

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CONSOLIDATED HALLMARK INSURANCE PLC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Consolidated Hallmark Insurance Plc**, (the Company") and its subsidiary (together "the Group") which comprise the consolidated statement of financial position at 31 December 2013, the consolidated statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, a summary of significant accounting policies, and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004, the Nigerian Insurance Act and in the manner required by the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011, and for such internal control as the Directors determine are necessary to enable the preparation of consolidated 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 financial statements based on our audit. We conducted our audit in accordance with Nigerian and 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 financial statements present fairly, in all material respects the consolidated financial position of **Consolidated Hallmark Insurance Plc** ("the Company") and its subsidiary (together "the Group") at 31 December 2013, and of their financial performance and cash flows for the year then ended, in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004, the Nigerian Insurance Act and in the manner required by the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011, and relevant guidelines issued by the National Insurance Commission.



Accountants &
business advisers

Report on other legal requirements:

The Companies and Allied Matters Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. the company and its subsidiaries have kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us.
- iii. the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.
- iv. Except for the contraventions disclosed in Note 42 to the consolidated financial statements, the company has complied with the requirements of the relevant guidelines issued by the National Insurance Commission.

Najeeb Abdus-salaam

Najeeb A. Abdus-salaam, FCA, FRC/2013/ICAN/00000000753
For: **PKF Professional Services**
Chartered Accountants
Lagos, Nigeria.



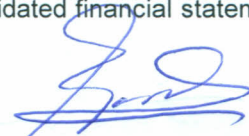
Date: 16 September 2014

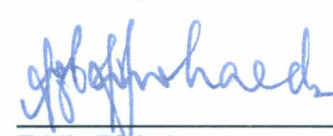
CONSOLIDATED HALLMARK INSURANCE PLC

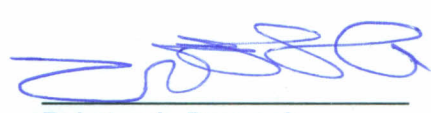
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		Group		Company	
		31 December 2013 N	Restated 31 December 2012 N	31 December 2013 N	Restated 31 December 2012 N
Notes					
Assets					
Cash and cash equivalent	2	2,275,501,790	1,857,303,251	2,232,194,169	1,746,507,954
Financial assets:					
- At fair value through profit or loss	3.1	174,453,485	182,451,560	156,076,887	167,695,232
- Loans and receivables	3.2	68,342,353	41,082,638	42,254,826	25,122,448
- Available for sale	3.3	2,000,000	2,000,000	2,000,000	2,000,000
- Held-to-maturity	3.4	65,783,151	-	65,783,151	-
Finance lease receivables	4	85,000,120	24,731,816	-	-
Trade receivables	5	51,398,187	1,138,068,666	51,398,187	1,138,068,666
Reinsurance assets	6	981,521,500	1,068,907,833	981,521,500	1,068,907,833
Deferred acquisition cost	7	204,941,728	195,734,475	204,941,728	195,734,475
Other receivables and prepayments	8	125,024,460	50,413,486	118,125,644	61,710,099
Investment in subsidiaries	9	-	-	226,407,680	226,407,680
Investment properties	10	874,278,600	870,331,600	789,778,600	785,831,600
Property and equipment	11	964,104,610	946,746,285	959,875,246	946,346,035
Statutory deposits	12	300,000,000	300,000,000	300,000,000	300,000,000
Total assets		6,172,349,984	6,677,771,610	6,130,357,618	6,664,332,022
Liabilities					
Insurance contract liabilities	13	2,124,258,416	2,044,293,984	2,124,258,116	2,044,293,984
Trade payables	14	26,056,310	218,963,082	26,056,310	218,963,082
Other payables and provision	15	67,042,956	78,514,068	62,509,495	87,474,075
Retirement benefit obligations	16	4,104,330	8,507,055	3,920,476	8,429,295
Current income tax liabilities	17.2	145,018,810	170,767,513	130,138,787	161,377,528
Deferred tax liabilities	17.4	153,728,093	126,936,011	153,728,093	126,936,011
Total liabilities		2,520,208,615	2,647,981,713	2,500,611,277	2,647,473,975
Equity					
Issued and paid share capital	18	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Contingency reserves	19.1	742,159,644	617,545,019	742,159,644	617,545,019
Statutory reserves	19.2	6,690,382	5,826,986	-	-
Retained earnings	20	(96,708,657)	406,417,892	(112,413,303)	399,313,028
Shareholders' fund		3,652,141,369	4,029,789,897	3,629,746,341	4,016,858,047
Total liabilities and equity		6,172,349,984	6,677,771,610	6,130,357,618	6,664,332,022

The consolidated financial statements were approved by the Board of Directors on 16 September 2014 and signed on its behalf by:


Ugo. (Dr.) Obi Ralph Ekezie
Chairman
FRC/2013/COREN/00000002188


Eddie Efekoha
Managing Director
FRC/2013/CIIN/00000002189


Babatunde Daramola
Chief Financial Officer
FRC/2013/ICAN/00000000564

The accompanying notes are an integral part of these consolidated and separate financial statements.

CONSOLIDATED HALLMARK INSURANCE PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Group		Company	
		31 December 2013 N	Restated 31 December 2012 N	31 December 2013 N	Restated 31 December 2012 N
Gross premium written		4,153,820,829	4,142,126,782	4,153,820,829	4,142,126,782
Gross premium income	22	4,151,298,704	3,835,996,495	4,151,298,704	3,835,996,495
Reinsurance premium expenses	23	(1,582,605,604)	(925,237,855)	(1,582,605,604)	(925,237,855)
Net premium income		2,568,693,100	2,910,758,640	2,568,693,100	2,910,758,640
Fee and commission income	24	203,633,369	237,243,585	203,633,369	237,243,585
Net underwriting income		2,772,326,469	3,148,002,225	2,772,326,469	3,148,002,225
Claims expense					
Gross claims incurred	24a	(965,106,416)	(846,618,408)	(965,106,416)	(846,618,408)
Claims recoveries from reinsurers	24b	314,751,829	123,875,046	314,751,829	123,875,046
		(650,354,587)	(722,743,362)	(650,354,587)	(722,743,362)
Underwriting expenses	25	(1,064,854,654)	(904,686,101)	(1,082,304,654)	(930,996,101)
Underwriting profit		1,057,117,228	1,520,572,762	1,039,667,228	1,494,262,762
Investment income	26	299,470,300	246,691,774	270,979,045	230,811,905
Other operating income	27	21,756,652	10,803,367	24,256,702	7,650,497
Impairment charge	28	(547,735,224)	(422,184,651)	(544,652,983)	(419,336,868)
Net fair value gains/(loss) on financial assets at fair value through profit or loss	29	100,005	(19,468,439)	12,856,767	(20,313,928)
Management expenses	30	(1,024,904,284)	(940,275,018)	(996,255,298)	(916,641,303)
Results of operating activities		(178,195,323)	396,139,795	(193,148,539)	376,433,065
Finance cost		-	-	-	-
(Loss)/Profit before taxation		(178,195,323)	396,139,795	(193,148,539)	376,433,065
Income tax (expenses)/credit	17	(19,453,205)	(156,642,418)	(13,963,167)	(149,653,904)
(Loss)/Profit after taxation		(197,648,528)	239,497,377	(207,111,706)	226,779,161
Other comprehensive income net of tax		-	-	-	-
Total comprehensive (loss)/income for the year		(197,648,528)	239,497,377	(207,111,706)	226,779,161
(Loss)/profit attributable to:					
Equity holders of the parent		(197,648,528)	239,497,377	(207,111,706)	226,779,161
Non-controlling interest		-	-	-	-
		(197,648,528)	239,497,377	(207,111,706)	226,779,161
Basic and diluted (loss)/earnings per share (kobo)	31	(3.29)	3.99	(3.45)	3.78

CONSOLIDATED HALLMARK INSURANCE PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Group		Company	
		31 December 2013 N	31 December 2012 N	31 December 2013 N	31 December 2012 N
Cash flows from operating activities					
Premium received from policy holders		4,679,725,496	3,700,010,439	4,679,725,496	3,700,010,439
Reinsurance receipts in respect of claims		245,903,277	123,875,048	245,903,277	123,875,048
Commission received	24	193,177,814	237,243,584	193,177,814	237,243,585
Other operating receipts	27	32,212,207	10,803,368	34,712,257	7,650,497
Cash paid to and on behalf of employees	31	(376,631,950)	(335,254,753)	(363,141,249)	(328,402,153)
Reinsurance premium paid		(1,775,512,376)	(799,329,642)	(1,775,512,376)	(799,329,642)
Claims paid		(887,764,410)	(874,736,420)	(887,764,410)	(874,736,420)
Underwriting expenses	25	(1,064,854,654)	(904,686,101)	(1,082,304,654)	(930,996,101)
Other operating cash payments		(550,576,615)	(776,637,621)	(461,193,217)	(709,477,117)
Company income tax paid	17	(42,772,005)	(131,060,586)	(42,772,005)	(131,060,586)
Net cash from operating activities		452,906,784	250,227,316	540,830,933	294,777,550
Cash flows from investing activities					
Purchase of fixed assets	11	(115,344,884)	(84,633,171)	(110,677,134)	(84,168,171)
Fair value change and addition to investment properties	10	(3,947,000)	247,315	(3,947,000)	747,315
Additional investment in subsidiaries	9	(3,010,000)	-	-	(100,000,000)
Proceeds from sale of fixed assets	11	9,808,410	10,223,967	9,808,410	10,223,967
Purchase of financial assets		(94,485,179)	-	(93,375,647)	-
Proceeds from sale of financial assets	3.1	53,583,259	105,219,473	52,850,759	102,596,800
Dividend received	26	6,029,802	5,161,338	6,029,802	5,161,338
Interest received	26	292,657,347	241,530,436	264,166,092	225,650,567
Net cash from/(used in) investing activities		145,291,755	277,749,358	124,855,282	160,211,816
Cash flows from financing activities					
Dividend paid	20	(180,000,000)	(120,000,000)	(180,000,000)	(120,000,000)
Net cash used in financing activities		(180,000,000)	(120,000,000)	(180,000,000)	(120,000,000)
Increase in cash and cash equivalents		418,198,539	407,976,674	485,686,215	334,989,366
Cash and cash equivalent at 1 January 2013		1,857,303,251	1,449,326,577	1,746,507,954	1,411,518,588
Cash and cash equivalent at 31 December 2013	2	2,275,501,790	1,857,303,251	2,232,194,169	1,746,507,954

The accompanying notes form an integral part of this statement of cash flows.