



Annual Report & Accounts December 2012



NIGERIA REINSURANCE CORPORATION

Reports & Financial Statements

for the year Ended 31st, December, 2011





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VISION STATEMENT:

To be the preferred global Reinsurance and Financial Services Provider.

MISSION STATEMENT:

To create value and enduring relationship through provision of world class reinsurance and financial services and innovation solutions that surpass our customers' expectations.

SHARED VALUES:

Professionalism

Excellence

Customer Focus

Integrity

Innovation

Team Spirit



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FINANCIAL HIGHLIGHTS

	2012 N'Million	2011 N'Million
Gross Premium Income	926	1,270
Net Underwriting Income	844	1,150
Underwriting results	300	345
(Loss) after taxation before other comprehensive income	(4,361)	(825)
(Loss) after taxation and other comprehensive Income recognized in profit and loss account	(4,211)	(825)
Total equity	15,669	18,686
(Loss) per 50 kobo share kobo	(93)	(18)
Actual Net assets per 50 kobo share - kobo	347	414
	=====	=====



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CORPORATE INFORMATION

Directors:

Dr. Amos Akingba - Chairman
Lady Isioma Chukwuma - Managing
HE Barr. Ibrahim Jimoh, OFR
Alhaji Julde Gurumpawo
Mr. Benjamin Dikki
Ms. Bolanle Onagoruwa (Resigned w.e.f. 27 Nov 2012)
HRH Baba Mohammed
Chief Adeniyi Akintola, SAN
Alhaji Ismaila Sani
Mr. Billy Kongha
Ms. Olufolake Tawose
Mrs. Esther Ajayi - Executive

Corporation Secretary:

Mrs. Elizabeth Esiemokhai

Registered Office:

**Plot 784A, Herbert Macaulay Way,
Central Business District,
Abuja.**

Control Office:

**46, Marina,
Lagos.**

Auditors:

**A. T. Folowosele & Associates,
Chartered Accountants**

Actuaries:

HR Nigeria Limited

Bankers:

**Access Bank Plc.
Ecobank Nigeria Plc.
Energy Bank Ghana Limited
First City Monument Bank Plc
Guaranty Trust Bank Plc.
Mainstreet Bank Limited
Sterling Bank Plc.
Union Bank of Nigeria Plc.
Union Bank UK Plc.**



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REPORT OF THE DIRECTORS

The directors submit hereunder their report and the audited financial statements of the Corporation for the year ended 31st December, 2012.

1. Result for the year	N'000
Gross premium income	925,979

Net underwriting income	843,861

(Loss) after taxation before other comprehensive income	(4,335,479)
	=====
(Loss) after taxation and other comprehensive income recognized in profit and loss account	(4,211,063)
	=====

2. Principal activities

The Corporation is engaged in Life and General Reinsurance businesses.

3. Review of business

Gross premium income and net underwriting income decreased substantially by 27% to N926 million and N844 million respectively. The rate of retention remained at 91% for the respective years of 2011 and 2012 as a strategic measure to manage risk.

Loss after taxation before other comprehensive income was N4,362 million, against a loss of N825 million in 2011. Loss after taxation and other comprehensive income recognized in profit and loss account was N4,211 million, against a loss of N825 million in 2011.

4. Directors' responsibility on financial statements

The directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Corporation at the end of the financial year and of the profit or loss for the financial year in accordance with International Financial Reporting Standards and comply with the requirements of the Financial Reporting Act, 2011, the Companies and Allied Matters Act, 1990, the Insurance Act 2003 and guidelines/circulars issued by NAICOM. In doing so, they ensure that:

- ▲ Adequate internal control procedures are instituted which as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities.
- ▲ Proper accounting records are maintained.
- ▲ Applicable accounting standards are followed.
- ▲ Suitable accounting policies are used and consistently applied.



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- ▲ The financial statements are prepared on a going concern basis unless it is not appropriate to presume that the Corporation will continue in business.
- ▲ Judgements and estimates made are reasonable and prudent.

5. Donations

No donation was made to any political organization during the year.

6. Personnel

(a) Employment of physically challenged persons

It is the policy of the Corporation that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees whether or not physically challenged are given equal opportunities to develop.

(b) Health, safety at work and welfare of employees

Health and safety regulations are in force within the Corporation's premises and employees are aware and observe the regulations to guarantee maximum protection of personnel and assets. The Corporation provides subsidies to all levels of employees for medical expenses, transportation, housing, lunch, etc.

(c) Employees' involvement

Employees are kept fully informed regarding the operational performance and the Corporation continues with its open door policy whereby views of employees are sought and given due consideration on matters which particularly affect them.

Training is carried out at various levels through in-house and external courses. The Corporation's expanding skill-base has been extended by a range of training provided to the employees whose opportunity for career development within the organisation has been enhanced.

7. Auditors

The National Insurance Commission prescribes rotation of auditors after five years. However, in view of the peculiar requirements of the adoption and implementation of the International Financial Reporting Standards, it is desirable to retain the auditors, Messrs. A. T. Folowosele & Associates, Chartered Accountants for a few more years. Accordingly, a request will be made to NAICOM in this regard.

By Order of the Board



Secretary

LAGOS, Nigeria
19th November, 2013



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STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Companies and Allied Matters Act 1990 requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of financial affairs of the Corporation at the end of the period and of its profit or loss for the period ended on that date. The responsibilities include ensuring that the Corporation:

- (a) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Corporation and comply with the requirements of the Companies and Allied Matters Act;
- (b) Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- (c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates and are consistently applied.

The directors accept responsibility for the preparation of the annual financial statements set out on pages 51 to 92, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates; in conformity with the International Financial Reporting Standards (IFRS); in the manner prescribed by the Companies and Allied Matters Act, 1990; the Financial Reporting Council of Nigeria Act, 2011; the Insurance Act, 2003 and the National Insurance Commission regulations.

The directors further accept responsibility for maintaining adequate accounting records required by the Companies and Allied Matters Act, 1990 as well as adequate systems of internal financial control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors have made assessment of the Corporation's ability to continue as a going concern and have no reason to believe that the Corporation will not remain as a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:

Chairman
Dr. Amos Akingba
FRC/2013/IODN/00000003762
19th November, 2013

Managing Director
Lady Isioma Chukwuma
FRC/2013/CIIN/00000002440
19th November, 2013



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MANAGEMENT REPORT

1. **Operating environment** ***Global economy***

The global economy is gradually recovering from the crisis of 2008/2009 with output growth of barely 2%. The crisis in some European States restrained the growth trajectory. The United States economy continues to struggle. Outside the Euro area, Central and Eastern European economies are enjoying a healthy rebound from depression.

Asian economies, particularly China and India are posting high single digit growth rates with some sub-Saharan African countries, notably Angola, Equatorial Guinea, Cape Verde and Ghana in this mold.

Nigerian economy

In line with the global economic trend, the local economy has shown marked recovery with a growth rate of 6% in GDP. Inflation, which was 8.7% at the end of July, 2013 is being tamed as a result of contraction in availability of funds. This is evident in the reduction in premium income although there is a general apathy to insurance in Nigeria with the penetration rate at less than 1% as opposed to over 20% in the developed nations.

The perennial challenges of power infrastructure and security continue unabated. However, these may be dated in view of the reforms and privatization of the power sector complemented with the slow process of dialogue with the hydra-headed militancy groups respectively.

2. **Operations**

The Corporation continues the business of General and Life Reinsurance. General reinsurance business includes fire, general accident, motor, marine, aviation, engineering, bonds, contractors' all risk and oil/gas policies.

3. **Business objectives and strategy**

The broad business objectives include:

- a) Identifying and managing existing and potential risks in a planned and coordinated manner;
- b) Maximizing earnings potential and opportunities;
- c) Developing a risk culture that encourages all staff to identify risks and associated opportunities and to respond to them with cost effective actions;
- d) Customer centric service.



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These objectives will be achieved by deploying the following strategies:

- ▴ Regular scanning of the business environment to enable appropriate positioning in harnessing upcoming opportunities.
- ▴ Prompt settlement of claims.
- ▴ Loyalty programme for clients.
- ▴ Continuous training of personnel to maintain a gilt-edged workforce.

4. Risks and relationships

Risk management architecture

Nigeria Reinsurance Corporation has a well-established risk governance structure and an experienced risk team. The risk management framework provides essential tools to take timely and informed decisions to maximize opportunities and mitigate potential threats.

Approach to Risk

Risk is at the centre of the Corporation's business. The tolerance to risk is established in the context of the resources deployed. Effective risk management is critical to any reinsurance business to sustain financial soundness. In view of this, aligning risk management to the organizational structure and business strategy is integral to the business. The risk management framework and governance structure provide comprehensive controls and management of the major risks inherent in the business activities. It also creates a culture of risk awareness and personal responsibility throughout the Corporation.

Risk management philosophy and culture

The Corporation considers risk management philosophy and culture as the set of shared beliefs, values, attitudes and practices that characterize strategy development and implementation of day-to-day activities. In this regard, the risk management philosophy is that a strong and guarded risk attitude ensures sustainable growth in shareholder value and reputation.



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Risk type and mitigants

RISK TYPE	DESCRIPTION	MITIGANT
Country and Economic Risks	It is laudable that the present economic policies of government have facilitated growth in various sectors of the economy. The Nigerian economy attained “BB-” ratings by Fitch and Standard & Poor's rating agencies. Although it is remote, it is not impossible for the economy to experience a downturn as it takes only a string of imprudent use of resources and improper economic policies.	It is hoped that this and successive administrations will transform and expand on the economic policies of preceding administrations. The present state still poses some challenges on the cost of doing business thus adversely affecting returns. The strategic team of the Corporation implements a robust strategy to mitigate the effect of this risk. This includes continuous monitoring and analyses of economic indicators, government policies and political developments in order to proactively adapt to changes that are imminent.
Reputational Risk	This is a risk with adverse effect on the brand and image of the Corporation.	Proactive measure of self-regulatory principles and practices complemented with zero tolerance policy for unethical behavior is in place.
Market Risk	Market risk is defined as the adverse potential change in the volume of business, especially reinsurance premium.	It is unlikely that a decrease in GDP will occur in the next few years although the rate of growth may be curtailed. However, there may be an initial glitch occasioned by the unstable price of oil which posts an uncertain outlook.
Political Risk	An adverse change in the political situation in the country has the potential to affect economic, social and legal aspects of development. If democracy is interrupted, consumer sentiment might be affected and development hindered.	This scenario is unlikely to unfold as the transition from one civilian government to another was concluded in 2011 with 14-year uninterrupted period of democracy to date. However, regardless of the political situation, reinsurance and ancillary services are an integral part of everyday living.



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RISK TYPE	DESCRIPTION	MITIGANT
Financial Risk	<p><u>Liquidity</u> Liquidity risk is on the premise that the Corporation may not be able to meet its obligations as and when due. This is rife in the face of the adverse liquidity position in the economy.</p> <p><u>Foreign currency</u> Foreign currency risk is the possibility that foreign exchange movements may adversely affect settlement of foreign currency denominated liabilities.</p> <p><u>Credit exposure</u> This is a risk that reinsurance receivables or contractual counter parties in treaties' transactions fail to live up to their obligations.</p>	<p><u>Liquidity</u> An Asset/Liability management system is in place matching the maturity profiles of Assets and Liabilities. The liquid funds are overwhelmingly in excess of reinsurance contract and other liabilities.</p> <p><u>Foreign currency</u> Foreign currency denominated assets are well in excess of their liability counterparts.</p> <p><u>Credit exposure</u> With effect from January, 2013, this risk is mitigated by the regulation of NAICOM that receipt of premium is a condition precedent to providing insurance cover. The premium receivables at December, 2012 which were not collected by the end of March, 2013 were derecognized.</p>
Operational Risk	<p><u>Internal Controls</u> Operational risk is defined as the risk of loss resulting from the failure of people, internal processes and systems or from external events.</p> <p><u>Competition</u> The Corporation faces competition from one local and several international players in the industry.</p>	<p><u>Internal Controls</u> The business support groups are primarily responsible for managing operational risk on a day-to-day basis. Operational risk is enhanced by the use of technology to automate processes; establishment of policies; internal controls and monitoring.</p> <p><u>Competition</u> Building and sustenance of brand, unalloyed customer service, development of niche market and prompt settlement of claims are indicators that the Corporation is poised for</p>



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RISK TYPE	DESCRIPTION	MITIGANT
	<p>Revenue target</p> <p>The expected revenue required to drive operations is not achieved.</p>	<p>pole position, growth, development and excelling in the market place. International competition is moderately reduced by the recent directive of compulsory cession with local reinsurers before international players.</p> <p>Revenue target</p> <p>This risk is mitigated by embarking on aggressive marketing. Road show complemented with reaching out to the niche market is being undertaken.</p>
Business continuity Risk (emergency management)	<p>Business continuity planning is a specialized aspect of disaster and emergency planning that takes account of what needs be done to ensure seamless operations in the event of the occurrence of a peril. These perils include human-induced disasters like fire, viral attack of critical software; environmental hazards and technological issues which disrupt or halt seamless operations.</p>	<p>In the event of the occurrence of a peril like fire, the back-up plan embedded in the operational infrastructure makes for minimal disruption to operations with no loss of business and clients to competitors. Back-up of transactions is done daily and stored in a secured place outside the Corporation's business premises.</p> <p>There is frequent testing of business continuity plans with the training and development of staff to handle such occurrences.</p>
Regulatory Risks	<p>Regulatory risks may arise from changes in regulatory requirements, accounting standards, tax statutes and local laws.</p>	<p>To mitigate the adverse effect of these risks, new and pending legislation and regulations are continuously reviewed. This is to ensure compliance with regulatory authorities, self-regulating measures and conformity to stringent international standards of operations.</p>



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5. Results of operations and prospects

Gross premium income and net underwriting income decreased substantially by 27% to N926 million and N844 million respectively. The rate of retention remained at 91% for the respective years of 2011 and 2012 as a strategic measure to manage risk.

Loss after taxation before other comprehensive income was N4,362 million, against a loss of N825 million in 2011. Loss after taxation and other comprehensive income recognized in profit and loss account was N4,211 million, against a loss of N825 million in 2011.

The Corporation is positioned to harness the opportunities from the compulsory ceding of a certain amount with local reinsurers before international firms are considered.

6. Regulatory environment

Nigeria Reinsurance Corporation is regulated by the National Insurance Commission (NAICOM). As such the Corporation is subject to extant guidelines, regulations and circulars issued by NAICOM.

The Corporation renders quarterly, annual and other returns required by NAICOM in the form and content prescribed.

7. Corporate Governance

Introduction

Nigeria Reinsurance Corporation recognises that good corporate governance is fundamental to earning and retaining the confidence and trust of its stakeholders. It provides the structure through which the objectives of the Corporation are set and the means of attaining those objectives.

Best practice principles, procedures and guidelines provide the basis for promoting sound corporate governance in the Corporation. The governance framework helps the Board to discharge its role of providing oversight and strategic counsel in consonance with its responsibility to ensure conformity with regulatory requirements and acceptable risk.

Compliance with all applicable legislation, regulations, standards and codes is an essential characteristic of the Corporation's culture. The Board monitors compliance with these by means of management reports, which include information on any significant interaction with key stakeholders.

Governance structure

General Meeting

General meetings are duly convened and held in line with the policy of the Corporation, existing



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statutory and regulatory regimes in an open manner for the purpose of deliberating on issues affecting the Corporation's strategic direction. This occurs through a fair and transparent process and also serves as a medium for fostering interaction between the Board, Management and Shareholders. Attendance at the Annual General Meeting is open to shareholders or their proxies. The Board ensures that shareholders are provided with adequate notice of the meeting.

The Board: Composition and Role

The Board is made up of eleven members, comprising a non-Executive Chairman, eight non-Executive Directors, the Managing Director and an Executive Director.

In line with best practice, there is separation of powers between the Chairman and Managing Director. The Board is able to reach impartial decisions as its Non-Executive Directors are a blend of Independent and Non-Independent Directors with no shadow or alternate Directors, which ensure that independent thought is brought to bear on decisions of the Board. The effectiveness of the Board derives from the diverse range of skills and competences of the Directors who have exceptional degrees of insurance, legal, financial, arts and broad entrepreneurial experiences.

The Board is responsible for ensuring the creation and delivery of sustainable value to the stakeholders by the optimal management of resources. The Board is accountable to the shareholders and is responsible for the management of the relationship with the diverse stakeholders. The Board ensures that the activities of the Corporation are executed within the applicable and regulatory framework. The matters reserved for the Board include, but are not limited to, defining the business strategy and objectives, formulating risk policies, investments and making decisions on the establishment of subsidiaries. Executive Management is accountable to the Board for the development and implementation of strategy and policies.

The Board meets on average quarterly and emergency meetings are convened as may be required by circumstances. Directors are provided with notice, agenda and meeting papers in advance of each meeting. Where a Director is unable to attend a meeting, he/she is still provided with the relevant papers for the meeting while such Director reserves the right to discuss with the Chairman the matters he/she may wish to raise at the meeting. Decisions are also taken between meetings via written resolutions circulated to all Directors. The Corporation Secretariat continue to provide dedicated support to the Board ensuring that directors receive timely and accurate information required to fulfil their roles.

The Standing Committees

The Board carries out its oversight function through its standing committees, each of which has responsibilities that clearly define their purpose, composition, structure, frequency of meetings, duties, tenure and reporting lines to the Board. In line with best corporate governance practices, the Chairman of the Board does not sit on any of the committees. The standing committees, functions and composition are:



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Board Audit Committee

The Committee assist the Board in fulfilling its oversight responsibility on the integrity of the financial statements and the financial reporting process; the independence and performance of the internal and external auditors; and the system of internal control. The head of Compliance have unrestricted access to the Committee and makes presentations to the Committee.

Members are:

- ▲ Ms. Olufolake Tawose
- ▲ Alhaji Julde Gurumpawo
- ▲ Mr. Billy Kongha

Board Human Resources Committee

The Committee advises the Board on its oversight responsibilities on compensation, benefits and all other human resource matters affecting the Directors and employees. Specifically, the committee is responsible for determining and executing the processing of board appointments, recommending appropriate remuneration for Directors (both executive and non-executive); and approving remuneration for all other members of staff, placement and staff discipline. The objectives of the Committee include ensuring that the human resources potential are harnessed to sustain the long term success of the Corporation and protect the welfare of employees.

Members are:

- ▲ Lady Isioma Chukwuma
- ▲ Ms. Olufolake Tawose
- ▲ Ms. Ibilola Adefope

Board Finance & General Purposes Committee

The Committee considers and approves budgets, expenditure and acquisition of fixed assets which have been presented by the Executive Committee. It also acts as a catalyst for financial updates.

Members are:

- ▲ HE Ibrahim Jimoh, OFR
- ▲ Mr. Benjamin Dikki
- ▲ Mr. Billy Kongha
- ▲ Mrs. Esther Ajayi
- ▲ Mrs. Bridget Henry-Iyasere

Investment Committee

The Committee approves investment decisions over the portfolio limits of management. In addition, the Committee has supervisory functions over investment, capital/funding requirements, approval of periodic review and approval of the investment manual,



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recommendation of investment policies and conduct periodic review of the investment portfolio.

Members are:

- ▲ HE Ibrahim Jimoh, OFR
- ▲ Chief Adeniyi Akintola, SAN
- ▲ HRH Baba Mohammed

Risk Management Committee

The Committee has supervisory role over risk underwriting, profile, framework and management. It also reviews the risk policy, appetite, strategy and retrocessions together with measures for prevention, detection, reporting and mitigating the effects of adverse situations.

Members are:

- ▲ Mr. Billy Kongha
- ▲ Mrs. Bridget Henry-Iyasere
- ▲ Ms. Ibilola Adefope

Executive Committee

This committee is made up of senior management of the Corporation. The Committee is risk driven, identifies, analyses and make recommendations on risk pertaining to the Corporation's day to day activities. It ensures that risk limits set by the Board and regulatory authorities are complied with. It provides inputs to the various Board Committees in addition to ensuring the effective implementation of risk polices.

Code of Conduct

The Corporation has articulated a code of conduct which specifies expected behaviour of personnel. The Code requires that each Corporation staff shall read the Code of Conduct document and sign a confirmation that they have read and understood the document upon employment. In addition, there is a re- affirmation process that requires each member of staff to confirm understanding of and compliance with the Code of Conduct from time to time.



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REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF NIGERIA REINSURANCE CORPORATION FOR THE YEAR ENDED 31ST DECEMBER, 2012

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act 1990, the members of the Audit Committee of Nigeria Reinsurance Corporation hereby report as follows:

- ▲ We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act, 1990 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- ▲ We are of the opinion that the accounting and reporting policies of the Corporation are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31st December, 2012 were satisfactory and reinforce the Corporation's internal control systems.
- ▲ We are satisfied that the Corporation has complied with the provisions of the National Insurance Commission on the disclosure of related parties' transactions and balances.
- ▲ We have deliberated with the External Auditors, who confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with management's responses to the External Auditors' recommendation on accounting and internal control matters and with the effectiveness of the Corporation's system of accounting and internal control.

Ms. Olufolake Tawose
Chairman, Audit Committee
FRC/2013/ICAN/00000002603
19th November, 2013

Members of the Audit Committee are:

1. Ms. Olufolake Tawose
2. Alhaji Julde Gurumpawo
3. Mr. Billy Kongha

In attendance:
Elizabeth Esiemokhai *Corporation Secretary*



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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NIGERIA REINSURANCE CORPORATION

A . T. FOWOSELE
& ASSOCIATES

RN 2013763



We have audited the financial statements of Nigeria Reinsurance Corporation set out on pages 51 to 92 which have been prepared on the basis of the accounting policies set out on pages 22 to 50.

Directors' responsibilities for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, 1990; the Insurance Act, 2003; relevant guidelines and circulars of NAICOM and the Financial Reporting Council Act, 2011. The directors are also responsible for instituting internal controls as deemed necessary to enable preparation of the financial statements that are free from material misstatements due to fraud or error.

Auditors' responsibilities for the Financial Statements

Our responsibility is to express an independent opinion on the financial statements based on the audit.

Basis of Opinion

We conducted our audit in accordance with Nigerian Standards on Auditing (NSA) and International Standards on Auditing (ISA) issued by the International Federation of Accountants. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Contraventions

The Corporation contravened certain provisions of the Insurance Act 2003 and guidelines of the National Insurance Commission. The details of these contraventions are disclosed in Note 51 to the financial statements.

The deficit in the solvency margin for general business is N1,766 million. The deficit in the statutory minimum capital for life business is N512 million. In view of the solvency deficit of the general business arising from the "Harmonisation carve-out" of NAICOM for the insurance industry, the deficit is expected to be made up within the next three years.

Opinion

Except for the solvency deficit in the immediate preceding paragraph, in our opinion, the financial statements give a true and fair view of the financial position of Nigeria Reinsurance Corporation as at 31st December, 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner prescribed by the Companies and Allied Matters Act 1990; the Financial Reporting Council of Nigeria Act, 2011; the Insurance Act 2003 and the relevant guidelines and circulars issued by the National Insurance Commission.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act

In our opinion, proper books of accounting records have been kept by the Corporation, so far as appears from our examination of those books and the Corporation's statement of financial position and statement of comprehensive income are in agreement with the books.

ABUJA, Nigeria
20th November, 2013
FRC/2012/ICAN/00000000458



A. T. Fowosele & Associates
CHARTERED ACCOUNTANTS

■ AUDIT ■ TAXATION ■ ADVISORY

Suite F10, Febson Mall, Plot 2425,
Herbert Macaulay Way, Wuse Zone 4, P.O. Box 7184, Wuse, Abuja.
Tel: 09-4616655, 0803 408 0026. Fax: 09-4616655.
Partners Names are at the Head Office Address.



ACCOUNTING POLICIES

The significant accounting policies applied by the Corporation in the preparation of these financial statements are set out below. These policies have been consistently applied to the immediate preceding two years presented unless otherwise stated.

1. General information

a. Entity

These financial statements are for Nigeria Reinsurance Corporation as a standalone entity. It does not have any subsidiary so there is no need to prepare consolidated financial statements.

b. History

Nigeria Reinsurance Corporation (previously known at different times as Nigeria Reinsurance Corporation and Nigeria Reinsurance Corporation Plc.) was established on 23rd June, 1977 by the Nigeria Reinsurance Act, 1977. It was subsequently incorporated under the Companies and Allied Matters Act Cap C20 LFN 2004. As part of the privatization policy, the Federal Government of Nigeria divested 51% of its 100% equity shareholding from the Corporation in November, 2002. The core investor is Reinsurance Acquisition Group Limited, a special purpose vehicle formed for the purpose of acquiring the equity interest.

c. Principal Activities

The Corporation is engaged in Life and General reinsurance businesses.

2. Underlying assumptions

a. Functional and presentation currency

These financial statements are presented in Nigerian Naira, which is the functional currency of the Corporation.

b. Accrual Basis

- i. Effects of transactions and other events are recognized when they occur.
- ii. Transactions are recorded in accounting records and reported in the financial statements of the period to which they relate.

c. Going Concern

The financial statements have been prepared in accordance with the going concern principle which assumes that an entity will continue in operation for the foreseeable future with no intention or need to liquidate, except otherwise stated. The directors are of the opinion that the company will continue as a going concern for the foreseeable future.

3. Basis of preparation and compliance with IFRS

Following a decision by the Federal Executive Council in 2010, the Financial Reporting Council of Nigeria (FRC) issued a Roadmap for the adoption of the International Financial Reporting



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Standards (IFRS) Roadmap. The Roadmap requires that all publicly listed and significant public interest entities adopt IFRS in the preparation and presentation of their financial statements from 1st January, 2012. Nigeria Reinsurance Corporation belongs to this category. In compliance with the requirement of the FRC, these financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) in issue by the International Accounting Standards Board (IASB) and effective or available as at 31st December 2012.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of properties; available for sale, held to maturity, loans and receivable financial assets and financial liabilities.

Compliance with IFRS

These are the first set of financial statements prepared in compliance with the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB) and the interpretations of these standards issued by the International Financial Reporting Interpretation Committee (IFRIC). 1. First Time adoption of International Financial Reporting Standards has been applied.

Explanation of transition to IFRSs

These are the first set of financial statements prepared by the Corporation in accordance with IFRS and IFRS 1, First-time adoption of IFRS. The date of transition to IFRS is effectively 1st January, 2011, which represents the start of the earliest period of comparative information presented. Accordingly, the opening balance sheet as at 1st January, 2011 has been restated. Comparative information as at 31st December, 2011 is restated to take account of the requirements of all standards including IAS 32- *Financial Instruments: Presentation*; IAS 39- *Financial Instruments: Recognition and Measurement* and IFRS 7- *Financial Instruments: Disclosure* effective 1st July, 2009.

The most significant IFRSs for the Corporation originated from the implementation of:

▀ **IAS 1- Presentation of Financial Statements**

This relates to changes in the recognition and measurement of life contracts from fund accounting method to annual accounting method.

▀ **IAS 39- Financial Instruments: Recognition and Measurement**

The standard requires the valuation of financial assets and liabilities at fair value and impairment of financial assets only to be accounted if there is objective evidence that a loss event has occurred after initial recognition but before the balance sheet date.

The effect of the company's transition to IFRS is summarized as follows:



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- a. Transition elections.
- b. Explanation of material adjustments at 1st January and 31st December, 2011.

a. Transition elections

In preparing these financial statements in accordance with IFRS 1, the Corporation has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected are summarized below:

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

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

The Corporation has property and equipment and has an option to revalue its property, plant and equipment for the period ending 1st January, 2011 and the revalued amount represents the deemed cost in the opening IFRS statement of financial position under IFRS. There was valuation of properties by duly registered Estate Surveyor and Valuer proximate to 1st January, 2011, therefore the valuation was adopted. Further valuations of properties were conducted on dates proximate to 31st December, 2011 and 2012 respectively. The accretion in valuation was transferred to the property revaluation reserve until the properties were disposed when they were subsequently recognized in "Other Comprehensive Income". Property and equipment are stated at valuation less depreciation.

Designation of previously recognized financial instruments (IAS 39)

IAS 39 permits a financial asset to be designated on initial recognition as available for sale or a financial instrument (provided it meets certain criteria) to be designated as a financial asset or financial liability at fair value through profit or loss. Despite this requirement exceptions apply to the following circumstances:

- i. An entity is permitted to make an available-for-sale designation at the date of transition to IFRSs.
- ii. An entity is permitted to designate, at the date of transition to IFRSs, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria in paragraph 9(b)(1), 9(b)(2) or 11A of IAS 39 at that date.

The Corporation has designated its financial assets of financial liabilities as held-to-maturity, available for sale, loans and receivables, for those that meet the criteria in IAS 39.

Fair value measurements of financial assets or financial liabilities at initial

This provides an exemption from certain requirements in IAS 39. Instead of full retrospective application, an entity may choose to apply the requirements prospectively to certain



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transactions entered into after 25th October, 2002 or 1st January, 2004.

De-recognition of financial assets and financial liabilities

Requires an entity to avoid retrospective application of de-recognition requirements in IAS 39 for transactions entered into before 1st January, 2004.

Estimates

The estimates under IFRS at the date of transition to IFRS are consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Essentially, this precludes the use of hindsight.

An entity may receive information after the date of transition to IFRS about estimates that it had made under previous GAAP. Under paragraph 31, an entity shall treat the receipt of that information in the same way as non-adjusting events after the reporting period under IAS 10 on Events after the Reporting Period.

An entity may need to make estimates under IFRS at the date of transition to IFRS that were not required at that date under previous GAAP. To achieve consistency with IAS 10, those estimates under IFRS shall reflect conditions that existed at the date of transition to IFRS. In particular, estimates at the date of transition to IFRS of market prices, interest rates and foreign exchange rates shall reflect market conditions at that date.

The above apply to the opening IFRS statement of financial position and to the comparative period presented in the entity's first IFRS financial statements.

The estimates made by the Corporation under the NGAAP at the transition date of 1st January, 2011 are consistent with estimates made in the opening IFRS statement of financial position (after adjustments to reflect any difference in accounting policies).

b. Explanation of material adjustments at 1st January and 31st December, 2011

A quantitative explanation of how the transition to International Financial Reporting Standards (IFRS) has affected the reported financial position and financial performance of the Corporation are provided in note 61 of the financial statements. This note and its sub-headings of 61.1 to 61.5 include reconciliations for comparative periods reported under NGAAP to those reported for the corresponding periods under IFRS.

Judgment estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It requires the directors to make judgments, estimates and assumptions in the process of applying the accounting policies to the reported values of assets, liabilities, income and expenses. The



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estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an on-going basis. Adjustments to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or it affects both current and future periods.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimate and assumptions. Accounting estimates are determined on the basis of historical information, actuarial and valuation analyses. Revisions to accounting estimates are in line with the provisions of the Insurance Act 2003, IFRS and the Financial Reporting Council of Nigeria (FRC) Act 2011.

4. New Standards and Amendments

New Standards, interpretations and amendments to existing standards issued by the IASB but not effective for the financial year beginning 1st January, 2012 and not early adopted are:

(i) **IAS 19 Employee benefits**

Effective for periods beginning on or after 1st January, 2013

These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

The Corporation had assessed the full impact on the date of application of the amendment on IAS 19 as 1st January, 2013 and intends to adopt IAS 32 no later than the accounting period beginning on or after 1 January 2013.

(ii) **IAS 27 Separate Financial Statements (as amended)**

Effective for periods beginning on or after 1st January, 2013

IAS 27, as amended, is limited to accounting for investment in subsidiaries, joint ventures and associates in separate financial statements.

The Corporation intends to adopt IAS 27 not later than the accounting period beginning 1st January, 2013 although it does not have a material effect as there are no subsidiaries. The adoption of IFRS 10, 12, 13 and IAS 27 as amended has no material effect on the accounting policies.



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(iii) IAS 28 Investment in Associates and Joint Ventures

Effective for periods beginning on or after 1st January, 2013

IAS 28 (revised in 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.

The Corporation has assessed the full impact on the date of application of IFRS 10 as 1st January, 2013 and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

(iv) IAS 32 Presentation of Financial Instruments (as amended)

Effective for periods beginning on or after 1st January, 2014

This amendment clarifies some of the requirements for offsetting financial assets and liabilities on the date of the statement of financial position.

The Corporation had assessed the full impact on the date of application of the amendment on IAS 32 as 1st January, 2014 and intends to adopt IAS 32 no later than the accounting period beginning on or after 1 January 2014.

(v) IFRS 9 - Financial Instruments

Effective for periods beginning on or after 1st January, 2015

IFRS 9 requires financial assets to be classified into two measurement categories of fair value and amortised value. The determination is made at initial recognition. The classification depends on the business model for managing financial instruments and the characteristic contractual cash flow of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates a qualitative mismatch. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the company's financial assets into two main categories of fair value and amortized cost (as opposed to the four categories prescribed by IAS 39 - fair value through profit & loss, loans & receivables, held to maturity and available for sale financial assets) but will potentially have no impact on classification and measurements of financial liabilities.

The Corporation intends to adopt IFRS 9 not later than the accounting period beginning 1st January, 2015.

(vi) IFRS 10 Consolidated Financial Statements

Effective for periods beginning on or after 1st January, 2013

The objective of IFRS 10 is to establish principles for the presentation and preparation



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of consolidated financial statements when an entity controls one or more other entity. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

The Corporation has assessed the full impact on the date of application of IFRS 10 as 1st January, 2013 and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013. The application of IFRS 10 will be determined by the existence of a subsidiary from 1st January, 2013 as there is none by 31st December, 2012.

(vii) IFRS 11 Joint Arrangements

Effective for periods beginning on or after 1st January, 2013

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures.

Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

The Corporation had assessed the full impact on the date of application of IFRS 11 and is of the opinion that it will not have any impact the company financial statement at its effective date of 1st January, 2013.

(viii) IFRS 12 Disclosure of Interests in other entities

Effective for periods beginning on or after 1st January, 2013

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

The Corporation had assessed the full impact on the date of application of IFRS 11 and is of the opinion that it will not have any impact the company financial statement at its effective date of 1st January, 2013.



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(ix) **IFRS 13- Fair Value Measurement**

Effective for periods beginning on or after 1st January, 2013

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS.

As the Corporation is currently reviewing its methodologies in determining fair values in line with this standard, it intends to adopt IFRS 13 not later than the accounting period beginning 1st January, 2013.

(x) **IFRS 13- Fair Value Measurement**

Effective for periods beginning on or after 1st January, 2013

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS.

As the Corporation is currently reviewing its methodologies in determining fair values in line with this standard, it intends to adopt IFRS 13 not later than the accounting period beginning 1st January, 2013.

(xi) **Annual Improvements 2011**

- ▶ The annual improvements covering the 2009 to 2012 reporting cycle include changes to:
 - o IFRS 1: First time adoption.
 - o IAS 1: Presentation of Financial statements.
 - o IAS 16: Property, Plant and equipment.
 - o IAS 32: Presentation of Financial instruments.
 - o IAS 34: Interim financial reporting.
- ▶ The IASB and the IFRIC have published IFRIC 20 Costing in the production phase of a surface mine which is not yet effective. The interpretation is not relevant to the operations of the Corporation.
- ▶ The Corporation did not early adopt any new or amended standards in 2012.

5. Consolidation

There is no subsidiary hence there is no basis for consolidation of financial statements.



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6. Segment Reporting

Operating Segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments is the Executive Management.

A segment is a distinguishable component that is engaged in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risk and rewards that are different from other segments.

General and Life reinsurance activities are recorded as distinct business segments and the results are analysed in Note 48 to the financial statements. There is no geographic segment reporting as all the businesses are conducted in Nigeria.

7. Foreign currency translation

Items included in the financial statements are stated using exchange rates prevailing on the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currency are treated in the profit and loss account.

Monetary items denominated in foreign currency are translated at the closing exchange rate on the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate on the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are treated in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments or qualifying net investment hedging instruments.

Foreign exchange gains or losses are presented in the profit and loss under 'Other Comprehensive income'.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised



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in profit or loss, and other changes in the carrying amount, except impairment, are recognised in equity.

8. **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

9. **Financial assets**

9.1 Classification

The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired. In accordance with S26 (1c) of the Insurance Act, 2003, the financial assets of reinsurance and investment contracts' liabilities have been kept separately to meet obligations as and when due.

The Corporation classifies its financial assets into the following categories:

a. Available-for-Sale

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. They are:

i. Quoted equities

Quoted equities are stated at market valuation. Surplus arising on revaluation is credited to a fair value reserve account under equity. Diminution in value of quoted investments is considered to be temporary and set against the revaluation reserve account balance. Diminution below the value at initial recognition is recognized in the profit and loss account.

ii. Unquoted equities

Unquoted equities are stated at the lower of cost and fair values.

Fair value is the value that is proportionate to the net assets value of the investee company. Where the net assets value of the investee company is negative, the investments are written down to nil.

For 2012, the fair value of Africa Reinsurance Corporation was based on a unit price of \$182.70 which was approved for raising capital. The additional capital was fully subscribed.



b. Held to Maturity

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

- ▴ At fair value through profit or loss;
- ▴ As available-for-sale;
- ▴ As Loans and receivables.

Interests on held-to-maturity investments are included in the income statement and are reported under 'Investment income'. In the case of an impairment, it is reported as a deduction from the carrying value of the investment and recognized in the income statement as 'gains/(loss) on investment'. Held-to-maturity investments are principally the placement with NICON Investment Limited.

c. Fair value through profit or loss

Investments are classified in this category at inception if acquired principally for trading purposes.

Separate assets are held to match reinsurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

d. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Corporation intends to sell in the short term.

9.2 Recognition and Measurement

Financial assets are initially recognized at fair value, plus in case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to the income statement.

Financial assets are derecognized when the rights to receive cash flows from them have expired or where they have been transferred and the Corporation has also transferred substantially all risks and rewards of ownership.

Financial assets, namely available-for-sale, loans, receivables and held-to-maturity financial assets are carried at fair value.



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Gains and losses arising from changes in the fair value of financial assets are included in other comprehensive income in the period in which they arise. Dividend income from financial assets is recognized in the income statement as part of investment income when the right to receive payments is established. Interest on financial assets is calculated using the effective interest method whilst dividend is calculated using the rate of dividend declared per share. The income is recognized in the income statement in the period in which they occur.

When financial assets are impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement.

9.3 Determination of fair value

The measurement of fair value is in line with these levels of hierarchy:

Level 1

For financial instruments traded in active markets, the determination of fair value 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 of major exchanges.

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. For example, a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

Level 2

This hierarchy includes financial instruments valued using quoted market prices in active markets for similar instruments; quoted prices for 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. Observable inputs generally used to measure the fair value of securities in this category include benchmark yields, reported secondary trades, broker-dealer quotations, bids, offers and reference data.

In 2012, level 2 basis was adopted for the valuation of Africa Reinsurance Corporation. This was in view of the unit price of \$184.7 approved at the Board of Directors for the subscription of additional shares.

Level 3

This hierarchy includes financial instruments of which significant inputs are not based on observable market data. The inputs are not readily available in an active market due to market illiquidity or complexity of the instrument. The inputs are generally determined on



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inputs of similar nature, historic observations or analytical techniques.

10. Reclassification of financial assets

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 Corporation 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 there is 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 are recorded before reclassifications are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held to maturity categories are determined at reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

11. Impairment of assets

a) *Financial assets carried at amortised cost*

The Corporation assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows on the financial assets or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes the occurrence of the following events:

- ▀ Significant financial difficulty of the issuer or debtor;
- ▀ A breach of contract, such as a default or delinquency in payments;
- ▀ It becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganization;
- ▀ The disappearance of an active market for that financial asset because of financial difficulties; or
- ▀ Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.



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The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If it is determined 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 is or continues to be recognized are not included in a collective assessment of impairment.

b) Assets classified as available for sale

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For financial assets classified as available for sale, a significant or prolonged decline in the fair value of the asset below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant and a continuous period of 12 months or longer is considered to be prolonged. Such quantitative evidence is reasonable ground to recognize impairment. The impairment is the difference between the carrying value and the current fair value. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

c) Trade receivables

They 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 objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Corporation will not be able to collect the amount due under the original terms of the debit note. 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 decrease 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



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the profit and loss.

The guidelines of NAICOM with effect from 1st January, 2013 of no cover or policy without payment of premium will make trade receivables a dated phenomenon.

d) Impairment of other non-financial assets

Assets that have an indefinite useful life, for example, land are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed 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 cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

12. Offsetting financial instruments

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

13. Bank balances under lien

Financial assets held under lien by third parties that do not qualify for de-recognition are reclassified in the statement of financial position from held to maturity financial assets to 'bank balances held under lien'.

Recognition of assets under lien is at cost.

14. Trade receivables

Trade receivables arising from insurance contracts are stated in the statement of financial position after deduction of provision made for specific debts considered to be doubtful of recovery.

15. Other receivables

Other receivables are principally accrued income from financial assets which are accrued and received after the reporting period. They are reviewed at every reporting period for impairment.

16. Prepayments

Prepayments are carried at costs less accumulated impairment losses.



17. Investment in Associates

Investments in associates represent equity interest in related entities with the participation of the Corporation being between 20% and 49% of the entire paid up equity of the investee entity.

18. Investment properties

Investment properties are long term investment in land and buildings held for generating income or capital appreciation and not occupied substantially for use in operations. An occupation of more than 15% of a property by the Corporation is considered substantial and will not qualify as an investment property. Investment properties are stated at fair values. A gain or loss arising from a change in the fair value of investment property is recognised in equity.

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

If an item of 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.

If a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement. On disposal of investment property, any accretion in value previously recorded in property revaluation reserve under equity is transferred to retained earnings net of associated tax through 'Other Comprehensive Income'.

Properties could have dual purposes whereby part of the property is used for own use activities. The portion of a dual use property is classified as an investment property only if it could be sold or leased out separately under a finance lease or if the portion occupied by the owner is immaterial to the total lettable space.

19. Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software to use.

Costs associated with maintaining computer software programmes are recognized as an expense when incurred.

Development cost that is directly attributable to the design and testing of identifiable and



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unique software products are recognized as intangible assets when the following criteria are met:

- ◆ It is technically feasible to complete the software product so that it will be available for use;
- ◆ Management intends to complete the software product and use or sell it;
- ◆ There is an ability to use or sell the software product;
- ◆ It can be demonstrated how the software product will generate probable future economic benefits;
- ◆ Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- ◆ 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 employee costs for software development and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent period.

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

20. **Property and equipment**

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs and costs of replacement of components 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 Corporation and the cost of the item can be measured reliably. The carrying value of a replaced component is derecognized. Repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

The Corporation revalued its properties on dates that approximate 1st January, 2011, 31st December, 2011 and 31st December, 2012. The accretion in value from the respective valuations were recognized under 'Other Comprehensive Income' but treated in property revaluation reserve as the gains have not been realised.





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Gains and losses on disposal of property and equipment are recognised net of taxes under 'Other Comprehensive Income'. This is ascertained by comparing the proceeds from disposal with the carrying amount.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost. Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each item of property and equipment as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

Depreciation is provided on a straight line basis at annual rates estimated to write off the cost or valuation of each asset to its residual value over its estimated useful life as follows:

❖ Land	- Nil
❖ Leasehold Land & Buildings	- 5% or the unexpired lease period
❖ Household Furniture, Fitting & Equipment	- 20%
❖ Office Furniture, Fittings & Equipment	- 20%
❖ Plant & Machinery	- 10%
❖ Motor Vehicles	- 25%
❖ Capital Work in Progress	- Nil

The residual values of property and equipment and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. The carrying amount of a property and equipment is immediately written down to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount.

21. Statutory deposit

Statutory deposit represents 10% of the paid up capital of the Corporation deposited with the Central Bank of Nigeria (CBN) pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost.

22. Reinsurance contracts

The Corporation issues contracts that transfer reinsurance risk or financial risk or both. As a general guideline, the Corporation defines as significant reinsurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.





22.1 Types

a) Reinsurance Contracts

The Corporation classifies reinsurance contracts into general and life reinsurance contracts.

i. General reinsurance contracts

These contracts are accident, casualty and property reinsurance contracts. Accident and casualty reinsurance contracts protect the Corporation's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property reinsurance contracts mainly compensate customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

General reinsurance contracts protect customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income.

Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy holder. There are no maturity or surrender benefits.

ii. Life reinsurance contracts

These contracts insure events associated with human life like death or survival over a period of time.

22.2 Recognition and measurement

i. General reinsurance contracts premium and claims

The Corporation classifies as reinsurance contracts all reinsurance risks accepted from ceding companies or cedant to which it has agreed to compensate the cedant or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary.

For all contracts, premiums are recognized as revenue (earned premiums)



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proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are stated gross before deduction of commission. Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported. The Corporation does not discount liabilities for outstanding claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions on litigations).

ii. Life reinsurance contracts premium and claims

Life insurance contracts are accounted for on annual basis. Premiums are recognized as revenue when they become payable by the contract holders. Premiums are stated gross before deduction of commission. Claims and other benefits are recorded as an expense when they are incurred.

With effect from 1st January, 2013, premium income is recognized when collected.

Surpluses and deficits on actuarial valuation are recorded in the profit and loss account.

iii. Salvages

Some general reinsurance contracts permit the Corporation to sell (usually damaged) property acquired in the process of settling a claim. There is also the possibility of the right to pursue third parties for payment of some or all costs of damages to client's property (i.e. subrogation right).

iv. Subrogation

Subrogation is the right for a reinsurer to pursue a third party that caused an insurance loss to the insured. This is done as a means of recovering the amount of the claim paid to the insured for the loss. A receivable for subrogation is recognized in other assets when the liability is settled and the Corporation has the right to receive future cash flow from the third party.

v. Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the writing of both



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general and life reinsurance contracts. Deferred acquisition costs represent a proportion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying to the acquisition expenses the ratio of unearned premium to written premium.

vi. Deferred income

Deferred income represents a proportion of commission received on reinsurance contracts which are booked during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying to the reinsurance commission income the ratio of prepaid reinsurance to reinsurance cost.

vii. Retrocession contracts

Contracts entered into by the Corporation with retrocessionaires under which the Corporation is compensated for losses on one or more contracts and meet the classification requirements for reinsurance contracts are classified as retrocession contracts. Contracts that do not meet these classification requirements are classified as financial liabilities. Retrocession contracts entered into with the contract holder being a reinsurer (outward reinsurance) are included with reinsurance contracts.

23. Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant reinsurance risk.

24. Technical reserves

These are computed in compliance with the provisions of Sections 20, 21, and 22 of the Insurance Act, 2003 as follows:

a. General reinsurance contracts

Reserves for unearned premium

The portion of gross premium written relating to risk for periods falling beyond the reporting accounting period or portion of premium which is estimated to be earned in the following or subsequent years is accounted for as unearned premium.

Reserves for outstanding claims

Outstanding claims are the sum of the total estimated amount of all outstanding claims.

b. Life reinsurance contracts

General reserve fund

This is made up of net liabilities on policies in force as computed by the actuaries at the time of the actuarial valuation.



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c. Liability adequacy test

At each end of the reporting year, liability adequacy test are performed by an Actuary to ensure the adequacy of the reinsurance contract liabilities. In performing these tests, current best estimates of future contractual cash flow and claims handling and administration expenses, as well as investment income from the assets backing such liabilities are used. Any deficiency is immediately charged to profit or loss and subsequently establishing a provision for losses arising from liability adequacy tests.

Whilst the provisions of the insurance Act 2003 requires an actuarial valuation for life reserves only, IFRS 4 requires a liability adequacy test for both life and general reinsurance reserves. The provisions of Section 59 of the Financial Reporting Council Act 2011 give superiority to the provision of IFRS.

Consequently, the Liability Adequacy test was conducted to ascertain the technical reserves for all reinsurance contract liabilities from an actuarial valuation.

25. Trade payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year discounting is omitted.

26. Provisions and other payables

Provisions is recognized when there is a present obligation whether legal or constructive as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

27. Retirement benefit obligations

a. Defined Contribution plans

The Corporation maintains a pension scheme for the benefit of its employees. Contribution to the staff pension scheme is made in line with the Pension Reform Act 2004 with the employer and employees contributing 7.5% each of emoluments. The contributions are mandatorily remitted to the Pension Fund Administrator chosen by individual personnel. The contributions are recognised as employee benefits expense when they are due.

b. Gratuity scheme

In addition, the Corporation operates a gratuity scheme which is based on employees' year of service and exit emoluments. It is non-contributory. The contribution made by the Corporation is charged to the income statement. The gratuity scheme was discontinued in 2011 and the liability frozen since then.



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c. **Short term benefits**

Wages, salaries, paid annual leave, sick leave and non-monetary benefits are recognised as employee benefit expense and accrued when the associated services are rendered by employees.

28. **Income tax liabilities**

Section 4 (2) of the Nigeria Reinsurance Corporation Act 1977 provides tax exemption to the Corporation until the general reserve fund is equal to twice the amount of the paid up capital. This condition has not been fulfilled so there is no provision for taxation. Direct taxes are not covered by this exemption.

29. **Share capital and premium**

Shares are classified as equity when there is no obligation to transfer cash or other assets to the subscribers. Incremental costs directly attributable to the issue of equity instrument are shown in equity as a deduction from the proceeds, net of tax.

30. **Statutory contingency reserve**

a. **General business**

In compliance with Section 21 (2) of the Insurance Act 2003, the contingency reserve is credited with the higher of 3% of total premiums, or 20% of net profit. This shall accumulate until it reaches the higher of the minimum paid-up capital or 50 per cent of net premium.

b. **Life business**

In compliance with Section 22 (1) (b) of the Insurance Act 2003, the contingency reserve is credited with the higher of 1% of gross premiums or 10% of net profit.

31. **Property Revaluation Reserve**

This is the accretion in the value of property and equipment arising from the increment in the carrying cost to the most current valuation figures.

32. **Fair Value Reserves**

This is the accretion in the value of investment property, available for sale financial assets arising from restating their values from the time of recognition to the most current fair values. The determination of fair values is in accordance with 9.3 above.



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33. Earnings per share

Basic Earnings Per Share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Corporation by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

34. Contingent liabilities

A Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation. It may also result from past events which are not recognised because it is not probable that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of litigation claims under arbitration or court processes in respect of which a liability is not likely to crystallise.

35. Revenue recognition

Revenue comprises the fair value for reinsurance premium, net of value-added tax. Revenue is recognised as follows:

a. Gross Premium

Gross premium on reinsurance business comprise of premium on businesses entered into during the accounting year, irrespective of whether they relate in whole or in part to a later accounting period before deducting retrocession.

b. Gross Premium Income

Premium relating to the expired risk period is taken as earned and recognized as revenue for the period; while premium relating to the unexpired risk period is adjusted for by deduction from the gross premium.

c. Net Premium Income

Net premium income represents the gross premium income or earned income less retrocession premium (outward reinsurance premium expenses).

36. Surplus and deficit on actuarial valuation

Actuarial valuation of the life fund is conducted annually to determine the net liabilities on the existing policies and the adequacy of the assets representing the insurance fund as at the date of valuation. Surplus and deficit arising therefrom are charged to the profit and loss account.



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37. Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Corporation's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

38. Outward reinsurance expenses

Outward reinsurance expenses represents premium incurred on retrocessions less the unexpired portion at the end of the accounting year.

39. Claims

a. Gross Claims Expenses

This is the direct claims paid during the year including retrocession claims.

b. Gross Claims Incurred

This is made up of claims and handling expenses paid during the year after adjusting for the movement in the provision for outstanding claims.

c. Net Claims Incurred

This is the gross claims incurred after adjusting for retrocession claims recoveries.

40. Underwriting Expenses

Underwriting expenses comprise commissions paid, acquisition costs, servicing of existing



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policies/contracts, superintending and technical expenses. Acquisition costs comprise all direct and indirect cost arising from the writing of insurance contracts.

41. Management expenses

Management expenses are expenses other than claims, underwriting expenses, expenses for marketing and administration. They include wages, professional fee, depreciation expenses, insurance supervision levy 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 their origin.





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STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2012

	Note	12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
Assets				
Cash and Cash Equivalents	3	436,786	306,151	332,830
Financial Assets	4	2,147,541	1,673,838	3,177,647
Bank balances under lien	5	-	4,800,273	4,800,273
Trade Receivables	6	40,190	214,615	410,581
Deferred acquisition costs	7	74,242	88,339	178,524
Other receivables and prepayments	8	68,593	7,499	7,912
Investment properties	9	12,300,000	11,193,000	7,618,520
Deferred tax asset	10	195,340	336,689	319,765
Intangible Assets	11	8,186	8,079	10,772
Property and Equipment	12	788,889	990,743	3,501,418
Statutory Deposit	13	1,035,000	835,000	35,000
Total assets		17,094,767	20,454,226	20,393,242
Liabilities				
Reinsurance Contract Liabilities	14	1,070,741	1,165,335	1,313,920
Trade Payables	16	8,480	245,393	253,729
Provisions and Other Payables	17	196,026	206,421	1,317,033
Retirement Benefit Obligations	18	142,014	143,112	139,682
Income Tax Liabilities	19	8,107	8,107	8,107
Total liabilities		1,425,368	1,768,368	3,032,471
Equity				
Issued and Paid Share capital	20	2,258,605	2,258,605	2,133,605
Share Premium	21	6,645,042	6,645,042	5,846,042
Statutory Contingency reserve	22	1,457,113	1,431,348	1,395,548
Retained Earnings	23	(7,827,961)	(3,591,133)	(2,730,774)
Property Revaluation Reserve	24	714,369	1,045,974	3,169,933
Fair Value Reserves	25	12,422,231	10,896,022	7,546,417
Total Equity		15,669,399	18,685,858	17,360,771
Total liabilities and equity		17,094,767	20,454,226	20,393,242

The financial statements and the notes thereon were approved by the Board of Directors on 19th November, 2013 and signed on its behalf by:

Ms. Olufolake Tawose
FRC/2013/IODN/00000003762

Lady Isioma Chukwuma
FRC/2013/CIIN/00000002440

Mrs. E. Adetutu Ajayi
FRC/2013/ICAN/00000002531

The accounting policies on pages 22 to 50 and the notes on pages 55 to 89 form an integral part of these financial statements.



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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Note	12/31/2012 N'000	12/31/2011 N'000
Gross Premium Written	26	861,084	1,061,198
Changes in unearned premium	27	64,895	209,091
Gross Premium Income	28	925,979	1,270,289
Retrocession expenses	29	(82,118)	(119,941)
Net Underwriting Income		843,861	1,150,348
Claims expenses	30	(285,112)	(445,156)
Underwriting expenses	31	(259,214)	(360,352)
		(544,326)	(805,508)
Underwriting Results		299,535	344,840
Investment Income	32	255,137	131,394
Other operating income	33	163,399	145,956
Changes in life insurance contract liability	34	54,830	(67,893)
Net Operating Income		772,901	554,297
Expenses			
Management expenses	35	(411,471)	(496,794)
Impairment of assets	36	226,879	(139,657)
Exceptional expenses	37	(4,800,272)	(754,018)
		(4,984,864)	(1,390,469)
(Loss) before taxation	49	(4,211,963)	(836,172)
Taxation	38	(149,967)	11,613
(Loss) after taxation		(4,361,930)	(824,559)
Other comprehensive income net of tax			
Gain on disposal of properties	39	149,672	-
Foreign currency difference on conversion of AFS financial assets and banks	40	1,195	-
Items within OCI recognised in property and fair value reserves			
Unrealised fair value gain on properties	41.1	87,998	204,083
Unrealised fair value gain on investment properties	41.2	1,057,000	973,081
Unrealised fair value gain on AFS financial assets	42	469,209	48,482
Total other comprehensive income		1,765,074	1,225,646
Total Comprehensive (Loss)/income for the year		(2,596,856)	401,087
(Loss) per 50 kobo share - kobo	49	(93)	(19)

The accounting policies on pages 22 to 50 and the notes on pages 55 to 89 form an integral part of these financial statements.



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Statement of Changes in Equity For the year ended 31st December, 2012

	Share Capital N'000	Share Premium N'000	Contingency Reserves N'000	Retained Earnings N'000	Property Revaluation Reserve N'000	Fair Value Reserves N'000	Total N'000
Balance at 1st January, 2012	2,258,605	6,645,042	1,431,348	(3,591,133)	1,045,974	10,896,022	18,685,858
(Loss) after taxation				(4,361,930)			(4,361,930)
Other Comprehensive Income for the year							
Gain on disposal of properties	-	-	-	149,672	-	-	149,672
Foreign currency difference on conversion of AFS financial assets and banks	-	-	-	1,195	-	-	1,195
Total Comprehensive (Loss) for the year	-	-	-	(4,211,063)	-	-	(4,211,063)
Transactions with equity holders							
Transfer to contingency reserve	-	-	25,765	(25,765)	-	-	-
Unrealised fair value gain on quoted investments	-	-	-	-	-	276,960	276,960
Unrealised fair value gain on unquoted investments	-	-	-	-	-	192,249	192,249
Unrealised fair value gain on properties	-	-	-	-	87,998	-	87,998
Unrealised fair value gain on investment properties	-	-	-	-	-	1,057,000	1,057,000
Reversal of gain on properties disposed	-	-	-	-	(419,603)	-	(419,603)
Total contributions by equity holders	-	-	25,765	(25,765)	(331,605)	1,526,209	1,194,604
Balance at 31st December, 2012	2,258,605	6,645,042	1,457,113	(7,827,961)	714,369	12,422,231	15,669,399

Balance at 1st January, 2011	2,133,605	5,846,042	1,395,548	(2,730,774)	3,169,933	7,546,417	17,360,771
(Loss) after taxation	-	-	-	(824,559)	-	-	(824,559)
Other Comprehensive Income for the year							
Foreign currency difference on conversion of AFS financial assets	-	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	-	(824,559)	-	-	(824,559)
Transactions with equity holders							
Transfer to contingency reserve	-	-	35,800	(35,800)	-	-	-
Proceeds from shares issued	125,000	799,000	-	-	-	-	924,000
Unrealised fair value gain on quoted investments	-	-	-	-	-	48,482	48,482
Unrealised fair value gain on properties	-	-	-	-	204,083	-	204,083
Unrealised fair value gain on investment properties	-	-	-	-	-	973,081	973,081
Accretion on transfer to investment property during the year	-	-	-	-	(2,328,042)	2,328,042	-
Total contributions by equity holders	125,000	799,000	35,800	(35,800)	(2,123,959)	3,349,605	2,149,646
Balance at 31st December, 2011	2,258,605	6,645,042	1,431,348	(3,591,133)	1,045,974	10,896,022	18,685,858



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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Note	12/31/2012 N'000	12/31/2011 N'000
Cash flows from operating activities			
Net cash generated from operating activities	40	<u>207,991</u>	<u>1,045,038</u>
Cash flows from investing activities			
Dividend received from investments		47,293	55,525
(Transfer) to statutory deposit		(200,000)	(800,000)
Purchase of property and equipment		(12,871)	(33,339)
Purchase of investment property		(50,000)	(34,289)
Purchase of intangible assets		(3,500)	-
Proceeds from disposal of AFS financial assets		-	9,548
Proceeds from disposal of property, plant and equipment		141,722	92
		-	-
Net cash (used by) investing activities		<u>(77,356)</u>	<u>(802,463)</u>
Cash flows from financing activities			
(Refund) of deposit for shares - Federal Government of Nigeria		-	(1,000,000)
(Refund) of deposit for shares - Core investor		-	(193,254)
Proceeds from subscription of shares		-	1,000,000
Share subscription expenses		-	(76,000)
Net cash (used by) financing activities		<u>-</u>	<u>(269,254)</u>
Net increase/(decrease) in cash and cash equivalents		130,635	(26,679)
Cash and cash equivalents at the beginning of the year		306,151	332,830
Cash and cash equivalents at the end of the year		<u>436,786</u>	<u>306,151</u>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2012

1 The Corporation

Nigeria Reinsurance Corporation (previously known at different times as Nigeria Reinsurance Corporation and Nigeria Reinsurance Corporation Plc.) was established on 23rd June, 1977 by the Nigeria Reinsurance Corporation Act, 1977. It was subsequently incorporated under the Companies and Allied Matters Act Cap C20 LFN 2004. As part of the privatisation policy, the Federal Government of Nigeria divested 51% of its equity shareholding from the Corporation in November, 2002. The core investor is Reinsurance Acquisition Group Limited, a Special Purpose Vehicle formed for the purpose of acquiring equity interest in the Corporation. The Corporation is engaged in Life and General Reinsurance businesses.

2 First time adoption of the International Financial Reporting Standards

These financial statements incorporate the first time adoption of the International Financial Reporting Standards. In this respect, the standards have been applied retrospectively for the immediate two preceding years. Consequently, the 2010 and 2011 comparatives have been re-stated to conform with IFRS.

3 Cash and Cash Equivalents

Balances with local banks
Balances with foreign banks
Fixed deposits
Commercial Papers

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
58,344	66,876	43,369
170,638	91,688	142,735
191,913	133,234	133,128
15,891	14,353	13,598
436,786	306,151	332,830

Cash and cash equivalents represent highly liquid instruments which are not subject to significant risk of changes in value.

4 Financial Assets

These are made up of:
Available for sale - Note 4a
Held to maturity - Note 4b

4a. Available for sale

Quoted ordinary equities
Unquoted ordinary equities

2,147,541	1,673,838	1,598,384
-	-	1,579,263
2,147,541	1,673,838	3,177,647
1,341,539	1,060,086	1,022,379
806,002	613,752	576,005
2,147,541	1,673,838	1,598,384
-	-	1,579,263

4b. Held to maturity

Placement with NICON Investment

4.1 Fair Value Hierarchy of Financial Assets - 31/12/2012

Asset Type	Level 1	Level 2	Level 3	Total
Quoted ordinary equities - available for sale	1,341,539	-	-	1,341,539
Unquoted ordinary equities - available for sale	-	214,901	591,101	806,002
	1,341,539	214,901	591,101	2,147,541



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4.2 Fair Value Hierarchy of Financial Assets - 31/12/2011

Asset Type	N'000			Total
	Level 1	Level 2	Level 3	
Quoted equity securities - available for sale	1,060,086	-	-	1,060,086
Unquoted equity securities - available for sale	-	-	613,752	613,752
	1,060,086	-	613,752	1,673,838

a) Level 1 hierarchy of fair value was adopted for the valuation of the quoted equity securities. This is based on the quoted market prices of the Nigeria Stock Exchange for the respective periods.

b) Level 2 hierarchy of fair value was adopted for Africa Reinsurance Corporation at 31st December, 2012. This is based on the unit price of \$182.70 approved for the subscription of additional shares at the 34th Annual Ordinary Meeting held in Rabat, Kingdom of Morocco on 21st June, 2012. This translates to N214,901,240 (2011 at cost - N22,651,817).

It is worthy of note that the average price approved for the 2013 subscription at the 35th Annual General held in June, 2013 was \$246.25.

c) Level 3 hierarchy was adopted for all the unquoted equity securities. This is based on the lower of cost and the proportionate value to the net assets value of the investee companies. The value of investments was written down to nil for investee companies with negative net assets value.

4.3 Maturity profile of Financial assets - 31/12/2012

	Within 12 Months N'000	Beyond 12 Months N'000	Total N'000
Quoted equity securities - available for sale	1,341,539	-	1,341,539
Unquoted equity securities - available for sale	-	806,002	806,002
	1,341,539	806,002	2,147,541

5 Bank balances under lien

Balances with local banks under lien

Less: Provision for doubtful balances with local banks under lien

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
4,800,273	4,800,273	4,800,273
(4,800,273)	-	-
-	4,800,273	4,800,273

Balances with local banks under lien in the sum of N4.8 billion is held by Union Bank of Nigeria Plc. The lien is in respect of a pending litigation.

The suit which is premised on the recovery of a credit facility advanced by Union Bank to NICON Investment Limited was struck out at the Federal High Court holden at Lagos in February, 2011, inter alia, for abuse of court process with NICON Investment Limited being awarded damages and some costs.



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The Corporation is not directly involved in the litigation but it is joined as a co-defendant by reason of its membership of the Global Fleet Group with the first defendant, NICON Investment Limited, whereas companies in the Global Fleet Group have distinct relationship with Union Bank of Nigeria Plc. as a banker.

The Corporation is not in any way indebted to Union Bank, neither are its equity nor assets pledged to the bank. There is neither obligation nor commitment from the Corporation on the subject matter.

In view of the protracted nature of the legal suit, full provision was made for loss of the bank balances held under lien in the 2012 accounting year.

6 Trade Receivables

6.1 Summary

Receivables on reinsurance accounts
Impairment - 6.3

6.2 Age Analysis

Under 90 days
91 - 180 days
Above 180 days

6.3 Impairment

Balance at the beginning of the period
Charge for the period
Write-back of provision
Adjustments/write-offs
Balance at the end of the period

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
4,138,406	4,273,325	4,328,341
(4,098,216)	(4,058,710)	(3,917,760)
40,190	214,615	410,581
=====	=====	=====
104,473	109,618	410,581
78,403	209,994	-
3,955,530	3,953,713	3,917,760
4,138,406	4,273,325	4,328,341
=====	=====	=====
4,058,710	3,917,760	3,917,760
-	174,628	-
(222,385)	-	-
261,891	(33,678)	-
4,098,216	4,058,710	3,917,760
=====	=====	=====

The basis of impairment of receivables is the actual receipt of reinsurance premium. Thus reinsurance premium that are not collected 90 days after 31st December, 2012 are deemed impaired and treated as lost.

The trade receivables or reinsurance premium receivable is not admissible by NAICOM for solvency margin purposes.



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7 Deferred acquisition costs

Analysis by class of reinsurance

Fire

General Accident

Motor

Marine and Aviation

Contractors' All Risk

Oil & Gas

Movement during the years

Balance at beginning of the year

Movement during the year

Deferred acquisition costs represent commissions on unearned premium in respect of the unexpired period of risk.

Other receivables and prepayments

8 Accrued income on bank placements

Accrued income on dividend

Staff loans and advances

Investment properties

9 I. Summary

Balance at the beginning of the period

Additions during the year

Transfer from fixed assets

Unrealised fair value gain

Balance at the end of the period

II. Analysis

Plot 784, Herbert Macaulay Way, Central Area, Abuja - 20-storey building

46, Marina, Lagos - 21-storey building

Fernandez Towers, 1-9, Berkeley Street, Lagos - 9-storey building

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
21,925	21,949	58,134
19,000	31,340	47,537
3,123	3,241	646
19,560	20,231	57,237
7,263	7,538	14,397
3,371	4,040	573
74,242	88,339	178,524
=====	=====	=====

88,339	178,524	-
(14,097)	(90,185)	178,524
74,242	88,339	178,524
=====	=====	=====

58,613	-	-
6,634	3,636	2,554
3,346	3,863	5,358
68,593	7,499	7,912
=====	=====	=====

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
11,193,000	7,618,520	7,618,520
50,000	34,289	-
-	2,567,110	-
1,057,000	973,081	-
12,300,000	11,193,000	7,618,520
=====	=====	=====

7,800,000	7,098,000	6,459,180
3,100,000	2,821,000	-
1,400,000	1,274,000	1,159,340
12,300,000	11,193,000	7,618,520
=====	=====	=====



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- a) Certain leasehold land and buildings were professionally valued on 27th July, 1990 by Messrs Darl Uzu Associates on the basis of their current open market values resulting in a revaluation surplus of ₦39,842,000. In November, 1996, certain selected land and building including those valued in July, 1990 were professionally valued by Messrs Jide Taiwo & Co., Estate Surveyors and Valuers resulting in a revaluation surplus of ₦304,320,000.
- b) On 25th November, 1996, the investment property situated at Berkeley Street, Lagos was valued at ₦5 million by Messrs Jide Taiwo & Co., Estate Surveyors and Valuers resulting in a revaluation surplus of ₦3,616,000. These assets were also valued by Messrs Bode Adediji & Partners at ₦510 million on 3rd March, 2004 resulting in a surplus of ₦458.77 million. All the revaluation surplus have been included in the assets revaluation reserve.
- c) Selected land and building, work-in-progress including those valued earlier were revalued on 3rd March, 2004 by Messrs Bode Adediji & Co. resulting in a revaluation surplus of ₦1,105,390,000. The surplus on revaluation has been credited to the assets revaluation reserve.
- d) All the investment properties were professionally valued by Messrs Rotimi Fagbemi & Co. on 26th November, 2010, 11th November, 2011 and 7th December, 2012. The cumulative net revaluation surplus on the investment properties at 31st December, 2012 was ₦11,002,723,796. In accordance with IAS 16, the revaluation surplus is not distributable until the properties are disposed and derecognised. The Financial Registration Council of Nigeria registration number of Fagbemi Rotimi Olorunyomi who signed the valuation report is FRC/NIESV/00000000369.
- e) The investment properties are:
- i. The Head Office building situated at Plot 784A, Herbert Macaulay Way (North), Central Business District, Abuja.
 - ii. The office property situated at 46, Marina, Lagos. This was reclassified in 2011 to investment property as the portion occupied by the Corporation for its use does not exceed 15% of the available space.
 - iii. The block of flats situated at Berkeley Street, Lagos.
- f) In accordance with the Nigerian Statement of Accounting Standard No. 9, investment properties are not depreciated as they are held primarily for generating income or capital appreciation. In addition, they are not occupied substantially for use in the operations of the Corporation.



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10 Deferred tax asset

Balance at the beginning of the period
Deferred tax (charge)/abatement during the year
Balance at the end of the period

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
336,689	319,765	319,765
(141,349)	16,924	-
<u>195,340</u>	<u>336,689</u>	<u>319,765</u>
=====	=====	=====

11 Intangible Asset

Computer software

Cost at the beginning of the period
Additions during the year
Cost at the end of the period

13,464	13,464	13,464
3,500	-	-
<u>16,964</u>	<u>13,464</u>	<u>13,464</u>

Aggregate depreciation at the beginning of the period
Charge during the year
Aggregate depreciation at the end of the period

5,385	2,692	2,692
3,393	2,693	-
<u>8,778</u>	<u>5,385</u>	<u>2,692</u>

Net book value

<u>8,186</u>	<u>8,079</u>	<u>10,772</u>
=====	=====	=====

Computer software was acquired.

12 Property and Equipment At 31st December, 2012

Cost/Valuation	Land N'000	Land & Buildings N'000	Furniture, Fittings & Equipment N'000	Motor Vehicles N'000	Net Total N'000
At 1st January, 2012	80,325	1,020,876	572,385	150,247	1,823,833
Additions during the year	-	-	12,871	-	12,871
Unrealised fair value gain	14,175	73,823	-	-	87,998
Accretion on disposals	-	(175,118)	-	-	(175,118)
Disposals during the year	-	(259,350)	(360,232)	(44,964)	(664,546)
At 31st December, 2012	<u>94,500</u>	<u>660,231</u>	<u>225,024</u>	<u>105,283</u>	<u>1,085,038</u>
Depreciation					
At 1st January, 2012	-	182,625	528,087	122,378	833,090
Charge for the year	-	158,684	19,660	2,654	180,998
Reversal on revaluation	-	(45,443)	-	-	(45,443)
Disposals during the year	-	(259,350)	(388,747)	(24,399)	(672,496)
At 31st December, 2012	-	<u>36,516</u>	<u>159,000</u>	<u>100,633</u>	<u>296,149</u>
Net book value					
At 31st December, 2012	<u>94,500</u>	<u>623,715</u>	<u>66,024</u>	<u>4,650</u>	<u>788,889</u>
At 31st December, 2011	<u>80,325</u>	<u>838,251</u>	<u>44,298</u>	<u>27,869</u>	<u>=====</u>



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Property and Equipment (Cont'd) At 31st December, 2011

Cost/Valuation

	Land & Buildings N'000	Land & Buildings N'000	Furniture, Fittings & Equipment N'000	Motor Vehicles N'000	Net Total N'000
At 1st January, 2011	73,096	3,391,132	548,817	140,948	4,153,993
Additions during the year	-	-	24,040	9,299	33,339
Unrealised fair value gain	7,229	196,854	-	-	204,083
Transfer to investment property	-	(2,567,110)	-	-	(2,567,110)
Disposals during the year	-	-	(472)	-	(472)
At 31st December, 2011	<u>80,325</u>	<u>1,020,876</u>	<u>572,385</u>	<u>150,247</u>	<u>1,823,833</u>

Depreciation

At 1st January, 2011	-	26,083	507,427	119,065	652,575
Charge for the year	-	156,542	21,132	3,313	180,987
Disposals during the year	-	-	(472)	-	(472)
At 31st December, 2011	<u>-</u>	<u>182,625</u>	<u>528,087</u>	<u>122,378</u>	<u>833,090</u>

Net book value

At 31st December, 2011	<u>80,325</u>	<u>838,251</u>	<u>44,298</u>	<u>27,869</u>	<u>990,743</u>
At 31st December, 2010	<u>73,096</u>	<u>3,365,049</u>	<u>41,390</u>	<u>21,883</u>	<u>3,501,418</u>

i. Two properties at Plots 7 and 8, Aso Gardens Estate, Maitama, Abuja were professionally valued in 2007 by Messrs Nosa Okungbowa & Associates on the basis of their open market values resulting in a revaluation surplus of N63,865,640.

ii. All the properties were professionally valued by Messrs Rotimi Fagbemi & Co. on 7th December, 2012 on the basis of their capital values. The revaluation surplus of N429,944,000 has been incorporated. In accordance with IAS 16, the revaluation surplus is not distributable until the properties are disposed and derecognised.

iii. The properties disposed off during the year at Plots 15 and 16, Louis Solomon Close, Victoria Island Lagos are not liable to Capital Gains Tax. This is because there was no proceed on disposal, rather the leasehold interest lapsed and was not renewed. Therefore, the interest reverted to the lessor.

13 Statutory deposit

Central Bank of Nigeria

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
<u>1,035,000</u>	<u>835,000</u>	<u>35,000</u>

The statutory deposit represents the amount deposited with the Central Bank of Nigeria in accordance with the provisions of the Insurance Act 2003.



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14 Reinsurance Contract Liabilities

This is made up of:

Life Fund - 14.1

Reserve for unearned premium - 14.2

Reserve for claims - 14.3

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
79,156	133,986	66,093
266,126	331,021	540,112
725,459	700,328	707,715
1,070,741	1,165,335	1,313,920
=====	=====	=====
133,986	66,093	66,093
(54,830)	67,893	-
79,156	133,986	66,093
=====	=====	=====
84,236	93,703	158,206
53,791	87,939	155,985
26,632	32,045	4,456
48,560	76,692	181,709
22,566	21,108	37,898
30,341	19,534	1,858
266,126	331,021	540,112
=====	=====	=====
227,085	258,228	292,772
17,247	21,564	41,300
41,465	23,239	32,445
382,020	362,626	327,341
16,402	18,677	12,665
27,660	6,163	646
13,580	9,831	546
725,459	700,328	707,715
=====	=====	=====
227,085	258,228	292,772
17,247	21,564	19,160
6,705	14,470	32,445
75,106	296,664	327,341
-	-	-
-	-	-
13,580	9,831	546
339,723	600,757	672,264
=====	=====	=====
-	-	-
-	-	22,140
34,760	8,769	-
306,914	65,962	-
16,402	18,677	12,665
27,660	6,163	646
-	-	-
385,736	99,571	35,451
=====	=====	=====

14.1 Life fund

At the beginning of the period

Changes in life insurance contract liability

At the end of the period

14.2 Reserve for unearned premium

Fire

General Accident

Motor

Marine and Aviation

Contractors' All Risk

Oil & Gas

14.3 Reserve for claims

a. Total

Fire

General Accident

Motor

Marine and Aviation

Contractors' All Risk

Oil & Gas

Life

b. Gross claims

Fire

General Accident

Motor

Marine and Aviation

Contractors' All Risk

Oil & Gas

Life

c. Incurred But Not Reported

Fire

General Accident

Motor

Marine and Aviation

Contractors' All Risk

Oil & Gas

Life

The reinsurance contract liabilities were subjected to actuarial valuation in order to fulfil the Liability Adequacy Test. The actuary is O. O. Okpaise (FRC/NAS/00000000738) representing H R Nigeria Limited.



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15 Hypothecation of Investments

Investments

Cash and cash equivalents
Financial assets - AFS Quoted equities
Financial assets - AFS Unquoted equities
Investment property
Property and equipment

Reinsurance contract liabilities - Note 14

Surplus of investments over reinsurance contract liabilities

16 Trade Payables

Due to retrocessionaires
Interest on premium released

17 Provisions and Other Payables

Deposit for shares - Federal Government of Nigeria
Deposit for shares - Core Investor
Other creditors
Accrued expenses
Unearned income

18 Retirement Benefit Obligations

At 1st January
Charge for the year
Payment during the year
At 31st December,

The retirement benefit obligations are in respect of firm and agreed sums due to staff with no additional provision from 2011 when the scheme was discontinued. Therefore, it is not subjected to actuarial valuation. The corresponding sum of ₦142,014,000 in cash and cash equivalents has been earmarked for this obligation.

19 Income Tax Liabilities

Capital Gains Tax

- Capital Gains Tax arose from property disposed in 2010.
- There is no liability for Capital Gains Tax on the properties disposed in 2012. This is because there was no proceed on disposal, rather the leasehold interest lapsed and was not renewed. Therefore, the interest reverted to the lessor.
- The computation of deferred tax resulted in a deferred tax abatement which is a deferred tax asset. This is a result of the tax written down value of the property and equipment being in excess of the carrying amounts.

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
260,000	191,888	156,333
487,727	874,387	-
91,068	-	-
238,000	-	1,094,358
-	120,420	510,000
1,076,795	1,186,695	1,760,691
1,070,741	1,165,335	1,313,920
6,054	21,360	446,771
8,480	245,360	253,696
-	33	33
8,480	245,393	253,729
-	-	1,000,000
-	-	193,254
87,704	106,004	23,247
41,289	54,156	71,137
67,033	46,261	29,395
196,026	206,421	1,317,033
143,112	139,682	139,682
-	3,894	-
143,112	143,576	139,682
(1,098)	(464)	-
142,014	143,112	139,682
8,107	8,107	8,107



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20 Share capital

Authorised

Ordinary shares of 50k each

Issued and fully paid

At the beginning of the period

Issued during the year

At the end of the period

21 Share premium

At the beginning of the period

On shares issued during the year

Statutory and professional charges

At the end of the period

In September, 2011, the deposit for shares of ₦1,000,000,000 by the Bureau of Public Enterprises on behalf of the Federal Government of Nigeria was allotted. Consequently, 250,000,000 ordinary shares of 50k each were allotted at ₦4.00 per share.

22 Statutory Contingency reserve

At the beginning of the period

Transfer from profit and loss account

At 31st December

23 Retained Earnings

At the beginning of the period

At 31st December

At the end of the period

24 Property Revaluation Reserve

At the beginning of the period

Unrealised fair value gain

Reversal on transfer of property to investment property

Reversal on disposal of properties

At the end of the period

25 Fair Value Reserves

This is made up of:

Quoted investments revaluation reserve - Note 25.1

Unquoted investments valuation reserve - Note 25.2

Investment properties revaluation reserve - Note 25.3

12/31/2012 N'000	12/31/2012 N'000	1/1/2011 N'000
4,500,000	4,500,000	4,500,000
2,258,605	2,258,605	2,133,605
-	-	-
2,258,605	2,258,605	2,133,605
6,645,042	6,645,042	5,846,042
-	-	-
-	-	-
6,645,042	6,645,042	5,846,042
1,431,348	1,395,548	1,395,548
25,765	35,800	-
1,457,113	1,431,348	1,395,548
(3,591,133)	(2,730,774)	(2,730,774)
(4,236,828)	(860,359)	-
(7,827,961)	(3,591,133)	(2,730,774)
1,045,974	3,169,933	3,169,933
-	204,083	-
87,998	(2,328,042)	-
(419,603)	-	-
714,369	1,045,974	3,169,933
1,227,258	950,298	901,816
192,249	-	-
11,002,724	9,945,724	6,644,601
12,422,231	10,896,022	7,546,417



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25.1 Quoted investments revaluation reserve

At the beginning of the period
Arising during the year
At the end of the period

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
950,298	901,816	901,816
276,960	48,482	-
1,227,258	950,298	901,816

25.2 Unquoted investments revaluation reserve

At the beginning of the period
Arising during the year
At the end of the period

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
-	-	-
192,249	-	-
192,249	-	-

25.2 Investment properties revaluation reserve

At the beginning of the period
Arising during the year
Arising from transfer of property to investment property
At the end of the period

12/31/2012 N'000	12/31/2011 N'000	1/1/2011 N'000
9,945,724	6,644,601	6,644,601
1,057,000	973,081	-
-	2,328,042	-
11,002,724	9,945,724	6,644,601

26 Gross premium written

General

Fire
Accident
Motor
Marine and Aviation
Bond and Engineering
Oil & Gas

2012 N'000	2011 N'000
240,674	267,723
153,689	251,255
76,091	91,558
138,744	219,119
64,474	60,307
86,688	55,812
760,360	945,774
100,724	115,424
861,084	1,061,198

Life

27 Changes in unearned premium

General

Fire
Accident
Motor
Marine and Aviation
Bond and Engineering
Oil & Gas

2012 N'000	2011 N'000
9,467	64,503
34,148	68,046
5,414	(27,589)
28,131	105,017
(1,459)	16,790
(10,806)	(17,676)
64,895	209,091
-	-
64,895	209,091

Life



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	2012 N'000	2011 N'000
28 Gross premium income		
<i>General</i>		
Fire	250,141	332,226
Accident	187,837	319,301
Motor	81,505	63,969
Marine and Aviation	166,875	324,136
Bond and Engineering	63,015	77,097
Oil & Gas	75,882	38,136
	825,255	1,154,865
<i>Life</i>	100,724	115,424
	925,979	1,270,289
29 Retrocession Expenses		
Outward reinsurance premium	82,118	119,941
	-	-
	82,118	119,941
30 Claims Expenses		
Claims paid	253,473	461,828
Movement in outstanding claims	34,962	(16,672)
Recoveries	(3,323)	-
	285,112	445,156
Underwriting expenses		
31 Commissions paid	243,917	270,167
Maintenance expenses	1,200	-
Movement in deferred commission paid	14,097	90,185
	259,214	360,352
Investment income		
32 Attributable to Policyholders' funds		
32.1 Equities-quoted	12,419	25,038
Equities-unquoted	9,570	-
Rental income	208	-
	22,197	25,038
Attributable to Shareholders' funds		
32.2 Equities-quoted	19,183	8,289
Equities-unquoted	6,121	22,198
Rental income	-	26,325
Interest on fund placements	207,636	49,544
	232,940	106,356
Total Investment income	255,137	131,394



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33 Other operating income

Rental income
Gain on disposal of investment
Gain on foreign currency conversion of bank balances
Gain on disposal of fixed assets
Write-back of provision no longer required
Other income

2012
N'000

115,752
-
-
-
25,523
22,124
163,399

2011
N'000

125,852
9,168
4,286
92
-
6,558
145,956

34 Changes in life insurance contract liability

Surplus on actuarial valuation for current year
(Surplus) on actuarial valuation for immediate previous year
Accretion to Life Fund/Share of actuarial valuation

54,830
-
54,830

171,579
(351,027)
111,555
(67,893)

35 Management expenses

Administrative expenses
Depreciation - properties and equipment
Depreciation - intangible asset
Ground rents
Staff pension and gratuity

222,133
180,998
3,393
4,947
-
411,471

271,394
180,987
2,693
37,826
3,894
496,794

36 Impairment of assets

Cash and Cash Equivalents
Trade Receivables
Loss on financial Assets - quoted equities
(Gain) on financial Assets - quoted equities
(Write-back) on financial Assets - unquoted equities

-
(222,385)
1,075
(5,569)
-
(226,879)

(5,212)
174,628
11,370
-
(41,129)
139,657

37 Exceptional expenses

Impairment of bank balances under lien with Union Bank
Impairment of placement in NICON investment
Impairment of advances to Air Nigeria

(4,800,272)
-
-
-
(4,800,272)

-
654,018
100,000
-
754,018

38 Income taxes

Deferred tax charge/(abatement)
Withholding tax on dividends
Withholding tax on rents

141,349
4,730
3,888
149,967

(16,924)
5,311
-
(11,613)

39 Fair value gain/(loss) on properties

Gain on disposal of property
(Loss) on disposal of equipment

160,253
(10,581)
149,672

-
-
-



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	2012 N'000	2011 N'000
40 Fair value gain/(loss) on available-for-sale financial assets and banks		
Exchange difference on translation of foreign bank balances	1,195	-
	<u>1,195</u>	<u>-</u>
	=====	=====
41 Fair value gain/(loss) on properties		
41.1 Transferred to Property revaluation reserve		
Unrealised fair value gain on properties	87,998	204,083
	<u>-</u>	<u>-</u>
	<u>87,998</u>	<u>204,083</u>
	=====	=====
41.2 Transferred to Investment property revaluation reserve		
Unrealised fair value gain on investment properties	1,057,000	973,081
	<u>-</u>	<u>-</u>
	<u>1,057,000</u>	<u>973,081</u>
	=====	=====
42 Fair value gain/(loss) on available for sale financial assets		
Transferred to Fair value reserve		
Unrealised fair value gain on quoted equities	276,960	48,482
Unrealised fair value gain on unquoted equities	192,249	-
	<u>469,209</u>	<u>48,482</u>
	=====	=====
43 Reconciliation of operating profit/(loss) to net cash provided by operating activities		
(Loss) after taxation	(4,361,930)	(824,559)
Exceptional items	4,800,272	-
Taxation	149,967	(11,613)
Impairment of trade receivables	(222,385)	174,628
Impairment of financial assets	1,075	11,370
Gain on financial assets	(5,569)	-
(Write-back) on financial assets	-	(5,661)
(Write-back) on cash and cash equivalents	-	(5,212)
Dividend income on investments	(47,293)	(55,525)
Depreciation of property, plant and equipment	180,998	180,987
Amortisation of intangible asset	3,393	2,693
Foreign currency difference on conversion of AFS financial assets and banks	(1,195)	-
(Gain) on disposal of investment	-	(9,168)
(Gain) on disposal of property and equipment	(149,672)	(92)
	<u>347,661</u>	<u>(542,152)</u>



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Changes in:

Held to maturity financial assets

Trade receivables

Deferred acquisition costs

Other receivables and prepayments

Reinsurance Contract liabilities: Life funds

Reinsurance Contract liabilities: Unexpired risks

Reinsurance Contract liabilities: Claims

Trade payables

Provisions and other payables

Retirement benefit obligations

Retirement benefit obligations (paid)

Cash flow from operating activities

2012
N'000

-

250,791

14,097

(61,094)

(54,830)

(64,895)

25,131

(236,913)

(10,395)

(464)

(1,098)

207,991

=====

436,786

=====

2011
N'000

1,579,263

(52,959)

90,185

413

67,893

(209,091)

(7,387)

(8,336)

123,779

3,894

(464)

1,045,038

=====

306,151

=====

44 Cash and Cash Equivalents

Cash and bank balances

45 Capital Management

Nigeria Reinsurance Corporation manages its capital through the risk-based approach to ensure that it is adequately capitalised to guarantee survival in a severe loss situation. Under extant NAICOM regulations, the minimum cumulative capital to be maintained is N10 billion, made up of N6 billion for general and N4 billion for life reinsurance businesses respectively.

Compliance with statutory minimum capital

The Corporation complied with the statutory minimum capital for composite business reinsurance business. However, there is a deficit of N512,335,000 in the statutory minimum capital for life reinsurance business.

Compliance with solvency margin

There is a solvency margin deficit of N1,765,946,000 in general reinsurance business. The deficit arose from the restrictions placed on the values of admissible cash and cash equivalents, fair value of unquoted equity investments and property. If the value of earlier admitted property and the fair value of unquoted equity investment in Africa Reinsurance Corporation was considered, the solvency margin deficit is N1,015,209,000.

Consequent upon the solvency margin arising from the adoption of NAICOM "Harmonisation carve-out", the solvency margin deficit is expected to be made up within the next three years.

46 Liquidity Risk Management

Liquidity risk is the risk that cash may not be available to pay for obligations as and when due. The Corporation manages this risk by matching cash generating activities to expected inflows. Current liabilities arise from claims and operational obligations. The Corporation has no commitments for capital expenditure in the ordinary course of business. Claims and operational obligations are settled from operating cash flow and returns from investments. There is zero tolerance for default as the Corporation is committed to meeting liabilities as they are proven and fall due.

Summarised is the maturity dates of liquid assets to financial liabilities for 2012:



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	1 - 3 Mths N'000	4 - 6 Mths N'000	7 - 12 Mths N'000	Beyond 12 Mths N'000	Total N'000
Current assets	436,786	-	-	-	436,786
Cash and cash equivalents	1,341,539	-	-	806,002	2,147,541
Financial assets	40,190	-	-	-	40,190
Trade receivables	<u>1,818,515</u>	<u>-</u>	<u>-</u>	<u>806,002</u>	<u>2,624,517</u>
Liabilities	330,528	330,528	330,529	79,156	1,070,741
Reinsurance contract liabilities	8,480	-	-	-	8,480
Trade payables	62,560	32,843	66,677	33,946	196,026
Provisions and other payables	-	-	-	142,014	142,014
Retirement benefit obligations	8,107	-	-	-	8,107
Income tax	<u>409,675</u>	<u>363,371</u>	<u>397,206</u>	<u>255,116</u>	<u>1,425,368</u>
	1,408,840	(363,371)	(397,206)	550,886	1,199,149
Excess of current assets over liabilities	<u>1,408,840</u>	<u>1,045,469</u>	<u>648,263</u>	<u>1,199,149</u>	
Cumulative current assets over liabilities	=====	=====	=====	=====	

47 Asset and Liability Management

The Corporation is exposed to financial risks by virtue of its financial assets, financial liabilities and reinsurance contract liabilities. The most significant financial risk is when the returns from investment proceeds are not adequate to meet insurance and investment liabilities.

The Corporation manages this risk with an Asset and Liability Management (ALM) framework to achieve returns that will surpass the insurance and investment liabilities. The fulcrum of the ALM is to match assets to the liabilities from insurance contracts based on the benefits due to respective policy holders.

The table below reconciles the insurance contracts and shareholders' funds:

	Reins- urance Fund N'000	Share- holders' Funds N'000	Total N'000
Assets			
Cash and Cash Equivalents	260,000	176,786	436,786
Financial Assets	578,795	1,568,746	2,147,541
Trade receivables	-	40,190	40,190
Deferred acquisition costs	-	74,242	74,242
Other receivables and prepayments	-	68,593	68,593
Investment properties	238,000	12,062,000	12,300,000
Deferred tax asset	-	195,340	195,340
Intangible Assets	-	8,186	8,186
Property and Equipment	-	788,889	788,889
Statutory Deposit	-	1,035,000	1,035,000
Total assets	<u>1,076,795</u>	<u>16,017,972</u>	<u>17,094,767</u>



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Liabilities

Reinsurance Contract Liabilities
Trade Payables
Provisions and Other Payables
Retirement Benefit Obligations
Income Tax Liabilities

Total liabilities

Reins- urance Fund N'000	Share- holders' Funds N'000	Total N'000
1,070,741	-	1,070,741
-	8,480	8,480
-	196,026	196,026
-	142,014	142,014
-	8,107	8,107
1,070,741	354,627	1,425,368
6,054	15,663,345	15,669,399

Surplus

48 Segment Reporting

This is made up of the respective operating activities of General and Life Reinsurance businesses

48.1 Analysis of Statement of Financial Position - 31/12/2012

Assets

Cash and Cash Equivalents
Financial Assets
Trade Receivables
Deferred acquisition costs
Other Receivables and prepayments
Investment properties
Deferred tax asset
Intangible Assets
Property and Equipment
Statutory Deposit

Total assets

Liabilities

Reinsurance Contract Liabilities
Trade Payables
Provisions and Other Payables
Retirement Benefit Obligations
Income Tax Liabilities

Total liabilities

Equity

Issued and Paid Share capital
Share Premium
Statutory Contingency reserve
Retained Earnings
Property Revaluation Reserve
Fair Value Reserves

Total Equity

Total liabilities and equity

General N'000	Life N'000	Total N'000
183,089	253,697	436,786
2,132,486	15,055	2,147,541
40,190	-	40,190
74,242	-	74,242
53,364	15,229	68,593
9,200,000	3,100,000	12,300,000
102,236	93,104	195,340
8,186	-	8,186
743,931	44,958	788,889
770,000	265,000	1,035,000
13,307,724	3,787,043	17,094,767
978,005	92,736	1,070,741
7,040	1,440	8,480
140,945	55,081	196,026
-	142,014	142,014
-	8,107	8,107
1,125,990	299,378	1,425,368
1,714,855	543,750	2,258,605
3,410,021	3,235,021	6,645,042
1,361,024	96,089	1,457,113
(4,530,869)	(3,297,092)	(7,827,961)
670,869	43,500	714,369
9,555,834	2,866,397	12,422,231
12,181,734	3,487,665	15,669,399
13,307,724	3,787,043	17,094,767



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48.2 Analysis of Statement of Financial Position - 31/12/2011

Assets

		General N'000	Life N'000	Total N'000
Cash and Cash Equivalents	3	130,966	175,185	306,151
Financial Assets	4	1,050,871	622,967	1,673,838
Bank balances under lien	5	2,802,228	1,998,045	4,800,273
Trade Receivables	6	190,751	23,864	214,615
Deferred acquisition costs	7	88,339	-	88,339
Other Receivables and prepayments	8	7,499	-	7,499
Investment properties	9	11,193,000	-	11,193,000
Deferred tax asset	10	298,667	38,022	336,689
Intangible Assets	11	8,079	-	8,079
Property and Equipment	12	692,437	298,306	990,743
Statutory Deposit	13	600,000	235,000	835,000
Total assets		17,062,837	3,391,389	20,454,226

Liabilities

Reinsurance Contract Liabilities	14	1,021,518	143,817	1,165,335
Trade Payables	16	242,273	3,120	245,393
Provisions and Other Payables	17	203,015	3,406	206,421
Retirement Benefit Obligations	18	143,112	-	143,112
Income Tax Liabilities	19	-	8,107	8,107
Total liabilities		1,609,918	158,450	1,768,368

Equity

Issued and Paid Share capital	20	1,714,855	543,750	2,258,605
Share Premium	21	3,410,021	3,235,021	6,645,042
Statutory Contingency reserve	22	1,336,266	95,082	1,431,348
Retained Earnings	23	(2,484,096)	(1,107,037)	(3,591,133)
Property Revaluation Reserve	24	587,416	458,558	1,045,974
Fair Value Reserves	25	10,888,457	7,565	10,896,022
Total Equity		15,452,919	3,232,939	18,685,858

Total liabilities and equity

17,062,837	3,391,389	20,454,226
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48.3 Analysis of Statement of Profit and Loss and Other Comprehensive Income - 31/12/2012

		General N'000	Life N'000	Total N'000
Gross Premium Written	26	<u>760,360</u>	<u>100,724</u>	<u>861,084</u>
Changes in unearned premium	27	<u>64,895</u>	<u>-</u>	<u>64,895</u>
Gross Premium Income	28	825,255	100,724	925,979
Retrocession expenses	29	<u>(80,631)</u>	<u>(1,487)</u>	<u>(82,118)</u>
Net Underwriting Income		<u>744,624</u>	<u>99,237</u>	<u>843,861</u>
Claims expenses	30	(251,757)	(33,355)	(285,112)
Underwriting expenses	31	<u>(226,216)</u>	<u>(32,998)</u>	<u>(259,214)</u>
		<u>(477,973)</u>	<u>(66,353)</u>	<u>(544,326)</u>
Underwriting Results		266,651	32,884	299,535
Investment Income	32	200,194	54,943	255,137
Other operating income	33	148,099	15,300	163,399
Changes in life insurance contract liability	34	-	54,830	54,830
Net Operating Income		<u>614,944</u>	<u>157,957</u>	<u>772,901</u>
Expenses				
Management expenses	35	(266,435)	(145,036)	(411,471)
Impairment of assets	36	252,172	(25,293)	226,879
Exceptional expenses	37	<u>(2,407,371)</u>	<u>(2,392,901)</u>	<u>(4,800,272)</u>
		<u>(2,421,634)</u>	<u>(2,563,230)</u>	<u>(4,984,864)</u>
(Loss) before taxation	48	<u>(1,806,690)</u>	<u>(2,405,273)</u>	<u>(4,211,963)</u>
Taxation	38	<u>(204,744)</u>	54,777	<u>(149,967)</u>
(Loss) after taxation		<u>(2,011,434)</u>	<u>(2,350,496)</u>	<u>(4,361,930)</u>
Other comprehensive income net of tax				
(Loss)/gain on disposal of property and equipment	39	(10,581)	160,253	149,672
Foreign currency difference on translation of foreign currency balances	40	-	1,195	1,195
Items within OCI recognised in property and fair value reserves				
Unrealised fair value gain on properties	41.1	83,453	4,545	87,998
Unrealised fair value gain on investment properties	41.2	778,000	279,000	1,057,000
Unrealised fair value gain on AFS financial assets	42	<u>469,209</u>	<u>48,482</u>	<u>517,691</u>
Total other comprehensive income		<u>1,320,881</u>	<u>493,475</u>	<u>1,813,556</u>
Total Comprehensive (Loss) for the year		<u>(691,353)</u>	<u>(1,857,021)</u>	<u>(2,548,374)</u>
Appropriation:				
Transfer to contingency reserve	22	<u>(24,758)</u>	<u>(1,007)</u>	<u>(25,765)</u>
		<u>(716,111)</u>	<u>(1,858,028)</u>	<u>(2,574,139)</u>
Earnings per 50 kobo share - kobo	49	<u>(59)</u>	<u>(201)</u>	<u>(93)</u>



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48.4 Analysis of Statement of Profit and Loss and Other Comprehensive Income - 31/12/2011

		General N'000	Life N'000	Total N'000
Gross Premium Written	26	<u>945,774</u>	<u>115,424</u>	<u>1,061,198</u>
Changes in unearned premium	27	<u>209,091</u>	-	<u>209,091</u>
Gross Premium Income	28	1,154,865	115,424	1,270,289
Retrocession expenses	29	(119,941)	-	(119,941)
Net Underwriting Income		<u>1,034,924</u>	<u>115,424</u>	<u>1,150,348</u>
Claims expenses	30	(411,697)	(33,459)	(445,156)
Underwriting expenses	31	(342,583)	(17,769)	(360,352)
		<u>(754,280)</u>	<u>(51,228)</u>	<u>(805,508)</u>
Underwriting results		280,644	64,196	344,840
Investment Income	32	76,633	54,761	131,394
Other operating income	33	138,582	7,374	145,956
Changes in life insurance contract liability	34	-	(67,893)	(67,893)
Net Operating Income		<u>495,859</u>	<u>58,438</u>	<u>554,297</u>
Expenses				
Management expenses	35	(345,592)	(151,202)	(496,794)
Impairment of assets	36	(116,212)	(23,445)	(139,657)
Exceptional expenses	37	(287,028)	(466,990)	(754,018)
		<u>(748,832)</u>	<u>(641,637)</u>	<u>(1,390,469)</u>
(Loss) before taxation	48	<u>(252,973)</u>	<u>(583,199)</u>	<u>(836,172)</u>
Taxation	38	25,734	(14,121)	11,613
(Loss) after taxation		<u>(227,239)</u>	<u>(597,320)</u>	<u>(824,559)</u>
Other comprehensive income net of tax				
Foreign currency difference on conversion of AFS financial assets	40	-	-	-
Items within OCI recognised in property and fair value reserves				
Unrealised fair value gain on properties	41.1	70,902	133,181	204,083
Unrealised fair value gain on investment properties	41.2	973,081	-	973,081
Unrealised fair value gain on AFS financial assets	42	-	-	-
Total other comprehensive income		<u>1,043,983</u>	<u>133,181</u>	<u>1,177,164</u>
Total Comprehensive Income/(loss) for the year		<u>816,744</u>	<u>(464,139)</u>	<u>352,605</u>
Appropriation:				
Transfer to contingency reserve	22	(34,646)	(1,154)	(35,800)
		<u>782,098</u>	<u>(465,293)</u>	<u>316,805</u>
(Loss) per 50 kobo share - kobo	49	<u>(7)</u>	<u>(55)</u>	<u>(18)</u>



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49 (Loss) for the year

This is stated after charging/(crediting)

Directors' emoluments

Directors' expenses

Depreciation

Auditors' remuneration

National Insurance Commission levy

Investment income

2012
N'000

12,174

7,904

184,391

5,000

9,310

(255,137)

=====

2011
N'000

18,256

3,091

183,680

5,000

6,723

(131,394)

=====

50 Earnings per share

Earnings per share is calculated on the weighted average number of shares of 50 kobo each during the year under review.

51 Contraventions

Nature

Violation of policy on bank placements

Excess investments in real property

Late submission of 2009 financial statements

Late submission of 2010 financial statements

Restatement of reinsurance funds

500

50

-

-

-

550

=====

500

50

920

645

100

2,215

=====

52 Staff

52.1 The number of employees in receipt of emoluments excluding allowances within the following ranges were:

N	N
270,001 - 350,000	
350,001 - 450,000	
450,001 - 550,000	
550,001 - 750,000	
750,001 - 1,000,000	
1,000,001 - 1,500,000	
1,500,001 - 2,000,000	
Over 2,000,000	

2012
Number

43

1

1

3

7

9

-

5

69

=====

2011
Number

12

9

4

4

25

8

3

5

70

=====

52.2 The number of persons employed at the end of the financial year were as follows:

Cadre

Managerial

Senior

Junior

Contract

2012
Number

9

8

28

24

69

=====

2011
Number

9

9

26

26

70

=====



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52.3 The related staff costs were:

Salaries, wages and allowances
Retirement benefits
Pension cost

2012 N'000	2011 N'000
79,143	88,425
-	3,894
3,156	3,561
82,299	95,880
=====	=====

53 Directors' emoluments

The number of directors excluding the chairman whose emoluments (excluding allowances, pension cost and other benefits) fell within the following ranges were:

N	N	2012 Number	2011 Number
4,000,000 - 5,000,000		-	-
Over 5,000,000		2	2
		2	2
		=====	=====

None of the directors waived their emoluments during the year.

54 Contingent liabilities and obligations

There are contingent liabilities in respect of legal suits against the Corporation totaling N28,338,437 at 31st December, 2012 (2011 - N31,572,637). The legal suits are being vigorously contested and no provision has been made for loss as the directors are of the opinion that no significant liability will arise therefrom.

55 Guarantees and other financial commitments

55.1 Capital expenditure

Contracted

2012 N'000	2011 N'000
-	-
=====	=====

55.2 Pension commitments

The Board of Directors are aware of the provisions of the Pension Reform Act 2004 and full compliance therewith is being ensured.

55.3 Financial commitments

The directors are of the opinion that all known liabilities and financial commitments relevant in assessing the State of Affairs of the Corporation have been taken into consideration in the preparation of these financial statements.





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	2012 N'000	2011 N'000
56 Related parties		
56.1 Transactions		
NICON Insurance Limited	439,262	1,032
Global Fleet Industries Limited	371,500	7,500
Air Nigeria Development Company Limited	62,312	200,000
NICON Properties Limited	30,360	-
56.2 Due from		
NICON Insurance Limited	1,435,229	1,432,765
Air Nigeria Development Company Limited	-	100,000
56.3 Due to		
Global Fleet Industries Limited	2,000	3,500

57 Approval of financial statements

These financial statements were approved for issue by the Directors on 19th November, 2013.

58 Subsequent Events Review

The financial statements of the Corporation was prepared for the year ended 31st December, 2012. At the date of approval of the financial statements on 19th November, 2013, there were no significant adverse post balance sheet events which could have a material effect on the financial statements that have not been adequately provided for or disclosed.

59 Update on International Financial Reporting Standards

With effect from 1st January, 2012, Nigeria Reinsurance Corporation issues financial statements that are compliant with the International Financial Reporting Standards. This is consistent with the Roadmap issued by the Financial Reporting Council of Nigeria (formerly Nigerian Accounting Standards Board - NASB).

60 Comparative figures

Certain prior year items have been reclassified to conform with the current year format of presentation. This is consistent with Note 2 to the financial statements.

61 Transition to IFRS

Explanations of the transition to IFRS has been provided in the statement of accounting policies. The underlying analyses represents a reconciliation of the statement of financial position and comprehensive income from the Nigerian GAAP to IFRS.





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61.1 31/12/2011 Reconciliation of Statement of Financial Position from Nigerian GAAP to IFRS

	Note	NGAAP N'000	Reclassification N'000	Adjustments Measurement N'000	Total N'000	IFRS N'000
Assets						
Cash and Cash Equivalents	A (i)	-	306,151	-	306,151	306,151
Cash and short term funds	i (A, B, C)	5,106,424	(5,106,424)	-	(5,106,424)	-
Bank balances under lien	B (i)	-	4,800,273	-	4,800,273	4,800,273
Financial Assets	C (ii, iii)	-	1,669,764	4,074	1,673,838	1,673,838
Quoted investments	ii (C)	1,060,085	(1,060,085)	-	(1,060,085)	-
Unquoted investments	iii (C)	609,679	(609,679)	-	(609,679)	-
Trade Receivables	D (iv)	-	214,615	-	214,615	214,615
Reinsurance premium receivables	iv (D)	214,615	(214,615)	-	(214,615)	-
Deferred acquisition costs	E	-	-	88,339	88,339	88,339
Other Receivables and prepayments	F (v)	-	7,499	-	7,499	7,499
Other assets	v (F)	7,499	(7,499)	-	(7,499)	-
Investment properties	G	3,369,774	-	7,823,226	7,823,226	11,193,000
Deferred tax asset	H	-	-	336,689	336,689	336,689
Intangible Assets	I (vi)	-	8,079	-	8,079	8,079
Property and Equipment	J (vi)	-	439,440	551,303	990,743	990,743
Fixed assets	vi (I, J)	447,519	(447,519)	-	(447,519)	-
Statutory Deposit		835,000	-	-	-	835,000
Total assets		11,650,595	-	8,803,631	8,803,631	20,454,226
Liabilities						
Reinsurance Contract Liabilities	K (vii)	-	1,160,176	5,159	1,165,335	1,165,335
Reinsurance funds	vii (K)	1,160,176	(1,160,176)	-	(1,160,176)	-
Trade Payables	L (viii)	-	245,393	-	245,393	245,393
Provisions and Other Payables	M (viii)	-	206,421	-	206,421	206,421
Creditors and accruals	viii (L, M, O)	459,921	(459,921)	-	(459,921)	-
Retirement Benefit Obligations	N (ix)	-	143,112	-	143,112	143,112
Staff pension and gratuity	ix (N)	143,112	(143,112)	-	(143,112)	-
Income Tax Liabilities	O (viii)	-	8,107	-	8,107	8,107
Total liabilities		1,763,209	-	5,159	5,159	1,768,368
Equity						
Issued and Paid Share capital	P	3,196,105	(937,500)	-	(937,500)	2,258,605
Share Premium	Q	5,707,542	937,500	-	937,500	6,645,042
Statutory Contingency reserve	R	1,451,454	-	(20,106)	(20,106)	1,431,348
Retained Earnings	S (x)	-	(3,715,409)	124,276	(3,591,133)	(3,591,133)
Revenue Reserve	x (S)	(2,999,565)	2,999,565	-	2,999,565	-
Property Revaluation Reserve	T (xi)	-	729,620	316,354	1,045,974	1,045,974
Fixed Assets Revaluation Reserve	xi (T, U)	1,581,552	(1,581,552)	-	(1,581,552)	-
Fair Value Reserves	U (xi, xii)	-	2,518,074	8,377,948	10,896,022	10,896,022
Quoted investment revaluation reserve	xii (U)	950,298	(950,298)	-	(950,298)	-
Total Equity		9,887,386	-	8,798,472	8,798,472	18,685,858
Total liabilities and equity		11,650,595	-	8,803,631	8,803,631	20,454,226



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61.2 1/1/2011 Reconciliation of Statement of Financial Position from Nigerian GAAP to IFRS

	Note	NGAAP N'000	Reclassification N'000	Adjustments Measurement N'000	Total N'000	IFRS N'000
Assets						
Cash and Cash Equivalents	A (i)	-	332,830	-	332,830	332,830
Cash and short term funds	i (A, B, C)	6,712,366	(6,712,366)	-	(6,712,366)	-
Bank balances under lien	B (i)	-	4,800,273	-	4,800,273	4,800,273
Financial Assets	C (ii, iii)	-	5,214,428	(2,036,781)	3,177,647	3,177,647
Quoted investments	ii (C)	1,022,378	(1,022,378)	-	(1,022,378)	-
Unquoted investments	iii (C)	2,612,787	(2,612,787)	-	(2,612,787)	-
Trade Receivables	D (iv)	-	410,581	-	410,581	410,581
Reinsurance premium receivables	iv (D)	410,581	(410,581)	-	(410,581)	-
Deferred acquisition costs	E	-	-	178,524	178,524	178,524
Other Receivables and prepayments	F (v)	-	7,912	-	7,912	7,912
Other assets	v (F)	7,912	(7,912)	-	(7,912)	-
Investment properties	G	2,541,695	-	5,076,825	5,076,825	7,618,520
Deferred tax asset	H	-	-	319,765	319,765	319,765
Intangible Assets	I (vi)	-	10,772	-	10,772	10,772
Property and Equipment	J (vi)	-	1,083,586	2,417,832	3,501,418	3,501,418
Fixed assets	vi (I, J)	1,094,358	(1,094,358)	-	(1,094,358)	-
Statutory Deposit		35,000	-	-	-	35,000
Total assets		14,437,077	-	5,956,165	5,956,165	20,393,242
Liabilities						
Reinsurance Contract Liabilities	K (vii)	-	1,569,936	(256,016)	1,313,920	1,313,920
Reinsurance funds	vii (K)	1,569,936	(1,569,936)	-	(1,569,936)	-
Trade Payables	L (viii)	-	253,729	-	253,729	253,729
Provisions and Other Payables	M (viii)	-	1,317,033	-	1,317,033	1,317,033
Creditors and accruals	viii (L, M, O)	1,578,869	(1,578,869)	-	(1,578,869)	-
Retirement Benefit Obligations	N (ix)	-	139,682	-	139,682	139,682
Staff pension and gratuity	ix (N)	139,682	(139,682)	-	(139,682)	-
Income Tax Liabilities	O (viii)	-	8,107	-	8,107	8,107
Total liabilities		3,288,487	-	(256,016)	(256,016)	3,032,471
Equity						
Issued and Paid Share capital	P	3,071,105	(937,500)	-	(937,500)	2,133,605
Share Premium	Q	4,908,542	937,500	-	937,500	5,846,042
Statutory Contingency reserve	R	1,415,126	-	(19,578)	(19,578)	1,395,548
Retained Earnings	S (x)	-	(1,445,395)	(1,285,379)	(2,730,774)	(2,730,774)
Revenue Reserve	x (S)	(1,445,395)	1,445,395	-	1,445,395	-
Property Revaluation Reserve	T (xi)	-	729,620	2,440,313	3,169,933	3,169,933
Fixed Assets Revaluation Reserve	xi (T, U)	2,297,396	(2,297,396)	-	(2,297,396)	-
Fair Value Reserves	U (xi, xii)	-	2,469,592	5,076,825	7,546,417	7,546,417
Quoted investment revaluation reserve	xii (U)	901,816	(901,816)	-	(901,816)	-
Total Equity		11,148,590	-	6,212,181	6,212,181	17,360,771
Total liabilities and equity		14,437,077	-	5,956,165	5,956,165	20,393,242



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61.3 Analysis of impact of IFRS on Statement of Financial Position

The adoption of IFRS was effective from 1st January, 2011. The key principles of IFRS 1 - First-time adoption of the International Financial Reporting Standards for reporting entities with adoption dates after 1st January, 2006 is a full retrospective application of IFRS for the immediate past two accounting years.

Explanation of material changes

<i>Statement of Financial Position items</i>	<i>Note</i>	12/31/2011 N'000	1/1/2011 N'000
A Cash and cash equivalents			
Balance per Nigerian GAAP		-	-
<u>Reclassification from cash and short term funds</u>			
Bankers' Acceptances	i	133,234	138,340
Foreign bank balances	i	91,688	142,735
Local bank balances	i	66,876	38,157
Commercial Papers	i	14,353	13,598
Balance as per IFRS		<u>306,151</u>	<u>332,830</u>
Cash and cash equivalents are short-term, highly liquid funds that are readily convertible to cash with insignificant risk of changes in value.			
B Bank balances under lien			
Balance per Nigerian GAAP		-	-
Reclassification from cash and short term funds	I	4,800,273	4,800,273
Balance as per IFRS		<u>4,800,273</u>	<u>4,800,273</u>
i Cash and short term funds			
Balance per Nigerian GAAP as Cash and short term funds		5,106,424	6,712,366
Reclassification to bank balances under lien	B	(4,800,273)	(4,800,273)
Reclassification of Bankers' Acceptances to Financial Assets	C	-	(1,579,263)
<u>Reclassification to cash and cash equivalents</u>			
Bankers' Acceptances	A	(133,234)	(138,340)
Foreign bank balances	A	(91,688)	(142,735)
Local bank balances	A	(66,876)	(38,157)
Commercial Papers	A	(14,353)	(13,598)
Balance as per IFRS		<u>-</u>	<u>-</u>

Under IFRS, there are no cash and short term funds. They are classified under applicable description of financial assets and cash and cash equivalents.



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	Note	12/31/2011 N'000	1/1/2011 N'000
C Financial assets			
<i>Available for sale</i>			
Balance per Nigerian GAAP		-	-
Reclassification from quoted investments	ii	1,060,085	1,022,378
Reclassification from unquoted investments	iii	609,679	2,612,787
Impairment (losses) on unquoted equities - 1/1/2011		(2,041,129)	(2,041,129)
Reversal of impairment (losses) on unquoted equities recognised on 1/1/2011		2,041,129	-
Write-back of impairment on unquoted equities		4,074	4,348
Balance as per IFRS		1,673,838	1,598,384
<i>Held-to-maturity</i>			
Balance per Nigerian GAAP		-	-
Reclassification of Bankers' Acceptances under NGAAP to Financial Assets	i	-	1,579,263
Balance as per IFRS		-	1,579,263
Total Balance as per IFRS		1,673,838	3,177,647

IAS 32, 39 and IFRS 7 - Financial instruments

Under IFRS, financial instruments are classified as available for sale (AFS), at fair value through profit or loss (FVTPL), held-to-maturity (HTM), held-for-trading (HFT) and loans and advances. The measurement is based on their classification. Nigerian GAAP does not recognise this classification.

	Note	12/31/2011 N'000	1/1/2011 N'000
ii Quoted investments			
Balance per Nigerian GAAP		1,060,085	1,022,378
Reclassification to financial assets	C	(1,060,085)	(1,022,378)
Balance as per IFRS		-	-
iii Unquoted investments			
Balance per Nigerian GAAP		609,679	2,612,787
Reclassification to financial assets	C	(609,679)	(2,612,787)
Balance as per IFRS		-	-

viii. & viii. Under IFRS, investments are not classified as quoted or unquoted but as financial assets under AFS, FVTPL, HTM, HFT and loans and advances.

D Trade receivables			
Balance per Nigerian GAAP		-	-
Reclassification from reinsurance premium receivable	iv	214,615	410,581
Balance as per IFRS		214,615	410,581
iv Reinsurance premium receivables			
Balance per Nigerian GAAP		214,615	410,581
Reclassification from reinsurance premium receivable	D	(214,615)	(410,581)
Balance as per IFRS		-	-



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The reclassification is a result of a change in nomenclature from Reinsurance premium receivables to Trade receivables.

		12/31/2011 N'000	1/1/2011 N'000
E Deferred acquisition costs	Note		
Balance per Nigerian GAAP		-	-
Adjustments to commissions on unearned premium		88,339	178,524
Balance as per IFRS		88,339	178,524

Deferred acquisition costs represent commissions on unearned premium in respect of the unexpired period of risk.

F Other receivables and prepayments			
Balance per Nigerian GAAP		-	-
Reclassification from other assets	v	7,499	7,912
Balance as per IFRS		7,499	7,912

Other receivables are interest and dividend income due during the period but received after the reporting date.

v Other assets			
Balance per Nigerian GAAP		7,499	7,912
Reclassification to other receivables and prepayments	F	(7,499)	(7,912)
Balance as per IFRS		-	-

G Investment properties			
Balance per Nigerian GAAP		3,369,774	2,541,695
Unrealised fair value gain - 1/1/2011		5,076,825	5,076,825
Unrealised fair value gain - 31/12/2011		973,081	-
Fair value of property transferred during 2011		2,567,110	-
NGAAP value of property transferred during 2011		(793,790)	-
Balance as per IFRS		11,193,000	7,618,520

A valuation of all the investment properties was undertaken on 26th November, 2010 and 11th November, 2011 respectively by Messrs Rotimi Fagbemi & Co. The accretion in value is recorded in fair value reserve as it is not yet realised.

		12/31/2011 N'000	1/1/2011 N'000
H Deferred tax asset			
Balance per Nigerian GAAP		-	-
Deferred tax asset on property and equipment - 1/1/2011		319,765	319,765
Deferred tax asset on property and equipment - 31/12/2011		16,924	-
Balance as per IFRS		336,689	319,765

Deferred tax asset resulted from the carrying value in the books (accounting value) being less than the tax written down value. This is as a result of capital allowances that has not been claimed as the Corporation is not liable to Income tax yet.



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	Note	12/31/2011 N'000	1/1/2011 N'000
I Intangible assets			
Balance per Nigerian GAAP		-	-
<u>Reclassification from fixed assets</u>			
Cost of intangible assets	vi	13,465	13,465
Aggregate depreciation of intangible assets	vi	(5,386)	(2,693)
Balance as per IFRS		8,079	10,772

Prior to the enactment of SAS 31 on 1st January, 2011 under the Nigerian GAAP, which is in line with IFRS as regards the classification of intangible assets, acquired software was capitalised as computer software and computer equipment under fixed assets and depreciated over the estimated useful life. IAS 16 requires that software should be classified as intangible assets. As a result, the cost, aggregate depreciation and net book value of software were reclassified from fixed assets to intangible assets. The reclassification did not impact the profit and loss account, neither did it impact equity.

J Property and Equipment			
Balance per Nigerian GAAP		-	-
Reclassification from Fixed assets	vi	439,440	1,083,586
Unrealised fair value gain - 1/1/2011		2,490,313	2,490,313
Unrealised fair value gain - 31/12/11		204,083	-
Fair value of transfer to investment property during 2011		(2,567,110)	-
NGAAP value of property transferred during 2011		793,790	-
(Write-back) of aggregate depreciation on property reclassified to investment property - NGAAP		(238,820)	-
Additional charge for depreciation		(129,526)	-
Cost of property disposed before 1/1/2011 earlier included		-	(80,000)
Aggregate depreciation on property disposed before 1/1/2011		-	9,421
Cost of implementation and training on software earlier capitalised		(2,127)	(2,127)
Aggregate depreciation on implementation and training on software		850	425
Cost of website design earlier capitalised		(250)	(250)
Aggregate depreciation on website design earlier capitalised		100	50
Balance as per IFRS		990,743	3,501,418

vi Fixed assets			
Balance per Nigerian GAAP		447,519	1,094,358
<u>Reclassification to intangible assets</u>			
Cost of intangible assets	I	(13,465)	(13,465)
Aggregate depreciation of intangible assets	I	5,386	2,693
Reclassification to Property and Equipment	J	(439,440)	(1,083,586)
Balance as per IFRS		-	-



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		12/31/2011 N'000	1/1/2011 N'000
K Reinsurance contract liabilities	Note		
Balance per Nigerian GAAP		-	-
<u>Reclassification from reinsurance funds</u>			
Life fund		305,565	417,120
Outstanding claims	vii	600,756	672,264
Unexpired risks	vii	253,855	480,552
	vii	<u>1,160,176</u>	<u>1,569,936</u>
Adjustment to claims based on Liability Adequacy Test - 1/1/2011		-	35,451
Adjustment to unexpired risk premium based on Liability Adequacy Test - 1/1/2011		-	59,560
Adjustment to Life Fund - 1/1/2011		-	(351,027)
Adjustment to claims based on Liability Adequacy Test - 31/12/2011		99,572	-
Adjustment to unexpired risk premium based on Liability Adequacy Test - 31/12/2011		77,166	-
Adjustment to Life Fund - 31/12/2011		<u>(171,579)</u>	
Balance as per IFRS		<u>1,165,335</u>	<u>1,313,920</u>
<p>a. Hitherto, 40% of Life actuarial valuation surplus was recognised in the profit and loss account. Under IFRS, all surplus is recognised. The effect of the changes is reflected in the measurement of reinsurance contract liabilities.</p> <p>b. Under NGAAP, Life business is reported on fund accounting basis. However, the basis of reporting is annual annual accounting under IFRS. The impact of the change in reporting basis is reflected in the measurement of reinsurance contract liabilities.</p>			
vii Reinsurance funds			
Balance per Nigerian GAAP			
Life fund		305,565	417,120
Outstanding claims		600,756	672,264
Unexpired risks		253,855	480,552
		<u>1,160,176</u>	<u>1,569,936</u>
Reclassification to reinsurance contract liabilities	K	<u>(1,160,176)</u>	<u>(1,569,936)</u>
Balance as per IFRS		<u>-</u>	<u>-</u>
L Trade payables			
Balance per Nigerian GAAP		-	-
Reclassification from creditors and accruals	viii	245,393	253,729
Balance as per IFRS		<u>245,393</u>	<u>253,729</u>
M Provisions and other payables			
Balance per Nigerian GAAP		-	-
Reclassification from creditors and accruals	viii	206,421	1,317,033
Balance as per IFRS		<u>206,421</u>	<u>1,317,033</u>



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		12/31/2011 N'000	1/1/2011 N'000
viii Creditors and accruals	Note		
Balance per Nigerian GAAP		459,921	1,578,869
Reclassification to trade payables	L	(245,393)	(253,729)
Reclassification to provisions and other payables	M	(206,421)	(1,317,033)
Reclassification to Income tax liabilities	O	(8,107)	(8,107)
Balance as per IFRS		<u>-</u>	<u>-</u>
N Retirement benefit obligations			
Balance per Nigerian GAAP		-	-
Reclassification from staff pension and gratuity	ix	143,112	139,682
Balance as per IFRS		<u>143,112</u>	<u>139,682</u>
ix Staff pension and gratuity			
Balance per Nigerian GAAP		143,112	139,682
Reclassification from staff pension and gratuity	N	(143,112)	(139,682)
Balance as per IFRS		<u>-</u>	<u>-</u>
The reclassification is a result of a change in nomenclature from Staff pension and gratuity to Retirement benefit obligations.			
		12/31/2011 N'000	1/1/2011 N'000
O Income tax liabilities			
Balance per Nigerian GAAP		-	-
Reclassification from creditors and accruals		8,107	8,107
Balance as per IFRS		<u>8,107</u>	<u>8,107</u>
The Corporation is not yet liable to Income tax as provided in its enabling statute. The income tax liabilities are in respect of capital gains tax on property disposed.			
P Issued and paid share capital			
Balance per Nigerian GAAP		3,196,105	3,071,105
Reclassification to share premium		(937,500)	(937,500)
Balance as per IFRS		<u>2,258,605</u>	<u>2,133,605</u>
Q Share premium			
Balance per Nigerian GAAP		5,707,542	4,908,542
Reclassification from share premium		937,500	937,500
Balance as per IFRS		<u>6,645,042</u>	<u>5,846,042</u>
R Statutory contingency reserve			
Balance per Nigerian GAAP		1,451,454	1,415,126
Adjustments based on changes in retained profit on 1/1/2011		(19,578)	(19,578)
Adjustments based on changes in retained profit in 2011		(528)	-
Balance as per IFRS		<u>1,431,348</u>	<u>1,395,548</u>



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	Note	12/31/2011 N'000	1/1/2011 N'000
S Retained earnings			
Balance per Nigerian GAAP under Revenue Reserve		-	-
Reclassification from retained earnings	x	(2,999,565)	(1,445,395)
Impairment losses on unquoted equities-1/1/2011		(2,041,129)	(2,041,129)
Reversal of impairment losses on unquoted equities-1/1/2011		2,041,129	
Write-back of impairment loss		4,074	4,348
Reversal of transfer from revaluation reserve - NGAAP		(715,844)	-
(Write-back) of aggregate depreciation on property reclassified to investment property - NGAAP		(238,820)	-
Deferred tax asset on property and equipment - 1/1/2011		319,765	319,765
Deferred tax asset on property and equipment - 31/12/2011		16,924	
Loss on disposal of property before 1/1/2011		-	(70,579)
Transfer of revaluation reserve on property disposed		50,000	50,000
Carrying value of disposed implementation and training on software earlier capitalised		(1,277)	(1,702)
Carrying value of disposed website design earlier capitalised		(150)	(200)
Additional charge for depreciation		(129,526)	-
Deferment of acquisition costs		88,339	178,524
Adjustment to claims based on Liability Adequacy Test - 1/1/2011		-	(35,451)
Adjustment to unexpired risk premium based on Liability Adequacy Test - 1/1/2011		-	(59,560)
Adjustment to claims based on Liability Adequacy Test - 31/12/2011		(99,572)	-
Adjustment to unexpired risk premium based on Liability Adequacy Test - 31/12/2011		(77,166)	-
Adjustment to Life fund - 1/1/2011		-	351,027
Adjustment to Life fund - 31/12/2011		171,579	-
Adjustments to statutory contingency reserve - 1/1/2011		19,578	19,578
Adjustments to statutory contingency reserve - 31/12/2011		528	-
Balance as per IFRS		(3,591,133)	(2,730,774)

The write-back of impairment loss on 31/12/2011 is as a result of having earlier recognised the impairment loss on 1/1/2011 and the same have been treated in the Nigerian GAAP approved financial statements of 2011.

x Revenue Reserve			
Balance per Nigerian GAAP		(2,999,565)	(1,445,395)
Reclassification to retained earnings		2,999,565	1,445,395
Balance as per IFRS		-	-

The reclassification is a result of a change in nomenclature from Revenue reserve to Retained earnings.



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	Note	12/31/2011 N'000	1/1/2011 N'000
T Property revaluation reserve			
Balance per Nigerian GAAP		-	-
Reclassification from fixed assets revaluation reserve	xi	13,776	729,620
Reinstatement of transfer to retained earnings		715,844	-
Revaluation reserve on transfer of property to investment property		(2,328,042)	-
Transfer of revaluation reserve on property disposed		(50,000)	(50,000)
Unrealised fair value gain on properties - 1/1/2011		2,490,313	2,490,313
Unrealised fair value gain on properties - 31/12/2011		204,083	-
Balance as per IFRS		1,045,974	3,169,933

The reclassification is a result of a change in nomenclature from fixed assets revaluation reserve to property revaluation reserve.

	Note	12/31/2011 N'000	1/1/2011 N'000
xi Fixed assets revaluation reserve			
Balance per Nigerian GAAP		1,581,552	2,297,396
Reclassification to property revaluation reserve	T	(13,776)	(729,620)
Reclassification to fair value reserve for investment properties	U	(1,567,776)	(1,567,776)
Balance as per IFRS		-	-

U Fair value reserves

Balance per Nigerian GAAP		-	-
Reclassification from fixed assets revaluation reserve	xi	1,567,776	1,567,776
Reclassification from quoted investment revaluation reserve	xii	950,298	901,816
Revaluation reserve on transfer of property to investment property		2,328,042	-
Unrealised fair value gain on investment properties - 1/1/2011		5,076,825	5,076,825
Unrealised fair value gain on investment properties - 31/12/2011		973,081	-
Balance as per IFRS		10,896,022	7,546,417

xii Quoted investment revaluation reserve

Balance per Nigerian GAAP		950,298	901,816
Reclassification to fair value reserve	U	(950,298)	(901,816)
Balance as per IFRS		-	-



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61.4 31/12/2011 Reconciliation of Statement of Comprehensive income from Nigerian GAAP to IFRS

	Notes	NGAAP N'000	Life Revenue N'000	Reclassification N'000	Adjustments Measurement N'000	Total Effect N'000	IFRS N'000
Gross Premium Written	A	945,774	115,424	-	-	-	1,061,198
Changes in unearned premium	B	226,697	-	-	(17,606)	(17,606)	209,091
Gross Premium Income	C	1,172,471	115,424	-	(17,606)	(17,606)	1,270,289
Retrocession expenses	D (i)	-	-	(119,941)	-	(119,941)	(119,941)
Outward reinsurances	i (D)	(119,941)	-	119,941	-	119,941	-
Net Premium Income		1,052,530	115,424	-	(17,606)	(17,606)	1,150,348
Investment and other income		-	-	-	-	-	-
Commissions earned		-	-	-	-	-	-
Net Underwriting Income		1,052,530	115,424	-	(17,606)	(17,606)	1,150,348
Claims expenses	E (ii)	-	-	(381,035)	(64,121)	(445,156)	(445,156)
Claims incurred, maturities and surrenders	ii (E)	(347,030)	(34,005)	381,035	-	381,035	-
Commissions paid	F	(252,398)	(17,769)	-	(90,185)	(90,185)	(360,352)
Provision for bad debts	iii (M)	-	(61,192)	61,192	-	61,192	-
		-	-	-	-	-	-
Underwriting results/accretion to Life Fund	G	453,102	2,458	61,192	(171,912)	(110,720)	344,840
Accretion to Life Fund	iv (J)	-	(2,458)	2,458	-	2,458	-
Investment income	H	131,394	-	-	-	-	131,394
Other operating income	I (v)	-	-	145,956	-	145,956	145,956
Other income	v (I)	145,956	-	(145,956)	-	(145,956)	-
Changes in insurance contract liabilities	J (K, iv, x)	-	-	111,555	(179,448)	(67,893)	(67,893)
Shareholders' share of actuarial valuation surplus	K (J)	140,411	-	(140,411)	-	(140,411)	-
Net Operating Income		870,863	-	34,794	(351,360)	(316,566)	554,297
Expenses							
Management expenses	L (vi, viii, xiii)	(267,739)	-	(99,730)	(129,325)	(229,055)	(496,794)
Depreciation of fixed assets	vi (L)	(54,628)	-	54,628	-	54,628	-
Diminution in investments	vii (M)	(11,370)	-	11,370	-	11,370	-
Staff pension and gratuity	viii (L)	(3,894)	-	3,894	-	3,894	-
Impairment of assets	M (iii, vii, ix)	-	-	(180,786)	41,129	(139,657)	(139,657)
Provision for doubtful accounts	ix (M)	(108,224)	-	108,224	-	108,224	-
Shortfall in accretion to Life Fund	x (J)	(26,398)	-	26,398	-	26,398	-
		(472,253)	-	(76,002)	(88,196)	(164,198)	(636,451)
Profit/(loss) before exceptional items		398,610	-	(41,208)	(439,556)	(480,764)	(82,154)
Exceptional income	xi (xii)	-	-	238,820	(238,820)	-	-
Exceptional expenses	N (xii)	-	-	(754,018)	-	(754,018)	(754,018)
Exceptional items	xii (xi, N)	(2,589,159)	-	518,580	2,070,579	2,589,159	-
Prior year adjustment	xiii (L)	(37,826)	-	37,826	-	37,826	-
Profit/(Loss) before taxation		(2,228,375)	-	-	1,392,203	1,392,203	(836,172)
Taxation	xiv	(5,311)	-	-	16,924	16,924	11,613
Profit/(Loss) after taxation		(2,233,686)	-	-	1,409,127	1,409,127	(824,559)
Other comprehensive income net of tax		-	-	-	-	-	-
		-	-	-	-	-	-
Total other comprehensive income		-	-	-	-	-	-
Total Comprehensive Income/(Loss) for the year		(2,233,686)	-	-	1,409,127	1,409,127	(824,559)



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61.5 Explanation of material changes to Statement of Comprehensive Income items

Life insurance contracts

Under IFRS, life insurance contracts are accounted for on an annual basis with premium recognised as revenue when they become payable by the contract holders. Premiums are stated gross before deduction of commissions. Under Nigerian GAAP, life contracts were accounted for on the fund accounting basis. The change in accounting policies gave rise to the reclassification of figures previously recognised in the revenue account under Nigerian GAAP to the income statement under IFRS. This resulted in changes to the following items:

- Gross premium written
- Gross premium income
- Claims incurred
- Commissions paid
- Underwriting expenses
- Investment income
- Management expenses
- Impairment of assets
- Increase/decrease in life fund

	Note	12/31/2011 N'000
A Gross Premium Written		945,774
Balance per Nigerian GAAP		115,424
Reclassification from Life business Gross Premium Written - NGAAP		<u>1,061,198</u>
Balance as per IFRS		
B Changes in unearned premium		226,697
Balance per Nigerian GAAP		
Adjustment to Unexpired premium based on Liability Adequacy Test - 1/1/2011		59,560
Adjustment to Unexpired premium based on Liability Adequacy Test - 31/12/2011		<u>(77,166)</u>
Balance as per IFRS		<u>209,091</u>
C Gross Premium Income		945,774
Reclassification from Gross Premium Written		226,697
Reclassification of unearned premium - NGAAP		115,424
Reclassification of Life business Gross Premium Written		
Adjustment to Unexpired premium based on Liability Adequacy Test - 1/1/2011		59,560
Adjustment to Unexpired premium based on Liability Adequacy Test - 31/12/2011		<u>(77,166)</u>
Balance as per IFRS		<u>1,270,289</u>
D Retrocession expenses		-
Balance per Nigerian GAAP		-
Reclassification from Outward reinsurances	i	<u>119,941</u>
Balance as per IFRS		<u>119,941</u>
i Outward reinsurances		119,941
Balance per Nigerian GAAP		119,941
Reclassification to retrocession expenses	D	<u>(119,941)</u>
Balance as per IFRS		<u>-</u>

The reclassification is a result of a change in nomenclature from outward reinsurances to retrocession expenses.



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	Note	12/31/2011 N'000
E Claims expenses		
Balance per Nigerian GAAP	ii	-
Reclassification from claims, maturities and surrenders - General	ii	347,030
Reclassification from claims, maturities and surrenders - Life		34,005
Adjustment to Claims based on Liability Adequacy Test - 1/1/2011		(35,451)
Adjustment to Claims based on Liability Adequacy Test - 31/12/2011		99,572
Balance as per IFRS		445,156
ii Claims incurred, maturities and surrenders		
Balance per NGAAP - General	E	347,030
Balance per NGAAP - Life	E	34,005
Reclassification to claims expenses - General		(347,030)
Reclassification to claims expenses - Life		(34,005)
Balance as per IFRS		-
F Commissions paid		
Balance per Nigerian GAAP		252,398
Reclassification of Life business claims expenses		17,769
Deferment of acquisition cost-1/1/2011		178,524
Deferment of acquisition cost-31/12/2011		(88,339)
Balance as per IFRS		360,352
iii Provision for bad debts		
Balance per Nigerian GAAP		-
Life business underwriting expenses - NGAAP		61,192
Reclassification to Impairment of assets		(61,192)
Balance as per IFRS	M	-
The reclassification is a result of a change in nomenclature from provision for bad debts to impairment of assets.		
G Underwriting results/Accretion to Life fund		
Balance per Nigerian GAAP		453,102
Reclassification of Life business Gross Premium Written		115,424
Reclassification of Life business claims expenses		(34,005)
Reclassification of Life business underwriting expenses		(17,769)
Reclassification of Life business direct expenses		-
Adjustment to Claims based on Liability Adequacy Test - 1/1/2011		35,451
Adjustment to Claims based on Liability Adequacy Test - 31/12/2011		(99,572)
Adjustment to Unexpired premium based on Liability Adequacy Test - 1/1/2011		59,560
Adjustment to Unexpired premium based on Liability Adequacy Test - 31/12/2011		(77,166)
Deferment of acquisition cost - 1/1/2011		(178,524)
Deferment of acquisition cost - 31/12/2011		88,339
Balance as per IFRS		344,840
iv Accretion to Life Fund		
Balance per Nigerian GAAP - Life		2,458
Reclassification to changes in insurance contract liabilities		(2,458)
Balance as per IFRS	J	-



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	Note	12/31/2011 N'000
H Investment income		
Balance per Nigerian GAAP - General		76,633
Balance per Nigerian GAAP - Life		54,761
Balance as per IFRS		131,394
I Other operating income		
Balance per Nigerian GAAP		-
Reclassification from other income	v	138,582
Reclassification of Life business other income	v	7,374
Balance as per IFRS		145,956
v Other income		
Balance per Nigerian GAAP		145,956
Reclassification to other operating income	I	(138,582)
Reclassification to other operating income from Life business	I	(7,374)
Balance as per IFRS		-
The reclassification is a result of a change in nomenclature from other income to other operating income.		
J Changes in insurance contract liabilities		
Balance per Nigerian GAAP		-
Reclassification of Accretion to Life Fund	iv	(2,458)
Reclassification of shareholders' share of actuarial valuation surplus	K	140,411
Reclassification of shortfall in accretion to Life Fund	x	(26,398)
Adjustment in line with Liability Adequacy Test - 1/1/2011		(351,027)
Adjustment in line with Liability Adequacy Test - 31/12/2011		171,579
Balance as per IFRS		(67,893)
K Shareholders' share of actuarial valuation surplus		
Balance per Nigerian GAAP		140,411
Reclassification to changes in insurance contract liabilities	J	(140,411)
Balance as per IFRS		-
L Management expenses		
Balance per Nigerian GAAP		267,739
Reclassification of depreciation of fixed assets	vi	54,628
Reclassification of staff pension and gratuity	viii	3,894
Reclassification of ground rents in prior year adjustment	xiii	37,826
Additional depreciation on properties and equipment		129,526
Additional charge for expenses		1,754
Carrying value of disposed implementation and training on software earlier capitalised		1,277
Carrying value of disposed website design earlier capitalised		150
Balance as per IFRS		496,794



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	Note	12/31/2011 N'000
vi Depreciation of fixed assets		
Balance per Nigerian GAAP		54,628
Reclassification to Management expenses	L	(54,628)
Balance as per IFRS		-
vii Diminution in investments		
Balance per Nigerian GAAP		11,370
Reclassification to impairment of assets	M	(11,370)
Balance as per IFRS		-
viii Staff pension and gratuity		
Balance per Nigerian GAAP		3,894
Reclassification to Management expenses	L	(3,894)
Balance as per IFRS		-
M Impairment of assets		
Balance per Nigerian GAAP		-
Reclassification of provision for doubtful accountsix	ix	108,224
Reclassification from provision for doubtful accounts in life businessiii	iii	61,192
Reclassification from diminution in investmentsvii	vii	11,370
Write-back of impairment loss on AFS Financial assets		(41,129)
Balance as per IFRS		139,657
ix Provision for doubtful accounts		
Balance per Nigerian GAAP		108,224
Reclassification to Impairment of assetsM	M	(108,224)
Balance as per IFRS		-
x Shortfall in accretion to Life Fund		
Balance per Nigerian GAAP - Life		26,398
Reclassification to changes in insurance contract liabilitiesJ	J	(26,398)
Balance as per IFRS		-
xi Exceptional income		
Balance per Nigerian GAAP		-
Reclassification from exceptional itemsxii	xii	238,820
Write-back to property and equipment		(238,820)
Balance as per IFRS		-

The reclassification is a result of a change in nomenclature from exceptional items to exceptional income.



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	Note	12/31/2011 N'000
Exceptional expenses		
Balance per Nigerian GAAP		-
Reclassification from exceptional items-placement with NICON Investment	xii	654,018
Reclassification from exceptional items-advances to Air Nigeria	xii	100,000
Balance as per IFRS		754,018
Exceptional items		
Balance per Nigerian GAAP		2,589,159
Reversal of impairment recognised on 1/1/2011		(2,070,579)
Reclassification to exceptional income	xi	238,820
Reclassification from exceptional items-placement with NICON Investment	N	(654,018)
Reclassification from exceptional items-advances to Air Nigeria	N	(100,000)
Reversal of fair value loss on investment		(3,382)
Balance as per IFRS		-
Prior year adjustment		
Balance per Nigerian GAAP		37,826
Reclassification to management expenses	L	(37,826)
Balance as per IFRS		-
Taxation		
Balance per Nigerian GAAP		(5,311)
Deferred tax asset on property and equipment		16,924
Balance as per IFRS		11,613

D GENERAL BUSINESS REVENUE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2012



	Fire N'000	General Accident N'000	Motor N'000	Marine & Aviation N'000	Contractors' All Risks, Bonds & Guarantees N'000	Oil & Gas N'000	2012 N'000	2011 N'000
Gross Written Premium	240,674	153,689	76,091	138,744	64,474	86,688	760,360	945,774
Decrease/(increase) in Unearned Premium	9,467	34,148	5,414	28,131	(1,459)	(10,806)	64,895	209,091
Gross Premium Income	250,141	187,837	81,505	166,875	63,015	75,882	825,255	1,154,865
Retrocession expenses	(31,931)	-	-	(97)	(1,696)	(46,907)	(80,631)	(119,941)
Net Premium Income	218,210	187,837	81,505	166,778	61,319	28,975	744,624	1,034,924
Commission received	-	-	-	-	-	-	-	-
Net Underwriting Income	218,210	187,837	81,505	166,778	61,319	28,975	744,624	1,034,924
Direct expenses								
Gross Claims Paid	119,231	55,560	5,762	29,647	21,305	2,193	233,698	427,823
(Decrease)/Increase in outstanding claims provision	(31,143)	(4,317)	18,225	19,394	(2,275)	21,498	21,382	(16,673)
Gross Claims Incurred	88,088	51,243	23,987	49,041	19,030	23,691	255,080	411,150
Reinsurance claims recoveries	-	-	-	(3,323)	-	-	(3,323)	-
Net Claims Incurred	88,088	51,243	23,987	45,718	19,030	23,691	251,757	411,150
Underwriting expenses								
Commission paid	62,643	54,284	8,924	55,886	20,752	9,630	212,119	252,398
Movement in deferred acquisition costs	24	12,340	118	671	275	669	14,097	90,185
	62,667	66,624	9,042	56,557	21,027	10,299	226,216	342,583
Total expenses	150,755	117,867	33,029	102,275	40,057	33,990	477,973	753,733
Underwriting result								
2012	67,455	69,970	48,476	64,503	21,262	(5,015)	266,651	281,191
2011	143,643	111,940	56,912	130,419	27,012	(188,735)	281,191	



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STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31ST DECEMBER, 2012

	2012 N'000	%	2011 N'000	%
Gross premium income	925,979		1,270,289	
Retrocessions, claims and underwriting expenses	(626,444)		(925,449)	
	299,535		344,840	
Investment and other income	473,366		209,457	
Other comprehensive income	150,867		-	
	923,768		554,297	
Bought-in materials and services	(144,781)		(217,234)	
Impairment of assets	226,879		(139,657)	
Exceptional expenses	(4,800,272)		(754,018)	
Value (eroded)	(3,794,406)	(100)	(556,612)	(100)
Applied as follows:				
To pay employees				
Salaries, wages and other benefits	79,143	2	88,425	16
Retirement benefits	-	-	3,894	1
Pensions	3,156	0	3,561	1
To pay government				
Taxation	149,967	4	(11,613)	(2)
Retained for future replacement of assets and expansion of business				
Depreciation of P&E and amortisation of intangible assets	184,391	5	183,680	33
Contingency reserve	25,765	1	35,800	6
Retained (loss)	(4,236,828)	(112)	(860,359)	(155)
Value (eroded)	(3,794,406)	(100)	(556,612)	(100)

Value eroded is the wealth lost by the efforts of the Corporation and its employees. This statement shows the allocation of that wealth between employees, shareholders and re-invested for the creation of more wealth.

FIVE YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31ST DECEMBER, 2012



	IFRS Financials				NGAAP Financials	
	2012	2011	2010		2009	2008
	N'Million	N'Million	N'Million		N'Million	N'Million
Assets				Assets		
Cash and Cash Equivalents	437	306	333	Cash and short term funds	5,032	6,715
Financial Assets	2,148	1,674	3,178	Reinsurance premium receivable	270	1,031
Bank balances under lien	-	4,800	4,800	Other assets	2,625	968
Trade Receivables	40	215	410	Quoted investments	747	1,091
Deferred acquisition costs	74	88	178	Unquoted investments	68	106
Other Receivables and Prepayments	69	7	8	Statutory Deposit	1,035	1,035
Investment properties	12,300	11,193	7,619	Investment properties	2,542	510
Deferred tax asset	195	337	320			
Intangible Assets	8	8	11	Fixed assets	1,427	3,684
Property, Plant and Equipment	789	991	3,501			
Statutory Deposit	1,035	835	35			
Total assets	17,095	20,454	20,393	Total assets	13,746	15,140
Liabilities				Liabilities		
Reinsurance Contract Liabilities	1,071	1,165	1,314	Bank overdraft	-	37
Trade Payables	9	245	254	Creditors and accruals	1,503	2,669
Provisions and Other Payables	196	207	1,317	Reinsurance funds	1,627	1,338
Retirement Benefit Obligations	142	143	139	Staff pension and gratuity	129	279
Income Tax Liabilities	8	8	8			
Total liabilities	1,426	1,768	3,032	Total liabilities	3,259	4,323
Equity and reserves				Capital and reserves		
Issued and Paid Share capital	2,259	2,259	2,134	Share capital	3,071	3,071
Share Premium	6,645	6,645	5,846	Share Premium	4,910	4,850
Contingency reserve	1,457	1,431	1,396	Contingency reserve	1,348	1,303
Retained Earnings	(7,828)	(3,591)	(2,731)	Fixed assets revaluation Reserve	2,297	2,297
Property Revaluation Reserve	714	1,046	3,170	Quoted investment revaluation Reserve	579	910
Fair Value Reserves	12,422	10,896	7,546	Revenue reserve	(1,718)	(1,614)
Total equity	15,669	18,686	17,361	Shareholders' funds	10,487	10,817
Total liabilities and equity	17,095	20,454	20,393	Total liabilities and reserves	13,746	15,140

FIVE YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31ST DECEMBER, 2012 CONT'D



	IFRS Financials				NGAAP Financials	
	2012	2011	2010		2009	2008
	N'Million	N'Million	N'Million	Assets	N'Million	N'Million
Premium and profits						
Gross premium income	926	1,270	1,524		1,397	1,368
(Loss) for the year	(4,185)	(891)	(763)		(59)	(11)
Transfer to contingency reserve	(26)	(36)	(48)		(45)	(37)
Transfer from Life revenue	-	-	-		-	51
Retained (loss)/profit	(4,211)	(927)	(811)		(105)	3
	=====	=====	=====		=====	=====
Per share data						
Earnings/(loss) per share - kobo	(93)	(21)	(18)		(1)	(0)
Net assets per share - kobo	347	414	407		171	176
	=====	=====	=====		=====	=====

Note

Earnings or loss per share is based on the profit/(loss) for the year and the weighted number of shares in issue during the respective years. The earnings per share for 2008 to 2012 were based on the re-denominated nominal value of 50 kobo per share.