2014	October 28, 2014
Chief Michael Ade Ojo	✓	✓	✓	✓
Mr. Wole Oshin	✓	✓	✓	✓
Mr. Richard Asabia	✓	✓	X	✓
Mr. Ibrahim Dikko	✓	✓	✓	✓
Mr. Toni Ogunbor	✓	X	✓	✓
*Dr. Olusegun Oso (representing Aureos Africa Fund LLC)	✓	✓	✓	X

*Aureos Africa Fund LLC was represented at the meeting by Dr. Olusegun Oso, alternate to Mr. Ravi Sharma

CORPORATE GOVERNANCE (Cont'd)**Audit, Compliance and Risk Management Committee**

The Committee has oversight of management's process for the identification of significant risks across the Company and prevention, detection and reporting mechanisms. The Committee is charged with overseeing the Enterprise Risk Management framework of the Company and ensuring the adequacy of provisions made for possibilities of any adverse changes in the industry and the economy. The Committee has the responsibility for the approval and review of the Company's risk management policy in line with the Company's risk appetite and risk strategy.

The Committee oversees the Company's compliance level with applicable laws and regulatory requirements and reviews the report of the Internal Auditor on audit, compliance and risk management on a quarterly basis.

A record of the attendance at the Audit, Compliance and Risk Management Committee meetings is provided below:

Members	March 24, 2014	April 28, 2014	July 21, 2014	October 20, 2014
Mr. Wole Oshin	✓	✓	✓	✓
Mr. Richard Asabia	✓	✓	X	✓
Mr. Ibrahim Dikko	✓	✓	✓	✓
*Dr. Olusegun Oso (representing Aureos Africa Fund LLC)	✓	✓	✓	✓

Finance, Investment and General Purpose Committee

The Committee is responsible for ensuring that guidelines for investment comply with legal and regulatory requirements and that investment activities reflect the goals/strategy of the Company. The Committee provides strategic assistance to Management and the Full Board on Finance, Administration, Human Resources and General matters concerning the Company; and periodically reviews changes in the economic and business environment, including emerging trends and other factors relevant to the Company's business. It has the responsibility for reviewing Management/Audited Accounts and it is also charged with the oversight of Management's compliance with budget.

A record of attendance at Finance, Investment and General Purpose committee meetings is provided below:

MEMBERS	March 24, 2014	April 29, 2014	July 22, 2014	October 21, 2014
Mr. Wole Oshin	✓	✓	✓	✓
Mr. Ibrahim Dikko	✓	X	✓	✓
Mr. Toni Ogunbor	X	✓	✓	X
*Dr. Olusegun Oso (representing Aureos Africa Fund LLC)	✓	✓	✓	✓

Statutory Audit Committee

The Committee is established in accordance with statutory requirement and in compliance with Section 359(3) of the Companies and Allied Matters Act Cap C20 LFN 2004. The Audit Committee has oversight responsibility for the Company's Financial Statements; reviews the scope and planning of audit requirements; reviews the findings on management matters in conjunction with the external auditor; makes recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the Company; and authorises the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee. The Audit Committee comprises of

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6 members, 3 Shareholders Representatives and 3 Non-Executive Directors.

CORPORATE GOVERNANCE (Cont'd)

Attendance at Statutory Audit Committee meeting during the year:

MEMBERS	March 27, 2014
Mr. Olaniyi Dada	✓
Group Capt. Bola Sotubo	✓
Mr. Oladipo Sambo	✓
*Dr. Olusegun Oso (representing Aureos Africa Fund LLC)	✓
Mr. Ibrahim Dikko	✓
Mr. Richard Asabia	✓

Establishment and Governance Committee

The Committee is headed by the Chairman of the Board and is charged with the responsibility for implementing the Company's policy of appointment of Directors, remuneration of Directors and key staff and succession planning. The Committee also ensures compliance with the Codes of Corporate Governance adopted by the Company.

Directors' Ratification, Rotation and Re-election

The Directors eligible for retirement and re-election at the Annual General Meeting are Mr. Ibrahim Dikko and Mr. Ravi Sharma. Both Mr. Ibrahim Dikko and Mr. Ravi Sharma would be standing for re-election at the next Annual General Meeting of the Company.

Responsibility of the Board and Communication with Shareholders

In addition to their statutory responsibilities, the Board guarantees effective communication to shareholders through the Annual Report & Accounts, published notices, letters sent to the shareholders, information given through the Registrar and announcement made through the Nigerian Stock Exchange which are timely, factual, broadly disseminated and accurate in accordance with all applicable legal and regulatory requirements.

The Shareholders of the Company are encouraged to attend the Company's Annual General Meetings, either in person or by proxy, and robust interaction is maintained. During the meeting, the Board answers questions posed by Shareholders on varying issues concerning the Company.

The Shareholders, amongst other things, are responsible for approving the appointment of the Board of Directors and external auditors in addition to granting approval on specific corporate actions and holding the Board accountable for effective corporate governance

The Company's website www.custodianplc.com.ng remains an excellent resource to members who require constant information on the Company.

Communication with Third Parties

The Board believes that it is, in general, the responsibility of management to speak for the Company in communications to outside parties (e.g. investors, the press and public in general). Directors only engage in such communications at the request of or after consultation with management.

Roles of the Chairman and the Managing Director

In line with best practice, there is separation of powers between the Chairman and the Managing Director; the roles of the Chairman and the Managing Director are separate and distinct. The Chairman, Chief Michael Ade Ojo, a Non-executive Director and has the responsibility of leading the Board. He is a seasoned businessman.

Skills, knowledge and characteristics of the Board

The qualifications and profile of Board members are reviewed periodically to ensure that the Board possesses diverse and varying expertise to perform its functions and a balanced mix of attributes and

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experiences enabling them to evaluate the core and related businesses of the Company.

CORPORATE GOVERNANCE (Cont'd)

Company Secretariat and access to independent professional advice

The Company Secretary has the responsibility of keeping Directors abreast of statutory requirements relating to corporate governance and offering guidance on their responsibilities when required. The Secretariat is responsible for maintaining the registers and other records of the Company and generally acts as a liaison between the Board and the Shareholders.

The Company Secretary works closely with the Chairman to manage the flow of information between the Board, its Committees and Senior Executives across the Group. The Company Secretary is also responsible for providing advice and support to the Board on governance-related matters. The appointment and removal of the Company Secretary is subject to Board approval and all Directors have a right of access to information and advice, facilitated through the Company Secretary.

Custodian Trustees Limited acts as Company Secretary to the Company.

In addition to the assistance provided by the Company Secretary, the Board reserves the right to obtain advice and assistance from relevant independent external professional advisers and experts, at the expense of the Company, and as it may deem appropriate to assist it in carrying out its responsibilities.

Board Compensation

Non-executive Directors are remunerated in line with the Company policy of providing them with a fixed annual fee and sitting allowances for their service on the Board and Board Committees.

In line with the Company policy, remuneration of Executive Directors are fixed by the Establishment and Governance Committee of the Board which is also charged with the responsibility of making recommendations to the Board on all payments made to Executive Directors.

Shareholders Rights

The Board ensures that all the Company's shareholders are treated equally regardless of the size of their shareholdings and social conditions. The Company ensures that all Shareholders receive notices of meetings as appropriate.

E-Dividend

In line with good corporate governance, Custodian encourages its Shareholders to embrace the e-dividend opportunity. This will enable the Company pay dividend due to Shareholders by directly crediting their designated Bank accounts once they are declared. It will also substantially reduce the incidences of unclaimed dividend.

We thus implore our Shareholders to complete the detachable forms in the Annual Report indicating their preferred Bank Accounts and forward same to the Company's Registrars, Meristem Registrars Limited.

External Auditors

Messrs. Akintola Williams Deloitte is the Company's External Auditors and the firm ensures that its responsibilities to the Company are carried out in an independent manner.

Internal Controls

The internal audit function which is headed by a competent professional Accountant with high integrity provides oversight on significant compliance issues, which guide strategies, policies and practices for assessing and managing risk across the Company.

Accounting Principles, Disclosure and Reporting

The Company's Accounting practices are fundamental to the information required by its investors, customers, regulators and other stakeholders to facilitate objective evaluation of the Company and its future prospects. Custodian's accounting records are stated in a concise and transparent manner so that the Company's financial position at any given time is adequately disclosed

Disclosure and reporting requirements are in line with International Financial Reporting Standards (IFRS). The Company assures of prudent financial reporting and maximum disclosure in the annual accounts.

CORPORATE GOVERNANCE (Cont'd)

Securities Trading by Interested parties

In line with Nigerian Stock Exchange Listings Rules regarding Security trading by interested parties, Custodian has in place a Code of Conduct on Securities Transactions guiding its Directors on terms no less exacting than the required standards set out in the Rules.

Specific enquiry has been made of all Directors, whether they have complied with or whether there has been any non-compliance with the Listings Rules (relating to Securities Trading) and Custodian's Code of Conduct on Securities Transactions. There was full compliance by Directors in the 2014 financial year.

Diversity

Custodian recognises that a diverse workforce is of significant social and commercial value and important to being an inclusive employer. Custodian strives to create a work environment which is inclusive to all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference. All areas of diversity are important and Custodian pays particular attention to gender diversity. Custodian recognises the value that diversity can bring, which includes:

- ❖ broadening the skills and experience of the labour pool from which Custodian can draw and attract top talent to our businesses.
- ❖ providing greater alignment to customer needs.
- ❖ improving creativity and innovation.

Whistle blowing

Custodian has a whistle blowing policy which allows for reporting suspected breaches of the Company's policies or other unethical practices. There is a form for this purpose on the Company's website.

Statement of Compliance

Custodian is a public limited liability Company and is subject to the jurisdiction of the Securities and Exchange Commission's Code of Corporate Governance. The Board of Directors charged with the responsibility of ensuring compliance has submitted that the Company was in compliance with the provisions of the Code in the 2014 financial year.

The Company also complied with all the relevant laws of Nigeria.



ADEYINKA JAFUJO
FRC/2013/NBA/00000002403
Custodian Trustees Limited
Company Secretary

Dated this March 24, 2015

REPORT OF THE AUDIT COMMITTEE

In accordance with the provisions of Section 359(3) (4) and (6) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, we have received the Independent Auditors' report for the year ended 31st December 2014 and hereby state as follows:

- i. We ascertain that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
- ii. In our opinion, the scope and the planning of the audit were adequate.
- iii. We reviewed the effectiveness of the Group and the Company's system of accounting and internal control.
- iv. The external auditors' management report received satisfactory response from Management.


Mr. Olaniyi Dada
Chairman, Audit Committee
FRC/2013/ICAN/00000003137
Lagos, Nigeria.
March 19, 2015

Members of the Committee

- ❖ Mr. Olaniyi Dada - Chairman
- ❖ Group Captain Bola Sotubo (Rtd.)
- ❖ Mr. Oladipo Lambo
- ❖ Mr. Ravi Sharma (representing Aureos Africa Fund LLC)
- ❖ Mr. Ibrahim Dikko
- ❖ Mr. Richard Asabia

**Statement of Directors' Responsibilities
For the preparation and approval of the Financial Statements**

The Directors of **Custodian and Allied Plc** are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view of the financial position of the Group and Company as at 31 December 2014, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, the Insurance Act CAP I17 LFN 2004, Pension Reform Act 2004 and the Financial Reporting Council of Nigeria Act.

In preparing the consolidated and separate financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group and Company;
- maintaining adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and which enable them to ensure that the financial statements of the Group and Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group and Company; and
- preventing and detecting fraud and other irregularities.

Going Concern:

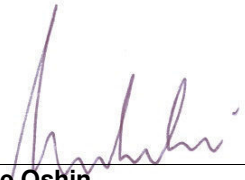
The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not remain a going concern in the year ahead.

The consolidated financial statements of the Group and Company for the year ended 31 December 2014 were approved by the board of directors on 24 March, 2015.

On behalf of the Directors of the Group



Chief Michael Ade Ojo
Chairman
FRC/2013/IODN/00000003068



Wole Oshin
Group Managing Director
FRC/2013/CIIN/0000003054



Ademola Ajuwon
Chief Financial Officer
FRC/2013/ICAN/00000002068

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CUSTODIAN AND ALLIED PLC

Report on the Financial Statements

We have audited the accompanying consolidated and separate financial statements of **CUSTODIAN AND ALLIED PLC (the company) and its subsidiaries (together referred to as "the Group")** which comprise the consolidated and separate statement of financial position as at 31 December 2014, the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity, statement of cash flows for the years then ended, a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act CAP C20 LFN 2004, the Financial Reporting Council of Nigeria Act 2011, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 the audit to obtain reasonable assurance about whether 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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of **CUSTODIAN AND ALLIED PLC and its subsidiaries** as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act CAP C20 LFN 2004, and the Financial Reporting Council of Nigeria Act, 2011.

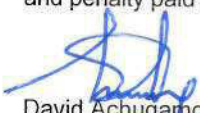
Other reporting responsibilities

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

- i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) The Group has kept proper books of account, so far as appears from our examination of those books.
- iii) The consolidated and separate statement of financial position and its consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Contravention

The Group contravened certain sections of NAICOM circulars and guidelines during the year, the particulars thereof and penalty paid are as disclosed in Note 35 to the financial statements.


David Achugamonu, FCA - FRC/2013/ICAN/000000000840
For: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria
30 March 2015



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CUSTODIAN AND ALLIED PLC

**Consolidated Annual Reports and Financial Statements
For the year ended 31 December, 2014**

**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2014**

		GROUP		COMPANY	
		2014 N'000	2013 N'000	2014 N'000	2013 N'000
Current assets					
Cash and cash equivalents	4	15,868,039	15,420,426	1,807,249	932,391
Financial assets	5	11,946,916	7,462,379	52,405	64,597
Trade receivables	6	191,479	96,049	-	-
Reinsurance assets	7	7,760,736	11,041,983	-	-
Deferred acquisition costs	8	556,955	372,021	-	-
Other receivables and prepayments	9	1,117,538	747,922	104,122	294,002
Investment in subsidiaries	10	-	-	6,209,669	5,949,669
Investment in associates	11	668,166	556,638	409,891	409,891
Investment properties	12	7,350,811	6,309,466	3,515,000	3,055,000
Intangible assets	13	84,362	333,182	-	-
Property, plant and equipment	14	2,469,421	2,463,747	39,541	6,249
Statutory deposits	15	850,000	850,000	-	-
Total Assets		48,864,423	45,653,813	12,137,877	10,711,799
Liabilities and Equity					
Liabilities					
Insurance contract liabilities	16	15,806,783	17,658,373	-	-
Investment contract liabilities	17	3,030,332	3,080,315	-	-
Trade payables	18	1,709,081	826,187	-	-
Other payables	19	1,481,604	1,079,387	433,986	503,775
Current income tax	20	1,098,447	1,207,501	87,869	89,315
Deferred tax liabilities	21	578,818	304,977	268,272	-
Interest-bearing loans and borrowings	22	2,125,363	1,974,259	-	-
Total liabilities		25,830,428	26,130,999	790,127	593,090
Equity					
Share capital	23	2,940,933	2,940,933	2,940,933	2,940,933
Share premium	24	6,405,632	6,405,632	6,405,632	6,405,632
Treasury Shares	25	(140,120)	(140,120)	(140,120)	(140,120)
Retained earnings	25	7,837,331	5,554,468	2,141,305	912,264
Contingency reserve	25	4,779,369	4,128,408	-	-
Available-for-sale reserve	25	663,711	203,567	-	-
Equity attributable to owners of the parent		22,486,856	19,092,888	11,347,750	10,118,709
Non-controlling interests	25	547,139	429,926	-	-
Total equity		23,033,995	19,522,814	11,347,750	10,118,709
Total equity and liabilities		48,864,423	45,653,813	12,137,877	10,711,799


Chief Michael Ade Ojo

Chairman
FRC/2013/IODN/00000003068


Wole Oshin

Director
FRC/2013/CIIN/00000003054


Ademola Ajuwon

Chief Financial Officer
FRC/2013/ICAN/00000002068

CUSTODIAN AND ALLIED PLC

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**CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR YEAR ENDED 31 DECEMBER 2014**

	Note	GROUP		COMPANY	
		2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000
Gross Revenue	26	25,200,119	24,682,019	2,324,092	1,326,850
Operating Expenses	27	(16,596,909)	(17,129,561)	-	-
Net fair value gains	28	646,143	484,748	440,358	352,319
Net realised gains	29	6,173	96,342	4,356	445
Management expenses	30	(4,118,179)	(3,583,686)	(206,862)	(290,432)
Finance costs	31	(100,129)	(359,960)	-	(251,597)
Share of Result of Associate	26	111,528	146,747		
Profit before taxation		5,148,746	4,336,649	2,561,944	1,137,585
Income tax expenses	20	(1,060,043)	(733,156)	(332,986)	(51,243)
Profit after taxation		4,088,703	3,603,493	2,228,958	1,086,342
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net gains on available-for-sale assets, net of tax	32	460,144	-	-	-
Other comprehensive income for the year, net of tax		460,144	-	-	-
Total comprehensive income for the year, net of tax		4,548,847	3,603,493	2,228,958	1,086,342
Profit attributable to:					
– Owners of the parent		4,393,885	3,501,181	2,228,958	1,086,342
– Non-controlling interests		154,962	102,312	-	-
		4,548,847	3,603,493	2,228,958	1,086,342
Earnings per share:					
Basic per share (kobo)	33	70	63	40	19

CUSTODIAN AND ALLIED PLC

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2014**

GROUP	Attributable to owners of the Parent							Non-controlling interests N'000	Total equity N'000
	Share capital N'000	Share premium N'000	Retained earnings N'000	Contingency reserve N'000	Treasury Shares N'000	Available-for-sale reserve N'000	Total N'000		
At 1 January 2014	2,940,933	6,405,632	5,554,468	4,128,408	(140,120)	203,567	19,092,888	429,926	19,522,814
Total comprehensive income for the year:									
Profit for the year	-	-	3,933,741	-	-	-	3,933,741	154,962	4,088,703
Other comprehensive income net of tax:									
Changes in fair value of AFS securities	-	-	-	-	-	460,144	460,144	-	460,144
Total comprehensive income	-	-	3,933,741	-	-	460,144	4,393,885	154,962	4,548,847
Transactions with equity holders, recorded directly in equity:									
Transfer between reserves	-	-	(650,961)	650,961	-	-	-	-	-
Dividend Paid	-	-	(999,917)	-	-	-	(999,917)	(37,749)	(1,037,666)
	-	-	(1,650,878)	650,961	-	-	(999,917)	(37,749)	(1,037,666)
At 31 December 2014	2,940,933	6,405,632	7,837,331	4,779,369	(140,120)	663,711	22,486,856	547,139	23,033,995

CUSTODIAN AND ALLIED PLC

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2014**

GROUP	Attributable to owners of the Parent								Non-controlling interests N'000	Total equity N'000
	Share capital N'000	Share premium N'000	Retained earnings N'000	Contingency reserve N'000	Other Components of Equity N'000	Treasury Shares N'000	Available-for-sale reserve N'000	Total N'000		
<i>At 1 January 2013</i>	2,800,813	6,405,632	3,535,581	3,381,054	130,948	-	(156,756)	16,097,272	401,100	16,498,372
Total comprehensive income for the year:										
Profit for the year	-	-	3,501,181	-	-	-	-	3,501,181	102,312	3,603,493
Other comprehensive income net of tax:										
Changes in fair value of AFS securities	-	-	-	-	-	-	259,076	259,076	-	259,076
Total comprehensive income	-	-	3,501,181	-	-	-	259,076	3,760,257	102,312	3,862,569
Transactions with equity holders, recorded directly in equity:										
Transfer between reserves	-	-	(717,653)	747,354	(130,948)	-	101,247	-	-	-
Dividends Paid	-	-	(764,642)	-	-	-	-	(764,642)	-	(764,642)
Non-Controlling Interest ¹	-	-	-	-	-	-	-	-	(73,486)	(73,486)
Treasury Shares ²	-	-	-	-	-	(140,120)	-	-	-	-
	-	-	(1,482,295)	747,354	(130,948)	-	(140,120)	(764,642)	(73,486)	(838,128)
At 31 December 2013	2,800,813	6,405,632	5,554,468	4,128,408	-	-	203,567	19,092,888	429,926	19,522,814

CUSTODIAN AND ALLIED PLC

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**STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 DECEMBER 2014**

Attributable to owners of the Company							
COMPANY	Share capital =N='000	Share premium =N='000	Retained earnings =N='000	Other Components of Equity =N='000	Treasury Shares =N='000	Available- for-sale reserve =N='000	Total =N='000
<i>At 1 January 2014</i>	2,940,933	6,405,632	912,264	-	(140,120)	-	10,118,709
Total comprehensive income for the year:							
Profit or loss for the year	-	-	2,228,958	-	-	-	2,228,958
Transactions with equity holders, recorded directly in equity:							
Dividend Paid	-	-	(999,917)	-	-	-	(999,917)
At 31 December 2014	2,940,933	6,405,632	2,141,305	-	(140,120)	-	11,347,750
<i>At 1 January 2013</i>	2,800,813	6,405,632	(323,772)	147,439	-	2,255	9,032,367
Total comprehensive income for the year:							
Profit or loss for the year	-	-	1,086,342	-	-	-	1,086,342
Transactions with equity holders, recorded directly in equity:							
Transfer Between Reserves	-	-	149,694	(147,439)	-	(2,255)	-
Reinstatement of Treasury Shares	140,120	-	-	-	(140,120)	-	-
	140,120	-	149,694	(147,439)	(140,120)	(2,255)	-
At 31 December 2013	2,940,933	6,405,632	912,264	-	(140,120)	-	10,118,709

CUSTODIAN AND ALLIED PLC

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CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
	2014	2013	2014	2013
	=N='000	=N='000	=N='000	=N='000
Cash flows from operating activities				
Profit before taxation	5,148,746	4,336,649	2,561,944	1,137,585
<i>Adjustments for non-cash items:</i>				
– Impairment losses/(fair value gain)	189,777	(78,169)	12,392	
– Depreciation	261,044	209,336	11,386	7,050
– Impairment of goodwill	257,336	151,791		-
– Amortisation of intangible assets and deferred expenses	20,809	20,784	-	-
– Profit on disposal of property, plant and equipment	(3,000)	(8,794)	(100)	(445)
– Profit on disposal equities and others	(3,173)	(87,548)	(4,256)	-
– Fair value gains on investment	(835,920)	(484,748)	(452,750)	(352,319)
– Exchange rate differential	(1,124,797)	426	-	-
– Share of result of associate	(111,528)	(146,747)	-	-
– Gain on bargain purchase	-	834,034	-	-
– Dividend income	(452,017)	(306,764)	(2,112,021)	(218,828)
– Interest income and profit on investment contract	(2,074,894)	(1,780,545)	(137,518)	(140,905)
– Interest expense	100,129	359,960	-	251,597
– Net gain/(losses) on available-for-sale assets	(460,144)	(2,449)	-	-
	912,368	3,017,216	(120,923)	683,735
Income tax paid	(884,078)	(325,850)	(66,160)	(14,938)
	28,290	2,691,366	(187,083)	668,797
Changes in working capital:				
(Increase)/Decrease in reinsurance assets	3,281,247	(10,265,920)	-	-
(Increase)/Decrease in other receivables	-	(1,492,150)	(1,830)	-
Decrease in trade receivables	210,667	1,477,270	-	-
Decrease in net asset arising on biz. Combination	-	(557,589)		2,006,680
(Increase) in other receivables and prepayments	(369,616)	(620,654)	189,880	(124,917)
Decrease in deferred acquisition cost	(184,934)	-	-	-
Increase/(Decrease) in insurance contract liabilities	(1,851,590)	14,515,523	-	-
Increase/(Decrease) in investment contract liabilities	(49,983)	221,278	-	-
Increase/(Decrease) in other liabilities	1,285,111	960,320	(69,789)	396,842
Net cash provided/(utilised) by operating activities	2,349,192	6,929,444	(68,822)	2,947,402
Cash flows from investing activities				
Purchase of property, plant and equipment	(271,878)	(492,882)	(44,678)	-
Proceeds on disposal of property, plant and equipment	8,162	213,362	100	9,715
Purchase of intangible	(29,325)	(137,527)	-	-
Purchase/additions to investments	(4,435,387)	(329,591)	-	(306,927)
Redemption of matured investments	1,957,274	42,228	5,886	-
Investment in associates / subsidiary	-	-	(260,000)	-
Purchase of investment properties	(229,425)	8,205	(7,250)	-
Proceeds of sale of investment properties	24,000	-	-	-
Interest received	1,761,346	1,780,545	137,518	140,905
Dividend received	452,017	306,764	2,112,021	218,828
Net cash (used)/provided in investing activities	(763,216)	1,391,104	1,943,597	62,521
Cash flows from financing activities				
Interest paid	(100,697)	(359,960)	-	(202,461)
Redemption of Convertible Bonds	-	(1,600,657)	-	(3,402,000)
Dividend Paid in the year	(1,037,666)	-	(999,917)	
	(1,138,363)	(1,960,617)	(999,917)	(3,604,461)
Net increase/(decrease) in cash and cash equivalents	447,613	6,359,931	874,858	(594,538)
Cash and cash equivalents at beginning of the year	15,420,425	9,060,920	932,391	1,526,930
Effect of change in exchange rate	-	(426)	-	-
Cash and cash equivalents at end of the year	15,868,039	15,420,425	1,807,249	932,392

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. Corporate information

Custodian and Allied Plc. is the investment holding company that resulted from the successful merger of Custodian and Allied Insurance Plc and Crusader (Nigeria) Plc.

Custodian and Allied Plc was incorporated on 22 August, 1991 as a private limited liability company under the name Accident and General Insurance Company Limited. It changed its name to Custodian and Allied Insurance Plc on 5 February, 1993 and became a public limited liability company on 29 September, 2006.

The Company is quoted on the Nigerian Stock Exchange and has its registered office at 16A Commercial Avenue, Sabo Yaba Lagos, Nigeria.

The financial statements of Custodian and Allied Plc have been prepared on a going concern basis. The directors of the company have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The financial statements of the Company and consolidated and separate financial statements of the group are as at, and for the year ended, 31 December, 2014

1.2. Principal activities

Custodian and Allied Plc is an investment holding company with significant interests in life and non-life insurance, pension fund administration, trusteeship and property holding companies. The subsidiaries are:

- Custodian and Allied Insurance Limited - a wholly owned that carries on general insurance business,
- Custodian Life Assurance Limited - a wholly owned subsidiary that underwrites life insurance risks, such as those associated with death, disability and health liability. The Company also issues a diversified portfolio of investment contracts to provide its customers with fund management solutions for their savings and other long-term needs.
- Custodian Trustees Limited - a wholly owned subsidiary that carries on the business of Trusteeship and Company Secretarial services.
- CrusaderSterling Pensions Limited - a subsidiary that is involved in the administration and management of Pension Fund Assets. This is not a wholly owned subsidiary.
- Leadway Pensure PFA Limited – An associate company engaged in the administration and management of pension fund assets.

1.3 Going concern

These financial statements have been prepared on the going concern basis. The group has no intention or need to reduce substantially the scope of its business operations. The management believes that the going concern assumption is appropriate for the group and company due to sufficient capital adequacy ratio and projected liquidity, based on historical experience that short-term obligations will be financed in the normal course of business. Liquidity ratio and continuous evaluation of current ratio of the group is carried out to ensure that there are no going concern threats to the operation of the group.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**2. Application of new and revised International Financial Reporting Standards (IFRSs)****2.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year**

In the current year, the group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting period that begins on or after 1 January 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 defined an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services.
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the

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disclosures or on the amounts recognised in the consolidated financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

IFRIC 21 Levies

The Group has applied IFRIC 21 Levies for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

2.2 New and revised IFRSs in issue but not yet effective

The Company and Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments⁵

IFRS 15 Revenue from Contracts with Customers⁴

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation³

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants³

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions¹

Amendments to IFRSs

Annual Improvements to IFRSs 2010-2012 Cycle²

Amendments to IFRSs

Annual Improvements to IFRSs 2011-2013 Cycle¹

¹ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include

- a) impairment requirements for financial assets and;
- b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the consolidated financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the group anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the group performs a detailed review.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the group do not anticipate that the application of these amendments to IFRS 11 will have impact on the consolidated financial statements as it does not interest in joint operations.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the group believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the group do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants**

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The directors of the group do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the consolidated financial statements as the group is not engaged in agricultural activities.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the group do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an

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intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the group do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a Company of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

The directors of the group do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.

2.3 Introduction to 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.

2.4 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Council of Nigeria for the financial year starting from 1 January, 2014.

The consolidated and separate financial statements comply with the requirement of the Companies and Allied Matters Act CAP C20 LFN 2004, Insurance Act, CAP I17 LFN 2004, the Financial Reporting Council Act, 2011 and the Guidelines issued by the National Insurance Commission to the extent that they are not in conflict with the International Financial Reporting Standards (IFRS).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**2.5 Basis of preparation**

These consolidated and separate financial statements for the year 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations and the Company and Allied Matters Act CAP C20 LFN 2004.

The financial statements comprise the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements and the statement of the accounting policies.

The financial statements have been prepared in accordance with the going concern principle on a historical cost basis except for available-for-sale financial assets and investment properties which are measured at fair value.

The financial statements are presented in Naira, which is the Group's presentational and functional currency. The figures shown in the financial statements are stated in thousands, except where otherwise stated.

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid short-term investments.

The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the comparative period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have significant impacts on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 below.

Basis of consolidation**Subsidiaries**

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases. For the purpose of these financial statements, subsidiaries are entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the separate financial statements, investments in subsidiaries and associates are measured at

cost.

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Loss of Control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

Non-controlling interests

The group applies IFRS 10 Consolidated Financial Statements (2012) in accounting for acquisitions of non-controlling interests. Under this accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The financial statements are presented in thousands. Naira is the Group's presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

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Translation differences on non-monetary items held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items classified as available-for-sale financial assets are included in the fair value reserve in equity.

Foreign exchange gains and losses that relate to short-term deposits and cash and cash equivalents are presented in the profit or loss within 'net investment income'. All other foreign exchange gains and losses are presented in the profit or loss within 'Other operating income' or 'other expenses'.

2.5 Insurance and investment contracts

Insurance contracts are those contracts where Custodian and Allied Plc (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, Custodian determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts defined in IFRS 4 may also transfer financial risk.

Life insurance liabilities are usually recognized when contracts are entered into and premiums are charged. Liability for life insurance contracts comprises the provision for unearned premium as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the income statement in "Transfer to Life fund". Life insurance liabilities are derecognized when the contract expires, is discharged or is cancelled.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

2.5.1 Insurance contracts

Individual Life

These contracts insure mainly against death. For the published accounts, the contracts are valued using a gross premium valuation, taking into account the present value of expected future premium, claim and associated expense cash flows.

Any resultant negative policyholder liabilities, measured on an individual policy level, are set to zero ("zeroised") so as not to recognise profits prematurely.

Group Life

These contracts insure against death on a group basis. These contracts are short term in nature and are typically renewed annually. For these contracts, gross premiums are recognized as revenue when due.

General insurance

These contracts provide Fire, Accident, Marine, Liability and Energy insurance. For these contracts, gross premiums are recognized as revenue when earned.

Insurance contracts with discretionary participation features

The group's life insurance subsidiary issues endowment contracts that provide primarily savings benefits to policyholders but also transfer insurance risk. The benefit payable under each contract increases each year by a reversionary bonus. Bonus distribution to policyholders is at the discretion

of Custodian's management.

These contracts are valued on a gross premium valuation basis.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Reinsurance

The Group cedes insurance risk in the normal course of business for most of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

The impairment loss is recorded in the profit or loss. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with related reinsurance contract.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets that are recognized based on the consideration paid less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

Actuarial valuation of Life fund

This is made up of the net liabilities on all policies in force as computed at the time of the actuarial valuation. Actuarial valuation of life fund is carried out annually for the purpose of determining the surplus or deficit at the end of the year. All deficits/surpluses arising thereon are charged/credited to the profit or loss account.

Liability Adequacy Test

Liabilities from insurance policies are tested at each reporting date for adequacy of the insurance liabilities recognized in the financial statements. During this process, up-to-date estimates of current valuation parameters are examined, taking into account all future cash flows associated with the insurance policies, to determine whether the recognized liabilities are adequate. If these tests determine that the carrying amount of the insurance liabilities is negative, taking into account capitalised acquisition costs and/or capitalised policy portfolio values, the entire shortfall is immediately recognized in profit or loss.

2.5.2 Investment contracts

Investment contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are recognized at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are carried at amortised cost using the effective interest method.

Receipts from investment contracts with guarantee returns (welfare scheme/deposit administration) and other businesses that are savings related are recognized as liabilities. Interest accruing from investment of the savings is recognized in the profit or loss for account (deposit administration

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revenue account) in the year it is earned while guaranteed interest due to depositors is recognized as expense. The net result of deposit administration revenue account is transferred to profit and loss account of the Group. The policy liabilities are determined by the accrued benefits (accrued interest on investment funds) of relevant policy holders.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

2.6 Revenue Recognition

2.6.1 Gross premium

Life

Gross recurring premiums on life and investment contracts with Discretionary Participation Features (DPF) are recognized as revenue when paid by the policyholder.

General

Gross general insurance written premiums comprise the total premiums received for the period of cover provided by contracts entered into during the accounting period. They are recognized on the date on which the policy is paid. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognized as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

2.6.2 Reinsurance premiums

Life

The Group cedes insurance risk in the normal course of business for all of its business. Gross written premiums on life and investment contracts are recognized as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

General

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepting.

The Group cedes insurance risk in the normal course of business for all of its business. Gross written premiums on life and investment contracts are recognized as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

2.6.3 Investment income

Investment income comprises interest earned on short-term deposits and dividend.

Interest income is recognized in the income statement as it accrues and is calculated using the effective interest rate method.

Investment income also includes dividend when the right to receive payment is established.

2.6.4 Fees and commission income

Fees and commission that are an integral part of the effective yield of the financial asset/ liability are recognized as an adjustment to the effective interest rate of the instrument.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**2.6.5 Other operating income**

Other operating income comprises rental income, exchange gains/(losses) on transactions and income other than those derived from investment income.

2.7 Benefits, claims and expenses recognition**2.7.1 Gross benefits and claims*****Life***

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Changes in the gross valuation of insurance and investment contract liabilities with DPF are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

2.7.2 Realized gains and losses

Realized gains and losses recorded in the profit or loss on investments include gains and losses on financial assets and investment properties.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

2.7.3 Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

2.7.4 Underwriting expenses

Underwriting expenses comprise acquisitions costs and other underwriting expenses. Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts. These costs also include fees and commission expense. Other underwriting expenses are those incurred in servicing existing policies and contracts.

2.7.5 Management expenses

These are expenses other than claims and underwriting expenses. They include employee benefits, professional fees, depreciation expenses and other non-operating expenses. Management expenses are accounted for on accrual basis and recognized in the income statement upon utilization of the service or at the date of origination.

2.8 Cash and cash equivalents

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Cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. Hence this includes cash in hand and cash equivalents that are readily convertible to known amount of cash are subject to insignificant risk of changes in value and whose original maturity is three months or less. This includes cash-on-hand, deposit held at call with banks and other short-term highly liquid investments which originally matures in three months or less.

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2.9 Financial assets and liabilities

2.9.1 Financial assets

Initial recognition and measurement

The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortized cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) 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:

- (1) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (2) those that the Group upon initial recognition designates as available-for-sale; or
- (3) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are reported in the statement of financial position as loans and receivables. Interest on short-term placements with banks and commercial papers is included in the profit or loss and is reported as 'Net investment income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the assets and recognized in the profit or loss as 'impairment charges'.

(b) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity, other than:

- (1) those that the Company upon initial recognition designates as at fair value through profit or

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- loss;
- (2) those that the Company designates as available-for-sale; and
- (3) those that meet the definition of loans and receivables.

Interest on held-to-maturity investments is included in the profit or loss and reported as part of 'Net investment income'. Held-to-maturity investments are federal, states and corporate bonds.

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Held-to-maturity investments are initially recognized at fair value and measured subsequently at amortised cost, using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in the other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in the other comprehensive income is recognized in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the profit or loss in 'Net investment income' when the Company's right to receive payment is established.

Measurement

The Company uses trade date accounting for regular way contracts when recording financial asset transactions.

2.9.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value.

The Group's financial liabilities include trade and other payables.

Subsequent measurement

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

2.9.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, Nigeria Stock Exchange (NSE) and broker quotes from Financial Markets Dealers Association (FMDA).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

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The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and receivables including insurance receivables as well as liabilities are determined using a present value model on the basis of expected future cash flows, taking into account credit quality, liquidity and costs.

2.9.4 Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the entity tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

2.9.5 Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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

2.10 Offsetting financial instruments

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

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a 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

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impairment as a result of one or more events that 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 our attention about the following loss events:

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- * significant financial difficulty of the issuer or obligor;
- * a breach of contract, such as a default or delinquency in interest or principal payments;
- * it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- * the disappearance of an active market for that financial asset because of financial difficulties;
- * observable data indicating that there is a measurable decrease in the estimated future cash flows 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, including:
 - (i) adverse changes in the payment status of borrowers in the group ; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for 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 recognized are not included in a collective assessment of impairment.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred on loans and receivables including insurance receivable 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 through the use of an allowance account, and the amount of the loss is recognized in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). 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 recognized (such as improved financial standing), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

(b) Assets classified as available-for-sale

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a "significant or prolonged" decline in the fair value of the security below its cost. "Significant" is to be evaluated against the original cost of the security and "prolonged" against the period in which the fair value has been below its original cost. The Group treats "significant" generally as 20% and "prolonged" generally as greater than six months. Where there is objective evidence of impairment resulting in

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the recognition of an impairment loss for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the profit or loss 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 recognized in profit or loss, the impairment loss is reversed through the income statement.

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2.12 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there have separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2.12 Impairment of non-financial assets

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognized 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 recognized. An impairment loss in respect of goodwill is not reversed.

2.13 Trade receivables

Trade receivable are initially recognized at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is an objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Group will not be able to collect the amount due under the original terms of the invoice. Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt. Impaired debts are derecognized 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 recognized, the previous recognized 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 recognized in the profit and loss.

2.14 Investment properties

Property held for rentals and appreciation in value and is not occupied by the Group is classified as investment property.

Investment property comprises freehold land and buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or

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condition of the specific asset.

Fair value changes are recognized in the profit and loss account.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. The property is carried at fair value after initial recognition.

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If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If a property initially classified as property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statement.

2.15 Property, plant and equipment

All property plant and equipment is initially recorded at cost. They are subsequently stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated on assets using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Principal annual rates used for the purpose are:

Years	
Motor Vehicles	4
Furniture & Fittings	5
Office Equipment	4
Computer Equipment & Software	4
Plant and Machinery	5
Premises	10
Land and Building	33.3

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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31 December 2014 (2013: nil).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the profit or loss in operating income.

2.16 Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Operating lease

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. When assets are subject to an operating lease, the assets continue to be recognized as property and equipment based on the nature of the asset. Lease income is recognized on a straight line basis over the lease term. Lease incentives are recognized as a reduction of rental income on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**(ii) Finance lease**

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. When assets are held subject to a finance lease, the related asset is derecognized and the present value of the lease payments (discounted at the interest rate implicit in the lease) is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

2.17 Intangible assets**1. Computer Software**

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- (i) it is technically feasible to complete the software product so that it will be available for use;
- (ii) management intends to complete the software product and use or sell it;
- (iii) it can be demonstrated how the software product will generate probable future economic benefits;
- (iv) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (v) the expenditure attributable to the software product during its development can be reliably measured.
- (vi) there is an ability to use or sell the software product;
- (vii) it can be demonstrated how the software product will generate probable future economic benefits;
- (viii) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (ix) the expenditure attributable to the software product during its development can be reliably measured.
- (x) it can be demonstrated how the software product will generate probable future economic benefits;
- (xi) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (xii) the expenditure attributable to the software product during its development can be reliably measured.
- (xiii) The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

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Computer software development costs recognized as assets are amortised over their useful lives, which does not exceed three years.

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2. **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.18 **Statutory deposits**

Statutory deposit represents the amount deposited with the Central Bank of Nigeria in accordance with section 9(1) and section 10(3) of Insurance Act 2003. This is restricted cash as management does not have access to the balances in its day to day activities. Statutory deposits are measured at cost.

2.19 **Income tax**

(a) **Current income tax**

Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense/(income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on of available-for-sale investment).

Where the Group has tax losses that can be relieved against a tax liability for a previous year, it recognizes those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

The Group offsets current income tax assets and liabilities when it has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(b) **Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or

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substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment and fair value movements from investment properties. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognized when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of equity instruments, which are recognized in other comprehensive income, is also recognized in other comprehensive income and subsequently in the profit or loss together with the deferred gain or loss.

2.20 Employee Benefits

(i) Pension obligations

The Group has a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays not less than 10% (2013: not less than 7.5%) of the qualifying annual emolument of employees per the reformed pension scheme in Nigeria. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.21 Provisions

Provisions are liabilities that are uncertain in amount and timing.

Provision are recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in

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the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.22 Share capital

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Proposed dividends are recognized as a liability in the period in which they are declared and approved by the Company's shareholders at the Annual General Meeting.

Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

Dividends proposed but not yet declared are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

2.23 Technical reserve

Contingency reserve Life

Contingency reserve is done in accordance with the provisions of the Insurance Act, CAP II7 LFN 2003:

The contingency reserve is credited with the higher of an amount equal to 1% of the gross premium or 10% of the profits.

Contingency reserve General

For general business the contingency reserve is credited with the higher of an amount not less than 3% of the total premium or 20% of the net profits until the reserves reaches the greater of the minimum paid up capital or 50% of net premium.

2.24 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group's executive committee as its chief operating decision maker.

3.0 Significant accounting estimates and assumptions

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The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its

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3.0 Significant accounting estimates and assumptions (Cont'd)

Estimates and assumptions (Cont'd)

assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the statement of comprehensive income. The Group engaged independent valuation specialists to assess fair value as at 31 December 2014. A valuation methodology based on discounted cash flow model was used as there is a lack of comparable market data because of the nature of the properties.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of the investment properties are further explained in Note 12.

Valuation of insurance contract liabilities and investment contract liabilities for life business

The liability for life insurance contracts and investment contracts is based either on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The company bases mortality and morbidity on standard industry mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide range changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders.

The carrying value at the reporting date of life insurance contract liabilities is ~~N~~3,548,191,000 (2013: ~~N~~2,561,225,000) and of investment contract liabilities is ~~N~~3,030,332,000 (2013: ~~N~~3,080,315,000).

Valuation of insurance contract liabilities for General business

For non-life insurance contracts, estimates have to be made for both the expected ultimate cost of

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claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

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3.0 Significant accounting estimates and assumptions – (Cont'd)

Estimates and assumptions (Cont'd)

Valuation of insurance contract liabilities for General business (continued)

The main assumptions underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying value at the reporting date of insurance contract liabilities is ~~¥~~15,806,783,000 (2013: ~~¥~~17,658,373,000). Further details are as disclosed in Note 16 to the financial statements.

Deferred tax assets and liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors such as experience of previous tax audits and differing interpretations by the taxable entity.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

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The carrying values at the reporting date of deferred tax liability are disclosed in Note 21.

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Critical accounting judgements made in applying the company's accounting policies include:

- (i) *Valuation of financial instruments*
The group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
- (ii) *Depreciation and carrying value of property and equipment*
The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.
- (iii) *Determination of impairment of property and equipment, and intangible assets*

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.
- (v) *Determination of recognised deferred tax balances*
Management is required to make judgements concerning the recoverability of unused tax losses. Judgement is required in determining the estimated future profitability from which tax assets are expected to be realised.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000
4 Cash and cash equivalents				
Cash-in-hand	71	188	-	-
Balances held with local banks	1,194,902	1,009,390	26,233	18,059
Balances held in domiciliary accounts	156,493	2,399,383	-	-
Balances held with foreign banks	790,427	2,751	-	-
Reserve with Pension Custodian	183,199	-	-	-
Placements with banks	13,601,598	12,066,271	1,781,016	914,332
Impairment on cash and cash equivalents (note 4.1)	(58,651)	(57,557)	-	-
	15,868,039	15,420,426	1,807,249	932,391
4.1 Impairment on cash and cash Equivalents				
At 1 January	57,557	57,557	-	-
Charged for the year	2,494	-	-	-
Recovered during the year	(1,400)	-	-	-
At 31 December	58,651	57,557	-	-

Bank placements are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. All deposits are subject to an average variable interest rate of 9%p.a. (2013: 11%). Reserve with Pension Custodian relates to mandatory cash reserve placed with First Custodians Limited the custodian for the pension subsidiary's managed assets.

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

5 Financial assets

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

	GROUP		COMPANY	
	2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000
Available-for-sale (a)	4,083,178	3,070,937	-	-
Held-to-maturity - Amortised cost (b)	6,971,249	1,408,042	-	-
Fair value through profit or loss	836,536	2,921,527	50,575	64,597
Loans and receivables (c)	55,953	61,873	1,830	-
Total financial assets	11,946,916	7,462,379	52,405	64,597

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(a) Available-for-sale

Quoted equity securities	621,594	521,465	-	-
Unquoted securities at cost	3,512,159	2,549,472	-	-
Total available-for-sale	<u>4,083,178</u>	<u>3,070,937</u>	<u>-</u>	<u>-</u>

Quoted equity securities were fair valued using quoted prices from the Nigerian Stock Exchange (NSE).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	At December		At December	
	2014	2013	2014	2013
	=N='000	=N='000	=N='000	=N='000
(b) Held-to-maturity - Amortised cost				
Federal Government Bonds	536,647	159,859	-	-
State Government Bonds	512,049	687,309	-	-
Corporate Bonds	2,869,387	563,153	-	-
T/Bills and Tenor Deposits Greater than 90 days and Others	3,053,166	-	-	-
Impairment on held-to-maturity financial instruments	-	(2,279)	-	-
Total held-to-maturity	<u>6,971,249</u>	<u>1,408,042</u>	<u>-</u>	<u>-</u>
(c) Loans and receivables				
Loans to policy holders	17,925	18,967	-	-
Mortgage loans	10,921	10,921	-	-
Other loans	29,716	40,053	-	-
Staff Loans and advances	8,420	2,961	1,830	-
Impairment on loans and receivables	(11,029)	(11,029)	-	-
Total loans and receivables	<u>55,953</u>	<u>61,873</u>	<u>1,830</u>	<u>-</u>
6 Trade receivables				
Insurance receivables	882,211	1,092,878	-	-
Impairment on insurance receivables (note 6.1)	(690,732)	(996,829)	-	-
	<u>191,479</u>	<u>96,049</u>	<u>-</u>	<u>-</u>
6.1 Impairment on insurance receivables				
At 1 January	996,829	1,025,464	-	-
Arising on business combination	-	456,325	-	-
Write Back-CGI	-	(224,953)	-	-
Charged for the year	-	211,953	-	-
Write back during the year	(1,782)	(88,696)	-	-
Reversals during the year	(61,885)	(173,058)	-	-
Write off during the year	(242,430)	(210,206)	-	-

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At 31 December	690,732	996,829	-	-
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	GROUP		COMPANY	
	At December		At December	
	2014	2013	2014	2013
	=N='000	=N='000	=N='000	=N='000
7 Reinsurance assets				
Claims recoverable	609,797	217,055		
Reinsurer's share of outstanding claims	4,861,584	3,328,888	-	-
Reinsurance Assets-(Deferred Reinsurance outward)	2,294,021	7,458,996		
Reinsurer's share of life insurance funds	(4,666)	37,044	-	-
	7,760,736	11,041,983	-	-
8 Deferred acquisition costs				
At 1 January	372,021	108,209	-	-
Movement during the year	184,934	263,812	-	-
At 31 December	556,955	372,021	-	-
9 Other receivables and prepayments				
Interest Receivable	18,019	8,361	-	216,000
Management fee receivables	157,114	-	-	-
Other debtors arising on business combination	-	237,002		
Deposit for shares	217,191	146,060	-	-
Due from related parties	-	38,226	74,648	2
Withholding tax receivables	17,916	-		
Other debit balances	343,294	578,134	29,008	71,419
Prepayment	457,123	127,340	8,431	6,581
	1,210,657	1,135,123	112,087	294,002
Impairment on other receivables	(93,119)	(387,201)	(7,965)	-
	1,117,538	747,922	104,122	294,002
10 Investment in subsidiaries				
Custodian and Allied Insurance Limited	-	-	3,584,607	3,584,607

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Custodian Life Insurance Limited	-	-	1,184,717	1,184,717
Crusader Sterling Pensions Limited	-	-	1,139,460	1,139,460
Custodian Trustees Limited	-	-	300,885	40,885
	-	-	6,209,669	5,949,669

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Custodian and Allied Plc is the ultimate holding company with significant equity interests in the subsidiary companies as follows:

Subsidiary	Equity Interest	Segment	Place of Incorporation /Activity
Custodian and Allied Insurance Limited	100%	Property / Casualty Insurance	Nigeria
Custodian Life Assurance Limited	100%	Life Insurance	Nigeria
Crusader Sterling Pension Limited	76.55%	Pension Asset Management	Nigeria
Custodian Trustees Limited	100%	Trusteeship / company secretarial Services	Nigeria

The company, along with its subsidiaries, make up the Custodian Group.

Significant Restrictions

The Group does not have any significant restrictions on its ability to access or use its assets and settle liabilities that exist within the group

Non-Controlling interest in subsidiaries

The Group does not have any subsidiary that has material non-controlling interest.

	GROUP		COMPANY	
	At December		At December	
	2014	2013	2014	2013
	=N='000	=N='000	=N='000	=N='000
11 Investment in associate				
Leadway Pensure Limited	668,166	556,638	409,891	409,891

Summarised financial information for Leadway Pensure PFA Limited set out below represents amounts shown in the Associate's financial statements prepared in accordance with IFRS.

	2014 N'000	2013 N'000
Total Assets	3,402,382	2,550,148
Current liabilities	668,480	499,128
Revenue	2,845,354	2,232,835
Profit\ (loss) for the year	736,972	575,092
Total comprehensive income for the year	736,922	575,389
Dividends received from the Associate during the year	28,906	18,066

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Reconciliation of the above summarized financial information to the carrying amount of the interest in Leadway Pensure PFA Limited recognized in the consolidated and separate financial statements.

	2014 N'000	2013 N'000
Net assets of Leadway Pensure PFA Limited	2,733,902	2,203,634
Proportion of the Group's ownership interest in the Associate	24.44%	25.26%
Carrying amount of the Group's interest	<u>668,166</u>	<u>556,638</u>

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- i. The Group has a 24.44% (2013: 25.26%) interest in the ordinary share capital of Leadway Pensure Limited which is involved in the administration and management of Pension Fund Assets. Leadway Pensure Limited is a private entity that is not listed on any public exchange and there are no published price quotations for the fair value of this investment. The reporting date and reporting year of Leadway Pensure Limited are the same as the Group.

Leadway Pensure Limited issued additional shares to its executive directors during the year thereby proportionately diluting the shareholding of existing shareholders.

	GROUP		COMPANY	
	At December		At December	
	2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000
12 Investment properties				
At 1 January	6,309,466	3,835,640	3,055,000	2,701,770
Additions	229,425	1,857,211	7,250	911
Fair value gains	835,920	484,748	452,750	352,319
Reclassifications (Note 14)	-	131,867	-	-
Disposals during the year	(24,000)	-	-	-
At 31 December	<u>7,350,811</u>	<u>6,309,466</u>	<u>3,515,000</u>	<u>3,055,000</u>

- i. Investment properties are stated at fair value, which has been determined based on valuations performed by Barin Epega & Company and Bolu Tokun & Company as at 31 December 2014. Barin Epega & Company and Bolu Tokun & Company are industry specialists in valuing these types of investment properties. They are registered with the Financial Reporting Council of Nigeria (FRC\2012\NIESV\0000000597 and FRC\2013\NIESV\00000001425, respectively). The fair value was determined based on the capitalization of net rental income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. This is also supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with the standards issued by the International Valuation Standards Committee.

Valuations are performed on an annual basis and the fair value gains and losses are reported in income statement. There has been no change to the valuation technique during the year.

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

13 Intangible assets – Group

Computer

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	Goodwill =N='000	software =N='000	Total =N='000
At 1 January, net	257,336	75,846	333,182
Additions	-	29,325	29,325
Impairment/amortization	(257,336)	(20,809)	(278,145)
At 31 December	-	84,362	84,362

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

14 Property, plant and equipment

- Group

	Land and building	Office equipment	Computer equipment	Furniture and fittings	Motor Vehicles	Total
Cost/Valuation	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000
At 1 January	2,072,919	277,925	293,616	222,550	478,740	3,345,750
Additions	25,235	10,006	12,761	22,908	200,968	271,878
Write-off	-	(427)	(1,619)	-	-	(2,046)
Disposals	-	(17,690)	(12,602)	(22,935)	(146,663)	(199,890)
At 31 December	2,098,154	269,814	292,156	222,523	533,045	3,415,692
Accumulated depreciation						
At 1 January	83,930	149,551	222,061	133,140	293,321	882,003
Charge for the year	46,331	44,922	29,256	29,606	110,927	261,042
Write-off	-	(427)	(1,619)	-	-	(2,046)
Disposals	-	(17,449)	(12,417)	(19,942)	(144,920)	(194,728)
At 31 December	130,261	176,686	237,192	142,804	259,328	946,271
Net book value						
At 31 December 2014	1,967,893	93,128	54,964	79,719	273,717	2,469,421
At 31 December 2013	1,988,989	128,374	71,555	89,410	185,419	2,463,747

- Company

Cost/Valuation

At 1 January 2014	977	1,728	8,671	8,100	19,476
Additions	2,050	575	753	41,300	44,678
Write-off	(427)	(1,619)	-	-	(2,046)
Disposal	-	-	-	(8,100)	(8,100)
At 31 December 2014	2,600	684	9,424	41,300	54,008

Accumulated depreciation

At 1 January 2014	531	1,590	3,680	7,426	13,227
Charge for the year	1,044	227	1,534	8,581	11,386
Write-off	(427)	(1,619)	-	-	(2,046)
Disposal	-	-	-	(8,100)	(8,100)
At 31 December 2014	1,148	198	5,214	7,907	14,467

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Net book value

At 31 December 2014	1,452	486	4,210	33,393	39,541
At 31 December 2013	446	138	4,991	674	6,249

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	GROUP		COMPANY	
	At December 2014 =N='000	2013 =N='000	At December 2014 =N='000	2013 =N='000
15 Statutory deposits				
Statutory deposit	850,000	850,000	-	-

Statutory deposit represents the amount deposited with the Central Bank of Nigeria in accordance with section 9(1) and section 10(3) of Insurance Act CAP 117 LFN 2004. This is restricted cash as management does not have access to the balances in its day to day activities. Statutory deposits are measured at cost and attract interest rate at a rate determined by the Central Bank of Nigeria.

	GROUP		COMPANY	
	At December 2014 =N='000	2013 =N='000	At December 2014 =N='000	2013 =N='000
16 Insurance contract liabilities				
Outstanding claims	7,860,555	6,955,904	-	-
Unearned premiums	6,733,607	8,816,192	-	-
Life fund	1,213,621	1,886,277	-	-
	15,806,783	17,658,373	-	-
17 Investment contract liabilities				
Welfare	2,496,993	3,009,300	-	-
Annuity	533,339	71,015	-	-
	3,030,332	3,080,315	-	-
18 Trade payables				
Reinsurance and co-insurance claims	1,017,239	81,137	-	-
Welfare scheme	275,903	268,004	-	-
Due to brokers and agents	107,990	163,016	-	-
Premium received in advance	307,949	314,030	-	-
	1,497,218	826,187	-	-

This represents the amount payable to insurance and reinsurance companies.

19 Other payables				
Staff pension	1,424	4,415	1,424	1,423

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Non Trade payable	103,551	357,406	-	-
Statutory payables	240,004	220,370	69,794	39,801
Provision and Accruals	310,523	-	22,008	-
Due to related party	-	960	5,900	415,757
Unclaimed Dividend	244,621	-	244,621	-
Unearned income	524,240	333,703	54,071	9,985
Sundry creditors	57,240	162,533	36,168	36,809
	<u>1,481,603</u>	<u>1,079,387</u>	<u>433,986</u>	<u>503,775</u>

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	GROUP		COMPANY	
	At December		At December	
	2014	2013	2014	2013
	=N='000	=N='000	=N='000	=N='000
20 Taxation				
<i>Per profit and loss account:</i>				
Income tax based on profit for the year	767,405	776,825	64,067	51,243
Education tax for the year	16,813	75,035	647	-
Capital gains tax	1,984	8,850	-	-
	<u>786,202</u>	<u>860,710</u>	<u>64,714</u>	<u>51,243</u>
Deferred taxation	273,841	(127,554)	268,272	-
	<u>1,060,043</u>	<u>733,156</u>	<u>332,986</u>	<u>51,243</u>
Tax charge to profit and loss				
Current income tax				
<i>Per Balance Sheet:</i>				
At 1 January	1,207,501	481,388	89,315	53,010
Arising on Business Combination	-	191,253	-	-
Based on profit or loss for the year	786,202	860,710	64,714	51,243
Withholding tax credit offset	(11,178)	-	-	-
Payments during the year	(884,078)	(325,850)	(66,160)	(14,938)
	<u>1,098,447</u>	<u>1,207,501</u>	<u>87,869</u>	<u>89,315</u>
At 31 December				

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act CAP C21 LFN 2004. The charge for education tax is based on the provisions of the Education Tax Act CAP E4 LFN 2004. Minimum tax requirement was used for the Company for the year as the tax computed on the assessable profit is lower than the alternative minimum tax.

	GROUP		COMPANY	
	At December		At December	
	2014	2013	2014	2013
	=N='000	=N='000	=N='000	=N='000
21 Deferred tax liabilities				
Losses available for offsetting against future taxable income	(489,977)	(83,832)	(422,439)	-
Fair value gains on investment properties	1,031,304	214,754	791,569	-
Accelerated depreciation for tax purposes	144,835	419,070	6,486	-
Tax credit on capital allowance	(107,344)	(245,015)	(107,344)	-
	<u>578,818</u>	<u>304,977</u>	<u>268,272</u>	<u>-</u>

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Reconciliation of deferred tax liability is as shown below:

At 1 January	304,978	349,476	-	-
Arising on acquisition	-	83,057	-	-
Amounts recorded in the income statement	<u>273,840</u>	<u>(127,555)</u>	<u>268,272</u>	<u>-</u>
At 31 December	<u>578,818</u>	<u>304,978</u>	<u>268,272</u>	<u>-</u>

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	GROUP		COMPANY	
	At December		At December	
	2014	2013	2014	2013
	=N='000	=N='000	=N='000	=N='000
22 Interest-bearing loans and borrowings				
Borrowings	2,125,363	1,974,259	-	-

On 20 March 2012, Custodian and Allied Insurance Limited issued a subordinated debt of US\$ 12.5 million to International Finance Corporation (IFC). The loan is unsecured and interest is payable at the London interbank offered rate plus a margin of 4.5% per annum.

Conversion period and rights:

The conversion period commences 12 months after the date of first disbursement. During the conversion period, IFC shall have the right to convert all or a portion of the outstanding principal amount of the loan (in Naira equivalent as determined by IFC based on the Naira/Dollar exchange rate published by the CBN) into such number of shares in the capital of the borrower which will give IFC no more than 10% of the issued share capital of the borrower equal to the principal amount of the loan being converted, divided by the conversion price.

IFC may exercise its conversion rights by delivering notice specifying whether the entire loan or a portion of it is to be converted and the date on which the shares are to be issued. IFC is entitled to the shares if IFC delivers the notice of conversion during the conversion period and can exercise the conversion 3 times during the conversion period. IFC shall receive in respect of each share issued to it, the amount of such dividend as exceeds the amount on interest previously received by IFC during such financial year in respect of principal amount of the loan converted into such shares.

Shares issued to IFC upon any exercise of the conversion right shall be freely transferrable and shall in any respects rank pari passu with all other shares outstanding on the relevant conversion date.

Conversion price:

The conversion price is N3.50 per share plus 5% premium for each year of the conversion period. The exact conversion price over the conversion period is:

Year	Price
	N
2013	3.675
2014	3.85
2015	4.025

The principal amount of US\$12.5 million is due for repayment from March 2016.

The outstanding balance on the IFC loan was valued at N168 to a dollar which is the Naira/Dollar exchange rate published by CBN as at the reporting date.

The effect of possible conversion in 2015 is as stated below:

Loan Amount (\$)	\$12,500,000.00		
CBN Closing Exchange rate	168		
Value Convertible (N)	2,100,000,000		
Conversion Price	4.025		
Share @0.50	260,869,565	Units of share convertible	521,739,130
Share Premium	1,839,130,434.78		
	2,100,000,000		521,739,130

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	GROUP		COMPANY	
	At December 2014 =N='000	2013 =N='000	At December 2014 =N='000	2013 =N='000
23 Share capital and reserves				
<i>Authorised</i>				
7,000,000,000 Ordinary shares of 50k each	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
<i>Issued:</i>				
5,881,866,000 Ordinary shares of 50k each	<u>2,940,933</u>	<u>2,940,933</u>	<u>2,940,933</u>	<u>2,940,933</u>
24 Share premium				
At 1 January	6,405,632	2,800,232	6,405,632	2,800,232
Arising on combination	<u>-</u>	<u>3,605,400</u>	<u>-</u>	<u>3,605,400</u>
At 31 December	<u>6,405,632</u>	<u>6,405,632</u>	<u>6,405,632</u>	<u>6,405,632</u>

25 Reserves

The nature and purpose of the reserves in equity are as follows:

Retained earnings

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Contingency reserve

The statutory contingency reserve has been computed in accordance with Section 21 (1) of the Insurance Act, Cap I17 LFN 2004.

Available-for-sale

The fair value reserve shows the effects from the fair value measurement of financial instruments of the category available-for-sale after deduction of deferred taxes. Any gains or losses are not recognised in the statement of comprehensive income until the asset has been sold or impaired.

Treasury Shares

Treasury shares represent the actual cost of 41,361,830 units of ordinary shares of the company held in the name of the company for the staff of the company (22,005,000 units) and another in the name of (CAI Trust Account GASL nominee (19,356,830 units).

The total amount paid for the acquisition of the shares net of all related taxes was N140, 119,594.40. In line with related IFRS, these shares are held as treasury shares. The company has the right to sell or re-issue these shares at a later date.

Non- controlling Interest

Custodian and Allied Plc has a controlling interest of 76.55% in Crusader Sterling Pensions, this gives rise to the Non-controlling interest of 23.45% in the entity. The balance attributable to the Non-controlling interest at year ended amounted to N547.1million.

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	GROUP		COMPANY	
	2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000
26 Gross Revenue				
Gross Premium Income	18,663,477	18,797,404	-	-
Investment Income	2,526,911	2,087,309	2,249,539	359,733
Fees and Commission	2,386,866	2,327,262	-	-
Other Operating Income	1,622,865	1,470,044	74,553	967,117
	25,200,119	24,682,019	2,324,092	1,326,850
27 Operating Expenses				
Reinsurance Expenses	9,944,035	10,380,644	-	-
Underwriting Expenses	1,976,427	2,216,639	-	-
Net Claims	4,676,447	4,532,278	-	-
	16,596,909	17,129,561	-	-
28 Net fair value gains/(losses)				
Changes in Fair Value of Quoted investment	(189,777)	-	(12,392)	7,414
Fair value gains/(loss) on investment property	835,920	484,748	452,750	352,319
	646,143	484,748	440,358	359,733
29 Realized Gains (Listed equities and others)				
<i>On property and equipment:</i>				
Profit on disposal of property and equipment	3,000	8,794	100	445
<i>Cash and cash equivalents</i>	20,560	-	-	-
<i>Available for sale:</i>				
Realised (loss)\gains on equity securities	(17,387)	87,548	4,256	-
	6,173	96,342	4,356	445
30 Management expenses				
Staff cost	1,033,899	792,453	71,380	152,538
Directors fee / allowance	38,711	-	24,255	-
Auditors' remuneration	40,275	37,995	10,000	8,400
Amortisation of intangible assets	278,145	172,575	-	-
Depreciation on property, plant and equipment	261,044	209,337	11,387	7,049
Impairment gains on insurance receivable	(1,782)	(101,696)	-	-
Impairment (gains)\losses on loans and receivables	(36,756)	23,527	7,965	-
Impairment on quoted equities	39,589	-	-	-
Marketing and administration expenses	2,257,484	2,184,236	435	9,271
Other expenses	207,570	265,259	81,440	113,174
	4,118,179	3,583,686	206,862	290,432

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	GROUP		COMPANY	
	2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000
31 Finance costs				
Interest on convertible debenture stock	<u>100,129</u>	<u>359,960</u>	<u>-</u>	<u>251,597</u>
32 Net gain on available-for-sale assets				
Unrealised gain/(loss) on available-for-sale financial instruments during the year, net of tax	<u>460,144</u>	<u>259,076</u>	<u>-</u>	<u>-</u>

Income from the related instruments are exempted from tax.

33 Earnings per share

Basic earnings per share amount is calculated by dividing the net profit or loss for the year attributable to ordinary shareholders by the number of ordinary shares outstanding at the reporting date.

The following reflects the earnings and share data used in the basic earnings/(losses) per share computations:

Net profit attributable to ordinary shareholders (=N='000)	<u>3,933,741</u>	<u>3,501,181</u>	<u>2,228,958</u>	<u>1,086,342</u>
Number of ordinary shares in issue as at year end (units 000):				
Share capital	5,881,866	5,881,866	5,881,866	5,881,866
Less: Treasury Shares	<u>(280,240)</u>	<u>(280,240)</u>	<u>(280,240)</u>	<u>(280,240)</u>
	<u>5,601,626</u>	<u>5,601,626</u>	<u>5,601,626</u>	<u>5,601,626</u>
Basic earnings per ordinary share (kobo)	<u>70</u>	<u>63</u>	<u>40</u>	<u>19</u>
Diluted earnings per ordinary share (kobo)	<u>70</u>	<u>63</u>	<u>40</u>	<u>19</u>

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

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34 Emolument of Directors and Key Management

Key management personnel of the Company includes all directors, executive and non-executive, and senior management. The summary of the compensation of key management personnel for the year is as follows:

	GROUP		COMPANY	
	2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000
Fees	35,445	40,018	20,508	3,200
Executive compensation	128,674	124,573	3,642	10,700
Other emoluments	8,387	7,537	1,500	7,476
Total	172,506	172,128	25,650	21,376
Fees and other emoluments (excluding pension contributions) disclosed above include amounts paid to:				
Chairman	5,988	1,900	5,988	700
Highest paid Director	33,132	18,176	-	18,176

34.1 Employees

The average number of persons employed by the Group during the year was as follows:

Total Number of employees (Numbers)	<u>266</u>	<u>240</u>	<u>4</u>	<u>3</u>
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34.2 Employees remuneration

1. The number of employees whose emoluments, excluding allowances within the following ranges were:

		Group		Company	
		2014	2013	2014	2013
		Number	Number	Number	Number
N	N				
60,000	- 999,999	70	95		
1,000,000	- 1,999,999	112	97	2	1
2,000,000	- 2,999,999	30	16	1	1
3,000,000	- 3,999,999	32	16		
4,000,000	- 4,999,999	14	10		
5,000,000	- 5,999,999	0	0		
6,000,000 and above		8	6	1	1
		266	240	4	3

2. Staff

Average number of persons employed during the year v

Management staff	22	20	1	1
Non-management staff	244	220	3	2
	266	240	4	3

Staff cost excluding the Directors relating to the above

	N'000	N'000	N'000	N'000
Salaries and allowances	972,020	736,763	69,441	147,930
Pension costs	61,879	55,690	1,939	4,608
	1,033,899	792,453	71,380	152,538

Compensation of key management personnel

Key management personnel of the Company includes all directors, executive and non-executive, and senior management. The summary of compensation of key management personnel for the year is as follows:

		Group		Company	
		2014	2013	2014	2013
Salaries		128,674	124,573	3,642	3,642
Fees		35,445	40,018	2,500	20,508
Other short-term employment benefits		8,387	6,063	1,500	1,500
Post-employment pension benefits		-	1,474	-	-
		172,506	172,128	7,642	25,650

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**34.3 Remuneration of key management personnel**

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2014	2013
	N'000	N'000
Short-term employee benefits	3,141	3,050
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	<u>3,141</u>	<u>3,050</u>

35 Fines and Penalties

	=N='000	=N='000	=N='000	=N='000
The company did not pay any fines or penalty during the year, however, some subsidiaries paid penalties for late filing of 2011 and 2012 returns to SEC and for violation of certain NAICOM guidelines.	<u>4,210</u>	<u>6,609</u>	<u>-</u>	<u>1,134</u>

36. Contingencies and commitments

A total of N7.8 million in respect of legal claims and fees have been included in the group financial statements. Apart from these no other contingent liabilities have come to the attention of management for the year ended 31 December 2014 (2013: N6.8million).

The directors have sought professional legal counsel and are of the opinion that no significant liability is expected.

There was no capital commitment as at 31st December 2014 (2013; Nil)

The group entered in commercial property leases on its investment property portfolio and the surplus office buildings. These non-cancellable leases have remaining terms of between one to two years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The group has entered into commercial leases on certain property and equipment. These leases have an average life of between one and two years, with no renewal option included in the contracts. There are no restrictions placed upon the group by entering into the leases.

	2014	2013
	N'000	N'000
Within one year	67,126	24,242
After one year but not more than 5 years	75,000	-
More than five years	-	-
Total operating lease receivables	<u>144,126</u>	<u>24,242</u>

37 Events after the reporting date

There were no reportable significant events subsequent to year end.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**38 Group subsidiaries and related party transactions**

Custodian and Allied Plc is a company incorporated in Nigeria and is the ultimate parent company of the Group.

Transactions between the parent and its subsidiaries have been eliminated on consolidation. Details of the Group's interests and investments in subsidiaries as at 31 December 2014 are shown in note 10.

The following balances were outstanding at the end of the reporting year:

Receivables from related parties:

	2014	2013
	N'000	N'000
Elizade Nig Limited	-	1,920
Interstate Securities Limited (Deposits)	100,000	100,000
Interstate Securities Limited	39	39
Stephen & Solomon Insurance Brokers	-	4,487
Key Management Personnel	303,000	-
	403,039	106,446

The group considered the outstanding balances at the reporting date as unsecured and non-interest bearing. The settlements will involve physical delivery of cash.

In relation to the balances with related parties, there was no allowance for impairments on receivables at the end of the reporting period and no bad debt expensed in the year (2013: Nil).

39. Approval of Financial Statements

The financial statements were approved by the board of directors and authorized for issue on 24 March, 2015.

40. Segment Reporting**Identification of reportable segments**

The business activities of Custodian and Allied Plc Group are first organized by product and type of service: insurance activities, pension asset management activities and other activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between property & casualty (Non-Life) and life categories.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (or loss) before income taxes, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm's length basis.

Information reported to the chief operating decision maker (the CEO) for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segments under IFRS 8 are therefore as follows:

- Non-life business
- Life business
- Pension administration
- Trustees and others

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Non-Life Business

The non -life reportable segment offers a wide variety of insurance products for both personal and corporate customers. The products offer range from engineering, aviation, marine liability, motor liability, oil and energy, fire and property. The main source of income in this segment is the premium received from the insured on risk covered by the entity and the investment income earned on placements and deposit with financial institutions.

The business of this segment is undertaken by Custodian and Allied Insurance Limited, a fully owned subsidiary of the company.

Life Business

The life reportable segments offers a range of life insurance products on both individual and group basis, including annuity, endowment and investment oriented products, insurance products with Discretionary Participatory Features (DPF). Gross premium recurring on life policies are recognised as revenue when payable by the policy holders. The business of this segment is undertaken by Custodian Life Assurance Limited, a fully owned subsidiary of the company.

Pension Administration

This reportable segment included the administration and management of the retirement benefits of members. The administration includes making investment decisions, collection of contribution and making payment to retirees in-line with provisions of Pension Reform Act 2004. The revenue earned includes administration and management fees received on member's contributions and the Net Asset value of Funds under Management respectively. The business of this segment is undertaken by CrusaderSterling Pensions Limited, a 76.55% owned subsidiary of the company.

Trustees and others

This reportable segment includes trustee management, corporate services, investment and property management. The businesses of this segment are undertaken by the company and Custodian Trustees Limited, a fully owned subsidiary of the company.

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BUSINESS SEGMENT INFORMATION:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NON LIFE		LIFE		PENSION ADMINISTRATION		TRUSTEES & HOLDING	
	2014	2013	2014	2013	2014	2013	2014	2013
	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000
Assets								
Cash and cash equivalents	8,563,605	8,716,045	4,630,025	4,149,542	539,922	1,557,108	2,134,687	997,731
Financial assets	7,258,669	5,052,191	3,032,877	2,345,591	1,602,965	-	52,405	64,597
Trade receivables	183,200	106,086	8,279	755	-	-	-	-
Reinsurance assets	6,871,123	10,833,568	650,751	208,415	-	-	-	-
Deferred acquisition costs	556,955	372,021	-	-	-	-	-	-
Other receivables and prepayments	651,802	701,210	231,157	63,273	232,388	305,396	104,210	298,050
Investment in subsidiaries	-	-	-	-	-	-	6,209,669	5,949,669
Investment in associates	-	-	-	-	-	-	409,891	409,891
Investment properties	2,629,300	2,298,266	1,206,511	956,200	-	-	3,515,000	3,055,000
Intangible assets	44,509	246,929	17,131	22,949	22,722	21,929	-	-
Property, plant and equipment	165,287	199,832	1,785,906	1,844,160	476,598	410,874	41,628	8,880
Statutory deposits	650,000	650,000	200,000	200,000	-	-	-	-
Total assets	27,574,450	29,176,148	11,762,637	9,790,885	2,874,595	2,295,307	12,467,490	10,783,818
Liabilities								
Insurance contract liabilities	12,258,592	15,097,148	3,548,191	2,561,225	-	-	-	-
Investment contract liabilities	-	-	3,030,332	3,080,315	-	-	-	-
Trade payables	1,195,797	556,713	301,421	269,474	-	-	-	-
Other payables	759,907	598,323	272,197	366,002	221,211	228,413	447,301	517,446
Current income tax	687,452	858,558	71,522	47,673	250,978	208,167	88,495	93,103
Deferred tax liabilities	53,013	8,152	189,627	271,478	67,906	25,347	268,272	-
Interest-bearing loans and borrowings	2,125,363	1,974,259	-	-	-	-	-	-
Total liabilities	17,080,124	19,093,153	7,413,290	6,596,167	540,095	461,927	804,068	610,549

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**BUSINESS SEGMENT INFORMATION:
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**

	NON LIFE		LIFE		PENSION ADMINISTRATION		TRUSTEES & HOLDING	
	2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000	2014 =N='000	2013 =N='000
Gross premium written	14,063,802	20,453,295	3,102,195	2,509,246				
Gross premium income	16,146,386	17,021,671	2,517,091	1,775,733				
Reinsurance expenses	(9,637,515)	(10,168,453)	(306,520)	(212,191)				
Net premium income	6,508,871	6,853,218	2,210,571	1,563,542				
Fees and commission income	487,555	786,680	147,083	168,015	1,731,345	1,360,067	20,883	12,500
Net income	6,996,426	7,639,898	2,357,654	1,731,557	1,731,345	1,360,067	20,883	12,500
Net claims expenses	(3,484,692)	(3,411,509)	(1,191,755)	(1,120,769)			-	-
Underwriting expenses	(1,738,261)	(1,938,220)	(396,775)	(278,419)			-	-
	1,773,473	2,290,169	769,124	332,369	1,731,345	1,360,067	20,883	12,500
Investment income	2,660,253	1,256,014	831,953	495,659	206,212	187,120	2,256,513	364,516
Net fair value gains/(losses)	320,162	148,147	63,008	71,830	0		440,358	352,319
Net realised gains/(losses)	(7,839)	6,242	9,656	1,154	0		4,356	445
Other operating income	0	554,422	167,395	68,217	15,019	3,020	74,570	967,238
Share of result of an associate	-				-		-	
Management expenses	(1,983,640)	(1,603,423)	(837,153)	(890,247)	(1,019,889)	(911,689)	(232,996)	(301,177)
Finance costs	(100,129)	(108,363)	-		-		-	(251,597)
Profit before taxation	2,662,280	2,543,208	1,003,983	78,982	932,687	638,518	2,563,684	1,144,244
Income tax expenses	(464,439)	(478,132)	10,502	127	(272,494)	(202,218)	(333,612)	(52,933)
Profit after taxation	2,197,841	2,065,076	1,014,485	79,109	660,193	436,300	2,230,072	1,091,311

ENTERPRISE RISK MANAGEMENT FRAMEWORK**1.0 Introduction and Overview**

The Board of Directors appreciates that risks are inherent in all aspects of the Group's operations and that it cannot totally eliminate risks. It therefore acknowledges the critical role of risk management in the achievement of the objectives of the Group in order to meet the varied expectations of its stakeholders.

The Enterprise Risk Management Framework establishes the criteria within which enterprise risks are managed. The intent of the framework is to ensure the effective communication and management of risk categories across all business units. The scope of the Framework is enterprise-wide and is applicable to Board, Management and employees of the Group.

Enterprise risk management is a process, applied by our organization in a strategic setting, which enables management to identify potential risk events that may affect the entity; and provides a framework to manage risk within the organization's risk appetite in order to provide reasonable assurance regarding the achievement of the organization's objectives.

The Board is committed to managing risk in accordance with established risk management standards and has overall responsibility for the establishment and oversight of the enterprise risk management framework. There is an established Board Risk Committee, which is responsible for developing and monitoring the enterprise risk management policies. It meets quarterly to receive reports from the Management Risk Committee. The Management Risk Committee in turn meets every two months to review risk reports from the Chief Risk Officer.

The enterprise risk management policies are established to give broad guidance on how strategic objectives are to be set, and cascaded through to operational, reporting and compliance objectives. To identify and analyze the risks faced by the Group, risks are attached to objectives, core processes and key dependencies. The Group's risk policies set appropriate risk limits and appetites that form the basis for prioritizing identified risks. Risk controls are set and reviewed continually to monitor adherence to risk appetite and limits.

The Group has a policy to review the risk management policies and systems annually in order to reflect changes associated with its activities and the global economy generally. The Group, through regular risks workshops, trainings and design of standard operating procedures, aims to embed a risk culture in which all employees are aware of the risks in their respective roles and obligations.

The Group's risk management framework functions on three lines of risk defense. Core Process owners function as the first line of risk defense and they have responsibility for risk prevention. The risk management unit assumes the second line of risk defense and is assigned responsibility to holistically coordinate the risk control functions, enterprise-wide. The internal audit function, as the last line of risk defense, functions to secure assurance that risk controls are effective and efficient.

1.1 Objectives

The Group is committed to the management of inherent risks. The Group's enterprise risk management framework aims to:

- Promote proactive recognition of external factors and anticipate uncertainties that may affect the achievement of strategy.
- Protect the interests of the Group's shareholders.
- Provide assurance to counterparts, customers, employees and the community.

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- Recognize that risk is embedded in all our activities and that the underlying risk appetite is key to effective decision making.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

- Provide appropriate, consistent and transparent ownership and accountability around risk mitigation.
- Enable the design and implementation of controls
- Improve performance measurement; the Group's improved understanding of its risk profile enables appropriate allocation of risk and economic capital to individual lines of business, which allows improved performance measurement and evaluation of activities
- Ensure better control of operations; the Group expects that increased understanding of risk activities within various business units, the Board and senior management will lead to improvements in the control of operations and the emergence of a more proactive enterprise risk management culture.

2.0 Philosophy and principles

The continued successful safeguarding, maintenance and expansion of the Group's businesses requires a comprehensive approach to risk management.

It is the policy of the Group to identify, assess, control and monitor all risks that the business may incur to ensure that the risks are appropriate in relation to the scale and benefit of the associated project, business or practice and to ensure that no individual risk or combination of risks result in a likely material impact to the financial performance, brand or reputation of the group.

By acknowledging that risk and control are part of everyone's job, and by incorporating risk management into the Group's daily business practices the Group will be better equipped to achieve its strategic objectives, whilst maintaining the highest ethical standards.

The Group adopts a risk philosophy aimed at maximizing business opportunities and minimizing adverse outcomes, thereby enhancing shareholder value by effectively balancing risk and reward.

The Board of Directors is responsible for setting the enterprise risk management strategy of the Group and its implementation. All staff are expected to demonstrate the highest ethical standards of behavior in development of strategy and pursuit of objectives.

The following philosophy and principles govern the management of enterprise risk in the Group:

- The Board approves and periodically reviews the enterprise risk management framework.
- Ownership, management and accountability for risk is decentralised with business and functional units.
- There are consistent standards for defining, evaluating, measuring, monitoring and reporting risks.
- The Group's enterprise risk management practices are subject to regular independent review internally and externally.
- Enterprise risk management is governed by well-defined policies and procedures which are clearly communicated across the Group.
- Enterprise risk-related issues are taken into consideration in business decisions including new product and process designs.
- Various risk and loss events are reported openly and fully to the appropriate levels once they are identified.
- Adequate processes and systems for identifying, measuring, monitoring, reporting and controlling risks are being implemented by the Group.

ENTERPRISE RISK MANAGEMENT FRAMEWORK**2.1 Strategy**

Failure to manage risk effectively often results in significant financial losses, regulatory fines or censure, reputational damage, brand erosion or even the loss of insurance licence, all of which directly impact shareholder value. Accordingly, the Group's enterprise risk strategy aims to minimise the impact of various risks on its shareholders' value. In more specific terms, the Group's strategy is to:

- reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;
- minimise the impact of unexpected and catastrophic events including related costs through risk financing strategies that support the Group's long-term growth, cash flow management and balance sheet protection; and
- make all managers responsible for the management of risk and thus minimise actual or potential losses. The Group recognises that some losses, such as operational errors, are inevitable and are normal business cost but will ensure these costs are kept within acceptable levels and potential losses are minimised.

In implementing this strategy, the Group:

- has put in place best-practice enterprise risk management policies and procedures. These include procedures to help identify, assess, control, manage and report various risks within the Group;
- ensures that roles and responsibilities are agreed and clearly understood by employees at all levels;
- ensures that all staff in business and support functions are aware of their responsibilities for risk management;
- considers the potential risk impact of its activities and products at the outset with a view to minimising these as far as possible;
- has put in place structures and processes for reporting control failures to designated individuals and escalating material issues to the Board Audit & Risk Committees respectively;
- ensures that staff are provided with appropriate enterprise risk management training that is commensurate to their roles;
- establishes a workable business continuity plan (including disaster recovery and crisis management procedures) that minimises the impact of unexpected and catastrophic events on business operations and customer service;
- minimises the financial impact of losses, through management of risk factors and utilisation of insurance and other risk transfer strategies; and
- ensures that staff responsibility with respect to enterprise risk management is communicated through on-going risk awareness workshops and management action.

3.0 Governance and Culture

The overall responsibility for enterprise risk management in the Group resides with the Board. The responsibility of the day-to-day management has been delegated as described in this section. On a regular basis, the Board receives reports on Group's risk profile through the Board Risk Management Committee.

To ensure consistency and prudent management of risks, the responsibility for managing risk has

been split as follows:

ENTERPRISE RISK MANAGEMENT FRAMEWORK

- the overall governance owned by the Board and Board Committees (Board Audit & Risk Committees) and Management Risk Committee;
- the approval of enterprise risk management policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board Risk Management Committee;
- the enterprise risk management framework implementation and review is owned by the Risk Management department;
- the implementation of the enterprise risk management framework within the branches, departments/business units and the day-to-day management of risks is owned by respective core processes and executed through management structure.
- The assurance role that risk management controls are effective and efficient is owned by the internal audit function.

3.1 The Board and Board Committees

The Board of Directors, Board Audit & Risk Committees and the Management Risk Committee shall have overall oversight function for enterprise risk management. It shall be their responsibility to ensure effective management of risks and adherence to the approved enterprise risk policies.

3.1.1 Board of Directors

The Board of Directors:

- sets the Group's enterprise risk strategy and direction in line with the Group's corporate strategy;
- gives final approval for the Group's enterprise risk management framework, policies and procedures;
- periodically reviews the framework to ensure its relevance and effectiveness; and ensures that senior management is performing its risk management responsibilities; and
- Sets risk appetite levels

3.1.2 Board Audit and Risk Committee

The Board Committees:

- ensures that the enterprise risk management framework is comprehensive and in line with the Group's strategy;
- approves the enterprise risk management framework and oversees its implementation; and
- establishes a management structure capable of implementing the framework with clear lines of responsibility, accountability and reporting; and
- reports significant risk issues to the Board of Directors.

3.1.3 Management Risk Committee

The Group's Management Risk Committee:

- ensures that the framework is implemented consistently across the Group;
- ensures policies and procedures are developed for managing risk in the Group's products, activities, systems and processes;

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- ensures that all levels of staff understand their responsibilities with respect to enterprise risk management;

ENTERPRISE RISK MANAGEMENT FRAMEWORK

- reviews the Group's risk dashboard and assesses potential impact on the activities of the Group or business unit;
- ensures the Group's risk profile is within established risk parameters;
- ensures that staff are adequately trained and have access to the necessary resources;
- obtains and reviews periodic reports on loss events, risk profiling and control failures enterprise-wide and monitors corrective measures are being implemented;
- ensures that the outputs from the enterprise risk management process are factored into the day-to-day management decisions of the Group; and
- ensures that the Group's enterprise risk management policies and procedures promote the desired risk culture.

3.2 Chief Risk Officer

The Chief Risk Officer:

- Leads the development and implementation of enterprise risk management across the Group.
- Develops enterprise risk management strategy, principles, framework and policy.
- Implements appropriate enterprise risk management processes and methodologies.
- Advises and coaches management and business units on risk management.
- Coordinates the appropriate and timely delivery of risk management information.
- Approves all reports, risk policy proposals, recommendations and other documents prepared for presentation to the Management Risk Committee, and Board Audit & Risk Committees.

The Enterprise Risk Management seeks to build a strong risk management and control culture by setting the appropriate tone at the top, promoting awareness, ownership and proactive management of key risks, and promoting accountability. In short, we seek to promote a risk-conscious workforce across the Company.

The Group's risk culture is based on the following:

- Ownership of Risk Management by top executives and senior management with appropriate delegation down the line.
- Integration of risk management into all business units of the company.
- Compliance with company's culture and value system
- Proactive risk management process
- Risk Management training, education and awareness
- Effective risk management and controls
- Constant monitoring of risk environment and risk management process and system
- Compliance with all relevant statutory, regulatory and supervisory rules, regulations, pronouncements and requirements
- Ensuring risk management owners are responsible and accountable relative to their function and position
- Ensure crises free management of risk issue when and if it occurs

4.0 Risk Identification and Prioritization

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Risk identification is a deliberate and systematic effort to identify and document the enterprise's key risks. Risks emanate from internal or external sources which affects implementation of strategy or achievement of objectives.

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The objective of risk identification is to understand what is at risk within the context of the enterprise explicit and implicit objectives and to generate a comprehensive inventory of risks based on the threats and events that might prevent, degrade or delay the achievement of the objectives. The Group adopts a rigorous and ongoing process of risk identification that also includes mechanisms to identify new and emerging risks timely. These risks form the basis of the overall risk profile for the enterprise.

The following broad categories of risk are used to enable appropriate aggregation and to assist with the identification of inherent risks across the Group:

- Business Strategy Risk
- Credit Risk
- Compliance Risk
- Insurance Risk
- Legal/Regulatory Risk
- Liquidity Risk
- Market Risk
- Operational Risk
- Reputation/Brand Risk

The risks identified are then assessed in order to prioritize the most important risks. Risk assessment is a process to quantify or qualify the level of risk associated with a specific threat or event, to enrich the risk intelligence available to the enterprise.

Risks are prioritized, considering likelihood and impact of a given outcome, to determine how they should be managed. The purpose of prioritizing the risk is to determine the level of action needed for the identified and assessed risks. The objectives at this step are to separate the minor risks from major ones. The level of risk is determined by measuring the likelihood of each event arising and the associated consequences.

Risk Identification Methods:

The following are the methods adopted in identifying risks faced by the enterprise

Brainstorming: Risk identification through brainstorming sessions on risk areas, vulnerabilities and threats.

Questionnaire: Risk identification by issuing questionnaires to members of various units in order to identify risks peculiar to them

5.0 Risk Appetite/Risk Tolerance

It is not always efficient to manage risks to zero residual risk or very low residual threshold because of the time, cost and effort that will be required. However, it is also poor risk management practice to accept risks which create unnecessary exposure for the enterprise.

As a result, the enterprise will not accept risks which could expose her to:

- Unacceptable levels of financial loss relative to strategic and operational targets

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- Breaches of legislation or regulatory non-compliance
- Damage to its reputation
- Unacceptable interruption to the provision of services to customers
- Damage to relationships with its customers and key stakeholders

ENTERPRISE RISK MANAGEMENT FRAMEWORK

6.0 Risk Reporting And Communication

Information is needed at all levels to identify, assess and respond to risks. Like any other process, the success of risk management depends on the availability of reliable information and effective communication at various levels. Pertinent information has been identified, captured and communicated in a form and time frame that enables members of staff to carry out their responsibilities.

A reporting system is designed to provide assurance that the enterprise risks are adequately managed. Information is provided on risk management status and actions taken for continuous improvement. The report provides information on the effectiveness of achieving corporate objectives; a forward looking report that anticipates emerging risks.

Information and communication channels are in place to make various business units aware of risks that fall into their area of responsibility and the expected behavior to mitigate negative outcomes.

Relevant information, properly and timely communicated is essential to equip the relevant officials to identify, assess and respond to risks. The Enterprise's risk communication and reporting process supports enhanced decision making and accountability through; dissemination of relevant, timely, accurate and complete information.

7.0 Risk Management and Controls

In the management and control of risks, the information gained during risk assessments is used to develop control measures that would be applied to ensure appropriate management of risks. It involves the implementation of new policies and standards, physical changes and procedural changes that can reduce or eliminate certain risks within the various business units.

The following are the risk control measures the enterprise employs to mitigate risk:

- **Risk Avoidance:** This involves committing to stop executing the activities that give rise to the risk. Risk avoidance is usually a function of consolidating business processes and implementing preventative controls to halt deviations from acceptable norms.
- **Risk Reduction:** The risk reduction strategy involves reorganizing business processes to reduce the risk exposure inherent in them. Risk reduction involves reducing the severity of the loss or the likelihood of the loss occurring.
- **Risk Transfer:** A risk transfer strategy involves reducing risk likelihood or impact by transferring or otherwise sharing a portion of the risk. Common risk transfer techniques used includes purchasing insurance products, pooling risks and engaging in hedging transactions.
- **Risk Acceptance:** A risk acceptance strategy is a well-informed decision to accept loss, or benefit of gain, from a risk when it occurs. This involves making resources available internally to mitigate or accommodate such risks. An acceptance strategy is an effective way of addressing emerging risks which are those risks that are anticipated to arise in the future.

Control activities are also established to ensure that risk management decisions are carried out

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effectively and consistently throughout the Group. This involves formalizing risk management decisions in the Group's policies, ensuring clear accountability, utilizing self-assessment and monitoring tools and designing controls into the systems and critical business processes.

ENTERPRISE RISK MANAGEMENT FRAMEWORK**8.0 Risk Factors and Types****8.1 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 random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

8.1.1 General Accident insurance risks**8.1.1.1 Frequency and severity of claims**

The frequency and severity of claims can be affected by several factors. The most significant is the long tailed nature of occupational hazards and employers liability. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

The Group manages these risks through prudent underwriting, adequate reinsurance arrangements and proactive claims handling.

Prudent underwriting attempts to ensure that bad risks are rejected and the underwritten pool of risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting policies are in place to enforce proper risk selection. For example, the Group does not write or renew individual policies with established moral hazards. It also imposes excesses and deductibles to make the insured bear a proportion of a loss and thus check negligent or indulgent tendencies. The Group undertakes loss investigation that most times results in downward adjustments of reported claims. The Group rejects payment of fraudulent claims that are thrown up by its investigation search light. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs through its subrogation rights. Any contract

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in which a branch office of the Group is committed to cover risks in excess of its prescribed limits requires head office approval.

The reinsurance arrangements include excess of loss and catastrophe covers that are used to protect the Group's net account. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than N70 million in any one event.

ENTERPRISE RISK MANAGEMENT FRAMEWORK**8.1.1.2 Sources of uncertainty in the estimation of future claim payments**

Claims on long-tail general accident insurance contracts are payable on a claims-occurrence basis. Coverage applies to bodily injury or property damage that occurs during the policy period, regardless of when claims for damages are made. As a result, liability claims are settled over a long period of time (long-tail), 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 for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in 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 comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period. The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For general accident insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

8.1.1.3 Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. However, the Nigerian market has not had severe losses from asbestos-related diseases which is usually material and is therefore not too complicated to come up with reasonable assumptions.

The Group uses assumptions based on a mixture of internal and market data. Internal data is

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derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at year-end 2014 to derive data for the contracts held. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims

ENTERPRISE RISK MANAGEMENT FRAMEWORK

8.1.1.4 *Change in assumptions and sensitivity analysis*

There were no additional net insurance reserves (outstanding claims) arising in respect of prior years that has arisen due to changes in the assumptions used to estimate the ultimate cost of claims, including public liability claims.

Because the assumptions used to estimate these liabilities require judgment, they are subject to great uncertainty.

8.1.2 *Property insurance contracts*

8.1.2.1 *Frequency and severity of claims*

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding) and their consequences (for example, flood claims). For certain contracts, the Group has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Group has the right to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Group has reinsurance cover for such damage to limit losses to N300 million in any one catastrophe event.

Property insurance contracts are subdivided into the following risk groups: fire, business interruption, and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Group operates, and there is a balance between commercial personal properties in the overall portfolio of insured buildings. The Group does not underwrite property insurance contracts outside Nigeria.

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

The shorter settlement period for these claims allow the Group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of a flood claim make the estimation process more uncertain for these claims.

The uncertain nature of the costs of this type of claim causes greater uncertainty in the estimates than in previous years. The Group has been monitoring numbers of reported claims on a weekly basis and reflected such information in its assessment of the adequacy of the unearned premium provision held at year end. The effect of this unexpected weather may affect prior year claims, due to the re-opening of old claims and higher settlement costs for flood claims in the current market. At year-end 2014, the Group believes that its liabilities for fire claims are adequate. However, more permanent changes in the climate may produce a higher frequency and severity

of claims than currently expected.

8.1.2.3 Process used to decide on assumptions

For non-subsidence-related property risks, the Group uses similar statistical methods used for general accident insurance risks that incorporate the various assumptions made in order to estimate the ultimate cost of claims.

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Similar to the approach for the assumptions underlying the casualty insurance liabilities, the choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combination of techniques have been selected for individual accident years or groups of accident years within the same class of business.

8.1.2.4 Changes in assumptions

The Group did not change its assumptions for the insurance contracts disclosed in this note other than updating the costs of rebuilding properties, replacement or indemnity for contents for time value of money.

8.1.3 Long-term insurance contracts

8.1.3.1 Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS, SARS, EBOLA and a human form of avian flu) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. The Group charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The Group manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures, to reflect the health condition and family medical history of the applicants. The Group has a retention limit of =N=10 million on any single life insured and reinsures the excess through a surplus treaty reinsurance arrangement. The Group does not have in place any reinsurance for contracts that insure survival risk.

8.1.3.2 Sources of uncertainty in the estimation of future benefit payments and premium receipts

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Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior.

The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation into the actual experience of the Group over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the

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statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behavior will be reflected in this experience. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

8.1.3.3 Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets shown in paragraph below is not symmetrical. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

The assumptions used for the insurance contracts disclosed in this note are as follows:

- i. Mortality*
An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.
- ii. Morbidity*
The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Group's own experience.
- iii. Persistency*
An investigation into the Group's experience over the most recent three years is performed,

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and statistical methods are used to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration. An allowance is then made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account the effective contract holders' behavior.

iv. Investment returns

Investment returns affect the assumed level of future benefits due to the contract holders and the selection of the appropriate discount rate. The Group's primary assumptions on investment returns relate to four components:

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(a) Risk-free rates

The risk-free rates are the gross yields to redemption of benchmark government securities.

(b) Equity investments

The expected long-term return – dividends and capital growth – is derived by adding to the risk-free rate of return on equity risk premium percentage considered to be appropriate.

(c) Overall investment return

A weighted average rate of investment return is derived by combining different proportions of the above financial assets in a model portfolio, which is assumed to back the liabilities. These model portfolios are consistent with the long-term asset allocation strategies as set out in the Group's Asset Liability Management (ALM) framework.

v. Renewal expense level and inflation

The current level of expenses is taken as an appropriate expense base. Expense inflation is assumed to be a suitable rate above current inflation rates hovering around 8.2% per annum in Nigeria.

vi. Tax

It has been assumed that current tax legislation and rates continue unaltered.

Change in assumptions

The Group did not change its assumptions for the insurance contracts disclosed in this note.

(a) Guaranteed annuity options

The amount of insurance risk under contracts with guaranteed annuity options is also dependent on the number of contract holders that will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Company under the annuities issued. The Group does not have sufficient historical data on which to base its estimate of the number of contract holders who will exercise their options.

Available table indicates the likely changes in the carrying amount of the liability at year-end in response to changes in interest and mortality rates. The additional carrying amount is calculated on the assumption that every contract holder exercises his option at the earliest date possible.

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(b) *Sources of uncertainty in the estimation of future claim payments*

Other than for the testing of the adequacy of the liability representing the unexpired risk at the end of the reporting period, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by reinsurers are used as well as the actual experience of the Group. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

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The concentration of non-life insurance by the location of the underlying risk is summarised below by reference to liabilities.

	Gross		Reinsurance		Net	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000	2014 N'000	2013 N'000
- Within Nigeria	16,146,386	17,021,671	9,698,856	10,168,453	6,447,530	6,853,218
- Outside Nigeria	-	-	-	-	-	-
	16,146,386	17,021,671	9,698,856	10,168,453	6,447,530	6,853,218

The concentration of non-life insurance by type of contract is summarised below by reference to liabilities.

	Gross		Reinsurance		Net	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Property	2,662,425	2,072,854	1,703,900	1,058,430	958,525	1,014,424
Motor	2,534,137	2,364,202	56,664	82,440	2,477,473	2,281,762
Liability	1,166,378	1,337,450	191,333	136,791	975,045	1,200,659
Others	9,783,446	11,247,165	7,143,414	8,890,792	2,640,032	2,356,373
	16,146,386	17,021,671	9,095,311	10,168,453	7,051,075	6,853,218

Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The Company considers that the liability for non-life insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

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Assumptions and sensitivities (Cont'd)

Some results of sensitivity testing are set out below:

2014

Discounted IABCL	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Class of Business	Base	5% Loss Ratio	(-5%) Loss Ratio	1%Inflation Rate	1%Inflation Rate	1%Discount Rate	1%Discount Rate
Accident	729,917	872,688	607,433	741,874	718,112	721,700	738,364
Engineering	155,961	155,961	155,961	155,961	155,961	155,961	155,961
Fire	839,836	1,029,086	713,244	849,555	830,162	834,157	845,623
Marine	263,584	356,754	223,979	266,214	260,960	262,199	264,992
Motor	503,131	770,093	412,336	509,015	497,278	499,678	506,653
Oil & Gas	2,960,210	3,243,579	2,676,841	2,960,210	2,960,210	2,936,032	2,984,949
Bond	23,775	23,894	23,656	23,775	23,775	23,775	23,775
Aviation	48,572	51,531	45,614	48,572	48,572	48,572	48,572
Total	5,524,985	6,503,585	4,859,064	5,555,177	5,495,030	5,482,075	5,568,889
Account Outstanding	2,317,989	2,317,989	2,317,989	2,317,989	2,317,989	2,317,989	2,317,989
IBNR	3,206,996	4,185,596	2,541,075	3,237,187	3,177,041	3,164,086	3,250,900
Percentage Change		17.7%	-12.1%	0.5%	-0.5%	-0.8%	0.8%

2013

Class of Business	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Class of Business	Normal	5% Developmental Ratio	(-5%) Developmental Ratio	5% Inflation Rate	(-5%)Inflation Rate	5%Discount Rate	(-5%)Discount Rate
Accident	528,500	917,840	228,266	533,824	523,217	524,035	533,035
Engineering	80,077	172,752	61,860	80,574	79,581	79,658	80,501
Fire	658,719	1,284,444	460,092	663,229	654,221	654,919	662,562
Marine	273,322	645,067	182,965	275,052	271,863	271,863	274,796
Motor	527,502	1,433,957	277,677	531,429	523,592	524,198	530,848
Oil & Gas	4,140,596	4,347,625	3,933,566	4,140,596	4,140,596	4,140,596	4,140,596
Bond	21,300	22,365	20,235	21,300	21,300	21,300	21,300
Aviation	50,932	53,490	48,373	50,932	50,932	50,932	50,932
Total	6,280,946	8,877,540	5,213,034	6,296,935	6,265,301	6,267,500	6,294,569
Percentage Change		41.3%	-17.0%	0.3%	-0.3%	-0.2%	0.2%

The Company's method for sensitivity testing has not changed significantly from the prior year.

ENTERPRISE RISK MANAGEMENT FRAMEWORK**Claims development tables**

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. In 2012, in the year of adoption of IFRS, only 5 years were required to be disclosed. This will be increased in each succeeding year, until 8 - 10 years of information is presented. The top half of the table shows how the estimates of total claims for each accident year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the Statement of Financial Position.

The cumulative claims estimates and payments for each accident year are translated into Nigerian Naira at the year rates that applied at the end of each accident year.

Analysis of claims development – Gross

	2008	2009	2010	2011	2012	2013	2014	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Estimate of ultimates:								
End of accident year	769,208	824,868	683,629	1,245,247	1,025,795	1,013,938	1,261,383	6,824,068
1 year later	616,250	567,800	640,875	1,666,120	1,905,418	1,060,918	-	6,457,382
2 years later	213,631	124,997	358,584	357,657	1,112,199	-	-	2,167,068
3 years later	55,066	49,625	59,498	451,540	-	-	-	615,729
4 years later	23,446	56,102	36,148	-	-	-	-	115,696
5 years later	17,396	30,143	-	-	-	-	-	47,539
6 years later	6,671	-	-	-	-	-	-	6,671
Cumulative Payment	1,701,668	1,653,535	1,778,734	3,720,563	4,043,412	2,074,856	1,261,383	16,234,152
Current estimate of ultimate claims	1,701,668	1,709,387	1,840,527	3,966,399	4,343,158	4,092,948	4,105,050	21,759,137
	-	55,851	61,793	245,836	299,746	2,018,092	2,843,667	5,524,985
Provision for prior years								-
Liability in Statement of Financial Position								5,524,985

ENTERPRISE RISK MANAGEMENT FRAMEWORK**8.2 Credit Risks**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The key areas of exposure to credit risk for the Group are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries. Key areas where the Group is exposed to credit risk are:

Principal Credit Risks

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries;
- Amounts due from loans and receivables;
- Amounts due from debt securities; and
- Amounts due from money market and cash positions.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the Group uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

8.2.1 Credit Risk Measurement, Control and Mitigation**i. *Premium and Reinsurance Receivables***

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

The Credit Control Committee works closely with the Underwriting and Reinsurance departments 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.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

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 Group. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the group procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Group's risk department.

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

ii. *Investments*

The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have a credit rating of at least BBB- from rating agencies. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

8.3 Liquidity Risks

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of over 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group does not maintain any lines of credit as it does not envisage any liquidity stress that would stretch its liquidity position.

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ENTERPRISE RISK MANAGEMENT FRAMEWORK

The following table shows details of the expected maturity profile of the Group's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance contract liabilities. Unearned premiums are excluded from this analysis. The table includes both interest and principal cash flows.

		2014 1 - 5 years	> 5 years	Total
	Up to 1 year N'000	N'000	N'000	N'000
Financial and Insurance Assets				
- Life	5,706,154	541,778	2,714,147	8,962,079
- Non Life	19,534,084	1,030,668	-	20,564,752
- Others	2,650,461	-	1,653,285	4,303,746
Total	27,890,699	1,572,446	4,367,432	33,830,577
Financial and Insurance Liabilities				
- Life	3,067,226	1,636,806	2,279,463	6,983,495
- Non Life	14,755,969	2,247,949	-	17,003,918
- Others	1,313,913	-	-	1,313,913
Total	19,137,108	3,884,755	2,279,463	25,301,326
		2013 1 - 5 years	> 5 years	Total
	Up to 1 year N'000	N'000	N'000	N'000
Financial and Insurance Assets				
- Life	4,587,590	476,605	1,922,319	6,986,514
- Non Life	19,766,359	2,337,430	0	22,103,789
- Others	1,801,836	0	64,597	1,866,433
Total	26,155,785	2,814,035	1,986,916	30,956,736
Financial and Insurance Liabilities				
- Life	1,518,048	2,060,600	2,410,205	5,988,853
- Non Life	16,959,773	2,125,231	0	19,085,004
- Others	668,512	0	0	668,512
Total	19,146,333	4,185,831	2,410,205	25,742,369

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ENTERPRISE RISK MANAGEMENT FRAMEWORK

The following tables detail the Group's expected maturity for its non-derivative assets. The tables below have been drawn up on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except the Company anticipates that the cash flow will occur in a different period.

	Up to 1 year N'000	2014 1 - 5 years N'000	> 5 years N'000	Total N'000
Equity Securities				
- Quoted	-	-	2,224,304	2,224,304
- Unquoted	-	-	1,747,415	1,747,415
Debt Securities:				
- Federal Government	426,231	146,129	-	572,360
- State Government	288,032	285,649	102,150	675,831
- Corporate	2,694,920	110,000	293,563	3,098,483
Reinsurance Receivables	238,861	-	-	238,861
Reinsurance Assets	6,491,206	1,030,668	-	7,521,874
Other Receivables	456,902	-	-	456,902
Tenor Deposits (> 90 days)	1,426,308	-	-	1,426,308
Cash and cash equivalents	15,868,039	-	-	15,868,039
Total	27,890,499	1,572,446	4,367,432	33,830,377

	Up to 1 year N'000	2013 1 - 5 years N'000	> 5 years N'000	Total N'000
Equity Securities				
- Quoted	-	-	456,868	456,868
- Unquoted	-	-	1,289,897	1,289,897
Debt Securities				
- Federal Government	119,805	66,531	6,225	192,561
- State Government	219,662	505,591	169,329	894,582
- Corporate	8,967	567,831	-	576,798
Reinsurance Receivables	10,972	-	-	10,972
Reinsurance Assets	9,416,947	1,625,035	-	11,041,982
Other Receivables	135,187	49,047	-	184,234
Tenor Deposits (> 90 days)	888,416	-	-	888,416
Cash and cash equivalents	15,420,426	-	-	15,420,426
Total	26,220,382	2,814,035	1,922,319	30,956,736

ENTERPRISE RISK MANAGEMENT FRAMEWORK

8.4 Market Risks

Market risk is the risk that changes in market prices, such as; foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments.

Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group has established policies and procedures in order to manage market risk.

8.4.1 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group has minimal exposure to currency risk as the Group's financial assets are primarily matched to the same currencies as its insurance and investment contract liabilities.

Carrying amounts of the Group's foreign currency denominated assets and liabilities:

Group				
2014				
		<i>Sterling</i>	<i>Euro</i>	<i>US dollars</i>
Assets	-	13,404	42,226	3,782,165
Liabilities	-	-	-	(2,125,363)
	-	13,404	42,226	1,656,802
2013				
		<i>Sterling</i>	<i>Euro</i>	<i>US dollars</i>
Assets	-	2,228	-	5,288,039
Liabilities	-	-	-	(1,974,259)
	-	2,228	-	3,313,780

The company had no foreign currency denominated asset or liability.

Foreign currency sensitivity analysis

The Group is mainly exposed to the US Dollar currency.

The following table details the Group's sensitivity to a 15% increase and decrease in the Naira against the US Dollar currency. 15% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and this represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 15% change in foreign currency rates. The sensitivity analysis includes borrowings within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

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	Profit/loss effect	Equity effect
A reduction in the exchange rate by 15% will result in	(45,976,256)	(45,976,256)
An increase in the exchange rates by 15% will result in	45,976,256	45,976,256

8.4.2 Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk as the Group invests in long term debt at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by limited use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

Interest rate risk also exists in products sold by the Group. The Group manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The Group has no significant concentration of interest rate risk.

8.4.3 Equity price risk management

The Group is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed and unlisted securities that present the Group with opportunity for return through dividend income and capital appreciation. Equity investments designated as available-for-sale are held for strategic rather than trading purposes.

8.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Group recognises the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

The Group is committed to the management of operational risks. The Group's operational risk management strategy aims to:

- reduce losses arising from operational risk – a key role of operational risk management in the Group is to reduce losses from operational failure and in particular avoid potentially large or catastrophic risk losses;
- provide early warning signals of deterioration in the Group's internal control system; and
- raise awareness of operational risk in the Group from top to bottom through the implementation of an enterprise-wide risk approach.

One of the foremost operational risks faced by the Group are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed, control failures identified and new controls designed. The Group is also investing in enhanced loss control. Key counter-measures put in place include:

ENTERPRISE RISK MANAGEMENT FRAMEWORK

- enhanced staff training;
- enhanced Know Your Policyholder (KYP) drive and background checks on employees;
- issuance of appropriate and deterrent circulars;
- job rotation and segregation;
- dissemination of email and SMS alerts to the Group's customers for each activity on their accounts;
- imposition of stiff disciplinary measures including prosecution of fraudulent staff, agents and brokers; and
- installation of panic alarm system, CCTV.

9.0 Financial risk management**9.1 Valuation bases**

The Group monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group may seek to minimise the effects of these risks by using financial instruments to hedge risk exposures.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Fair value is the amount for which an asset could be exchanged or liability being settled between knowledgeable, willing parties in an arm's length transaction.

Fair values are determined at prices quoted in active markets. In the current environment, such price information is typically not available for all instruments and the Group applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. The Group has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

The table below shows financial assets carried at fair value through profit or loss by valuation method:

GROUP

	2014 N'000	2013 N'000
Financial Assets measured at Fair Value:		
Quoted prices in active markets (level 1)	8,378,804	4,329,569
Valuation technique:		
Market observable data (level 2)	3,512,159	3,070,937
Other than observable market data (level 3)	55,953	61,873
	<u>11,946,916</u>	<u>7,462,379</u>
Disclosures of Fair value of Financial Assets measured at amortised cost		
Financial Assets measured at Amortised Cost:		
Held to Maturity	6,971,249	1,408,042
	<u>6,971,249</u>	<u>1,408,042</u>

ENTERPRISE RISK MANAGEMENT FRAMEWORK

COMPANY

	2014 N'000	2013 N'000
Financial Assets measured at Fair Value:		
Quoted prices in active markets (level 1)	50,575	64,597
Valuation technique:		
Market observable data (level 2)	-	-
Other than observable market data (level 3)	1,830	-
	<u>52,405</u>	<u>64,597</u>
Disclosures of Fair value of Financial Assets measured at amortised cost		
Financial Assets measured at Amortised Cost:		
Held to Maturity	<u>-</u>	<u>-</u>

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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 (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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ENTERPRISE RISK MANAGEMENT FRAMEWORK

GROUP	2014			Total N'000
	Level 1 N'000	Level 2 N'000	Level 3 N'000	
FINANCIAL ASSETS				
Financial Assets at FVTPL:				
Equity Shares	836,536	-	-	836,536
Bonds/Debentures	-	-	-	-
	836,536	-	-	836,536
Financial Assets at AFS:				
Equity Shares	571,019	3,512,159	-	4,083,178
Bonds/Debentures	-	-	-	-
	571,019	3,512,159	-	4,083,178
Held to Maturity				
Bonds/Debentures	3,918,083	-	-	3,918,083
Tenor Deposits - Investments	3,053,166	-	-	3,053,166
	6,971,249	-	-	6,971,249
Loans and Receivables				
Receivables	-	-	55,953	55,953
	-	-	55,953	55,953
Total Financial Assets	8,378,804	3,512,159	55,953	11,946,916
FINANCIAL LIABILITIES				
Financial Liabilities at Amortised Cost:				
Bonds/Debentures	-	-	2,125,363	2,125,363
	-	-	2,125,363	2,125,363
Total Financial Liabilities	-	-	2,125,363	2,125,363

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ENTERPRISE RISK MANAGEMENT FRAMEWORK

	2013			Total N'000
	Level 1 N'000	Level 2 N'000	Level 3 N'000	
FINANCIAL ASSETS				
Financial Assets at FVTPL:				
Equity Shares	2,921,527	-	-	2,921,527
Bonds/Debentures	-	-	-	-
	<u>2,921,527</u>	<u>-</u>	<u>-</u>	<u>2,921,527</u>
Financial Assets at				
Equity Shares		3,070,937	-	3,070,937
Bonds/Debentures	-	-	-	-
	<u>-</u>	<u>3,070,937</u>	<u>-</u>	<u>3,070,937</u>
Held to Maturity				
Bonds/Debentures	1,408,042	-	-	1,408,042
Tenor Deposits - Investments	-	-	-	-
	<u>1,408,042</u>	<u>-</u>	<u>-</u>	<u>1,408,042</u>
Loans and Receivables				
Receivables	-	-	61,873	61,873
	<u>-</u>	<u>-</u>	<u>61,873</u>	<u>61,873</u>
Total Financial Assets	<u>4,329,569</u>	<u>3,070,937</u>	<u>61,873</u>	<u>7,462,379</u>
FINANCIAL LIABILITIES				
Financial Liabilities at Amortised Cost:				
Bonds/Debentures	-	-	1,974,259	1,974,259
	<u>-</u>	<u>-</u>	<u>1,974,259</u>	<u>1,974,259</u>
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>1,974,259</u>	<u>1,974,259</u>

ENTERPRISE RISK MANAGEMENT FRAMEWORK

COMPANY

	2014			Total N'000
	Level 1 N'000	Level 2 N'000	Level 3 N'000	
FINANCIAL ASSETS				
Financial Assets at FVTPL:				
Equity Shares	50,575	-	-	50,575
Bonds/Debentures	-	-	-	-
	50,575	-	-	50,575
Loans and Receivables				
Receivables	-	-	1,830	1,830
	-	-	1,830	1,830
Total Financial Assets	50,575	-	1,830	52,405

	2013			Total N'000
	Level 1 N'000	Level 2 N'000	Level 3 N'000	
FINANCIAL ASSETS				
Financial Assets at FVTPL:				
Equity Shares	64,597	-	-	64,597
Bonds/Debentures	-	-	-	-
	64,597	-	-	64,597
Total Financial Assets	64,597	-	-	64,597

9.2 Liquidity risk

Liquidity risk is the risk that the Group cannot meet its obligations associated with financial liabilities as they fall due.

The Group has adopted an appropriate liquidity risk management framework for the management of the Group's liquidity requirements. The Group manages liquidity risk by maintaining adequate liquid assets and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Group is exposed to liquidity risk arising from clients on its insurance contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers

Liquidity management ensures that the Group has sufficient access to funds necessary to cover insurance claims. In practice, most of the Group's assets are marketable securities which could be converted in to cash when required.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

10.0 Future Outlook

The Group is on a journey to embedding a robust enterprise risk management practice, culture and environment beyond complying with regulatory requirements. The goal is to make risk management a value driver that enhances and contributes to stakeholders' value and the long-term existence and survival of the institution. To this end, a number of initiatives and projects are being initiated. When completed, it will enhance the risk management culture and practices within the organisation and by extension significantly reduce the Group's risk exposures and incidences.

Some of these key initiatives and projects are as follows:

- Sourcing of a risk solution that has capacity to support the management of insurance risks, operational risk, credit risk and market risk in line with best practices and ultimately complying with risk-based capital regulation in anticipation.
- Structuring a business continuity management framework and infrastructure.
- Review and update of existing enterprise risk management processes and introduction of new ones.
- On-going aggressive Group-wide risk awareness campaign to increase employees' risk-awareness level, competence and involvement in managing risks.

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**STATEMENT OF VALUE ADDED
FOR YEAR ENDED 31 DECEMBER 2014**

GROUP	2014 =N='000	%	2013 =N='000	%
Operating Income	18,663,477		18,797,404	
Fees and commission income	2,526,911		2,087,309	
Investment income	2,386,866		2,327,262	
Other income	<u>1,622,865</u>		<u>1,470,044</u>	
	25,200,119		24,682,019	
Reinsurances	(9,944,035)		(10,380,644)	
Claims incurred, commission paid and other underwriting Expenses	(6,652,874)		(6,748,917)	
Other operating expenses	<u>(2,271,049)</u>		<u>(2,769,281)</u>	
Value added	<u><u>6,443,689</u></u>	<u>100</u>	<u><u>5,511,014</u></u>	<u>100</u>
Applied as follows:				
To pay employees:				
Salaries, wages and benefits	1,033,899	16	792,453	14
To pay Government:				
Taxes	786,202	12	860,710	14
Retained for asset replacement and future expansion of business:				
- Depreciation and amortization	261,044	4	381,912	7
- Deferred taxation	273,841	4	(127,554)	(2)
- Profit for the year	<u>4,088,703</u>	<u>64</u>	<u>3,603,493</u>	<u>66</u>
	<u><u>6,443,689</u></u>	<u>100</u>	<u><u>5,511,014</u></u>	<u>100</u>

Value added is the wealth created by the efforts of the Group and its employees and the allocation among employees, shareholders, government and that retained in the future for the creation of more wealth.

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**STATEMENT OF VALUE ADDED
FOR YEAR ENDED 31 DECEMBER 2014**

COMPANY	2014 =N='000	%	2013 =N='000	%
Investment income	2,249,539		359,733	
Other income	<u>519,267</u>		<u>1,319,881</u>	
	2,768,806		1,679,614	
Operating expenses - Local	<u>(124,095)</u>		<u>(382,442)</u>	
Value added / (lost)	<u><u>2,644,711</u></u>	<u>100</u>	<u><u>1,297,172</u></u>	<u>100</u>
Applied as follows:				
<i>To pay employees:</i>				
Salaries, wages and benefits	71,380	3	152,538	11
<i>To pay Government:</i>				
Taxes	64,714	2	51,243	4
<i>Retained for asset replacement and future expansion of business:</i>				
- Depreciation and amortization	11,387	1	7,049	1
- Deferred taxation	268,272	11	-	-
- Profit for the year	<u>2,228,958</u>	<u>83</u>	<u>1,086,342</u>	<u>84</u>
	<u><u>2,644,711</u></u>	<u>100</u>	<u><u>1,297,172</u></u>	<u>100</u>

Value added is the wealth created by the efforts of the Company and its employees and the allocation among employees, shareholders, government and that retained in the future for the creation of more wealth.

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FIVE YEAR SUMMARY STATEMENT OF FINANCIAL POSITION

	IFRS				
GROUP	2014	2013	2012	2011	2010
Assets	=N='000	=N='000	=N='000	=N='000	=N='000
Cash and cash equivalents	15,868,039	15,420,426	9,060,920	4,657,076	5,154,708
Financial assets	11,946,916	7,462,379	3,185,415	3,214,063	3,226,258
Trade receivables	191,479	96,049	573,271	505,345	751,748
Reinsurance assets	7,760,736	11,041,983	776,063	618,292	54,765
Deferred acquisition costs	556,955	372,021	108,209	114,173	88,049
Other receivables and prepayments	1,117,538	747,922	439,733	606,113	564,819
Investment in subsidiaries	-	-	-	-	-
Investment in associates	668,166	556,638	-	418,053	328,022
Investment properties	7,350,811	6,309,466	3,835,640	3,234,365	4,785,752
Intangible assets	84,362	333,182	396,776	390,079	425,300
Property, plant and equipment	2,469,421	2,463,747	2,085,510	1,989,147	134,266
Statutory deposits	850,000	850,000	515,000	515,000	515,000
Total Assets	48,864,423	45,653,813	20,976,537	16,261,706	16,028,687
Equity and Liabilities					
Insurance contract liabilities	15,806,783	17,658,373	3,142,850	2,787,890	1,862,339
Investment contract liabilities	3,030,332	3,080,315	2,859,037	2,551,011	2,604,965
Trade payables	1,709,081	826,187	355,868	322,751	367,468
Other payables	1,481,604	1,079,387	589,385	506,486	620,024
Current income tax	1,098,447	1,207,501	482,664	164,508	174,271
Deferred tax liabilities	578,818	304,977	349,476	418,448	214,899
Interest-bearing loans and borrowings	2,125,363	1,974,259	3,574,916	3,545,552	3,519,788
Total liabilities	25,830,428	26,130,999	11,354,196	10,296,646	9,363,754
Equity					
Issued share capital	2,940,933	2,940,933	3,792,647	2,260,304	2,260,304
Share premium	6,405,632	6,405,632	2,800,232	2,569,132	2,569,132
Treasury Shares	(140,120)	(140,120)	-	-	-
Retained earnings	7,837,331	5,554,468	1,696,111	619,339	1,224,875
Contingency reserve	4,779,369	4,128,408	958,059	690,326	593,607
Other components of equity	-	-	130,948	130,948	130,948
Available-for-sale reserve	663,711	203,567	(156,756)	(304,989)	(113,933)
Equity attributable to owners of the	22,486,856	19,092,888	9,221,241	5,965,060	6,664,933
Non-controlling interests	547,139	429,926	401,100	-	-
Total equity	23,033,995	19,522,814	9,622,341	5,965,060	6,664,933
Total equity and liabilities	48,864,423	45,653,813	20,976,537	16,261,706	16,028,687

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FIVE YEAR SUMMARY STATEMENT OF FINANCIAL POSITION

COMPANY	2014	2013	2012	2011	2010
Assets	=N='000	=N='000	=N='000	=N='000	=N='000
Cash and cash equivalents	1,807,249	932,391	1,526,930	439,062	688,453
Financial assets	52,405	64,597	74,073	44,161	433,709
Other receivables and prepayment	104,122	294,002	119,085	33,458	305,043
Investment in subsidiaries	6,209,669	5,949,669	5,692,742	4,810,208	4,810,208
Investment in associates	409,891	409,891	-	-	36,149
Investment properties	3,515,000	3,055,000	2,701,770	1,973,280	1,828,465
Property, plant and equipment	39,541	6,249	22,569	42,593	35,278
Total Assets	12,137,877	10,711,799	10,137,169	7,342,762	8,137,305
Liabilities and Equity					
Liabilities					
Other payables	433,986	503,775	106,933	63,729	60,415
Current income tax	87,869	89,315	53,010	22,097	45,096
Deferred tax liabilities	268,272	-	-	-	-
Interest-bearing loans and borrowings	-	-	3,574,916	3,545,552	3,519,788
Total liabilities	790,127	593,090	3,734,859	3,631,378	3,625,299
Equity					
Issued share capital	2,940,933	2,940,933	3,792,647	2,260,304	2,260,304
Share premium	6,405,632	6,405,632	2,800,232	2,569,132	2,569,132
Treasury Shares	(140,120)	(140,120)	-	-	-
Retained earnings	2,141,305	912,264	(323,772)	(745,084)	(439,937)
Contingency reserve	-	-	-	-	-
Other components of equity	-	-	130,948	130,948	130,948
Available-for-sale reserve	-	-	2,255	(21,249)	8,441
Equity attributable to owners	11,347,750	10,118,709	6,402,310	4,194,051	4,528,888
Non-controlling interests	-	-	-	-	-
Total equity	11,347,750	10,118,709	6,402,310	4,194,051	4,528,888
Total equity and liabilities	12,137,877	10,711,799	10,137,169	7,825,429	8,154,187