

NIGERIA REINSURANCE CORPORATION

...new possibilities are taking shape



Annual Report & Accounts

for the year ended December, 2013

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NIGERIA REINSURANCE CORPORATION

Reports & Financial Statements

for the year ended 31st December, 2013



NIGERIA REINSURANCE CORPORATION

Annual Report & Accounts 2013

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2013

S/No	CONTENTS	PAGE
1	Chairman's Statement	4
2	Financial highlights	6
3	Corporate Information	7
4	Report of the directors	8
5	Statement of Directors' responsibilities on the financial statements	10
6	Management Report	11
7	Report of the audit committee	22
8	Report of the independent auditors	23
9	Accounting policies	25
10	Statement of Financial Position	52
11	Statement of profit or loss and other comprehensive income	53
12	Statement of changes in equity	54
13	Statement of cash flows	55
14	Notes to the financial statements	56
15	Summarised general business revenue accounts	81
16	Statement of value added	82
17	Five-year financial summary	83



VISION STATEMENT:

To be a profitable global player in the Reinsurance Market.

MISSION STATEMENT:

To strategically align the internal and external Partnerships effectively using loyalty principles as guiding key towards the realization of the charge.

SHARED VALUES:

- *Professionalism*
- *Excellence*
- *Customer Focus*
- *Integrity*
- *Innovation*
- *Team Spirit*
- *Loyalty*



CHAIRMAN'S STATEMENT - 2013

DISTINGUISHED SHAREHOLDERS,

It is with great pleasure that I welcome you to the 36th Annual General Meeting of your Corporation, Nigeria Reinsurance Corporation and to present to you the company's audited Annual Report and Financial Statements for the year ended December 31, 2013 which have been prepared under the International Financial Reporting Standard (IFRS).



OPERATING /BUSINESS ENVIRONMENT

The challenges in 2013 were enormous but thankfully, your Corporation weathered the storm.

The global economy witnessed appreciable growth in 2013, due to improvement in the US economy, continuous growth by China, and economic recoveries by the likes of Spain and Ireland. The growth according to analysts can best be described as fragile and uneven leaving room for relapse if current efforts are not sustained. Also, the negotiated sanctions on Iran have seen a huge drop in crude oil price to below US dollar 110 per barrel.

On the home front, the Nigerian economy witnessed increasing stability in the area of Government policies. The economic parameters of interest rate, inflation and exchange rates broadly remained stable during the year. These were achieved through the use of Monetary tools, particularly the Monetary Policy Rate (MPR) and the Cash Reserve Ratio (CRR).

The main risks to Nigeria's economic growth are the sluggish recovery of the global economy, security challenges in the north-eastern part of the country, continued agitation for resource control in the Niger Delta and possible distraction from the on-going reforms, including the long awaited Petroleum Industry Bill, as well as the forthcoming 2015 general elections. Crude oil production was reported to average 1.8 million barrel per day due to leakages. The industry also witnessed increased regulation during the period under review.

On the positive note, inflation moderated in 2013, ending the year at 8% down from 12% in December 2012. The tight monetary stance of the CBN appeared to have affected interest rates, but they also had the effect of mitigating the inclination towards currency devaluation. However, exchange rate spiked towards the end of the year as a result of the bearish run on equities market consequent upon the re-balancing of assets by foreign portfolio investors.

REVIEW OF OPERATIONS

As a result of the challenges of the operating environment, Gross Premium Income declined by 36% from N981 million in 2012 to N629 million in the year under review due to the strict implementation of the "No Premium No Cover" Policy. However, underwriting result was positive at 15% from 2012 figure of N354 million to N406 million in 2013. There

Annual Report & Accounts 2013

was a slight reduction in investment income from N255 million in the 2012 to N214million in 2013 as a result of decline in interest rate during the period. Consequently, the various cost saving measures in place and compliance with the requirement of the International Financial Reporting Standard (IFRS) on the treatment of fair value gain on Investment Properties resulted to a significant improvement in the Profit After Tax for the year from a loss of N3.15 billion in 2012 to a Profit of N1.51 billion in 2013.

BUSINESS OUTLOOK

The local content and capacity policies among others are the various supports from the regulators to improve insurance penetration in the economy and reduce capital flight. Your Corporation is well positioned to take advantage of these developments to improve revenue.

Going forward, 2014 financial year will be stronger during which the Corporation will make positive improvement in market share across its key products and business segments. The objective of the Corporation is to offer our clients greater convenience and accessibility to its services leveraging on Information Technology Infrastructure. Also, the implementation of our new Strategic Roadmap will ensure the realization of the goal.

CONCLUSION/APPRECIATION

On behalf of the Board of Directors, I thank all our stakeholders particularly our employees and management who worked hard to achieve the improved results which I lay before you. It is my belief that our stakeholders aligning properly and making the right decisions will lead to the building of our Corporation into a successful business that can stand the test of time. Consequently; the support of all our ceding companies and brokers is very much appreciated.

Finally, my appreciation also goes to my colleagues on the Board for their continued understanding and co-operation.



AMOS A. AKINGBA, PH.D (CORNELL)



Annual Report & Accounts 2013

FINANCIAL HIGHLIGHTS

	2013 N'Million	2012 N'Million
Gross Premium Income	629	981
Net Underwriting Income	558	899
Underwriting results	406	354
Profit/(loss) after taxation before other comprehensive income	1,507	(3,154)
Total comprehensive income/(loss)	1,989	(2,597)
Total equity	17,726	15,669
Earnings/(loss) per 50 kobo share – kobo	33	(70)
Actual Net assets per 50 kobo share - kobo	<u>392</u>	<u>347</u>



Annual Report & Accounts 2013

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.

Annual Report & Accounts 2013

REPORT OF THE DIRECTORS

The directors submit hereunder their report and the audited financial statements of the Corporation for the year ended 31st December, 2013.

1. Result for the year	N'000
Gross premium income	629,167

Net underwriting income	557,977

Profit after taxation before other comprehensive income	1,506,642
	=====
Total comprehensive income	1,988,744
	=====

2. Principal activities

The Corporation is engaged in General and Life reinsurance businesses incorporating payment of claims. It provides cover in all classes of reinsurance, treaty and facultative reinsurance which are backed by retrocessions. The products and services include fire, general accident, marine, aviation, individual and group life.

The Corporation is also engaged in investment of funds aimed at sustaining productivity, meet future obligations of claims and conserve shareholders' funds.

3. Review of business

Gross premium income and net underwriting income decreased substantially by 36% and 38% to N629 million and N558 million respectively. The rate of retention decreased to 89% from 92% in 2012.

Profit after taxation before other comprehensive income was N1.51 billion, against a loss of N3.15 billion in 2012. Profit after taxation and other comprehensive income was N1.99 billion, against a loss of N2.6 billion in 2012.

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 No 6, 2011, the Companies and Allied Matters Act, Laws of the Federation of Nigeria 2004, 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

Annual Report & Accounts 2013

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.
- ▲ 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.

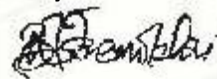
Training is carried out at various levels through in-house and external courses. The Corporation's expanding skill-base has been extended by a range of training provided to the employees whose opportunity for career development within the organisation has been enhanced.

7. Auditors

In line, with the regulation of the National Insurance Commission on rotation of auditors, Messrs. A. T. Folowosele & Associates, Chartered Accountants will not continue in office on the conclusion of this set of financial statements.

LAGOS, Nigeria
28th August, 2014

By Order of the Board



Secretary

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 52 to 84, 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, Laws of the Federation of Nigeria 2004; the Financial Reporting Council of Nigeria Act No 6, 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
28th August, 2014



Managing Director
Lady Isioma Chukwuma
FRC/2013/CIIN/00000002440
28th August, 2014

MANAGEMENT REPORT

1. Operating environment

Global economy

The global economy experienced improvement in the 2013 financial year as the crisis in some European States is abating. Outside the Euro area, the healthy rebound in Central and Eastern European economies are being sustained.

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

The growth in the Gross Domestic Product was 7.6% in 2013. The GDP after rebasing in March, 2014 is \$509.6 billion, making Nigeria the largest economy in Africa and 26th in the world. This is expected to give impetus to more Foreign Direct Investment.

The average rate of inflation during the period under review was 8.7%. The Nigerian All Share Index of quoted equities appreciated by 47.2% in 2013. The general apathy to insurance in Nigeria is still dismal with the penetration rate at barely 1% of GDP as opposed to over 20% in the developed nations.

The power sector reforms was sustained with the handing over of the generation and distribution successor companies of the State-owned power company, Power Holding Company of Nigeria Plc. to private investors on 1st November, 2013. It is expected that in the near term when the initial glitches of inefficient transmission and insufficient gas supply are overcome, the perennial power challenges will be dated.

2. Operations

The Corporation continues the business of General and Life Reinsurance, underwriting risks, payment of claims and investment of funds. General reinsurance business includes underwriting 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.

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

4.1 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.

4.2 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.

4.3 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.

4.4 Insurance Risk management

The Corporation issues contracts that transfer insurance risk. The risk in reinsurance contracts is the possibility that the event insured against occurs, resulting in a claim. This risk is random and unforeseeable and premised on actual claims exceeding the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated.

Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. The reinsurance underwriting strategy has been developed in such a way that the types of insurance risks accepted are diversified to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The diversification is in terms of type and amount of risk, geographical location and type of industry covered.

Insurance risks and the mitigants are:

a. Frequency and severity of claims.

This is mitigated by,

- ✓ Robust underwriting strategy.
- ✓ Adequate reinsurance arrangements.
- ✓ Proactive claims handling and investigation. Investigation and adjustment of claims in conjunction with appointed loss adjusters.

b. Uncertainty in the estimation of future claim payments

This is mitigated by,

- ✓ Limits in place to enforce appropriate risk selection criteria. This is achieved in diverse ways ranging from reserving the right to renew certain policies, imposition of excess or deductibles and rejection of fraudulent claims.
- ✓ Management of claims with early settlement to reduce the exposure to unpredictable development.

Process used to decide the assumptions

Non-life insurance contract liabilities

- a. Claims Reserve is estimated using the Expected Loss Ratio Approach. This is based on market experience and the financials of the Corporation. The estimated claims are determined by multiplying the loss ratios by the gross earned premium.

Annual Report & Accounts 2013

- b. Unexpired Premium Reserve is based on market experience and a rate of 30% was adopted for 2013.

Life insurance contract liabilities

- a. Claims Reserve is estimated using the claims that have emerged but have not been settled. Based on recent experience, an ultimate claims ratio of 3 per mille of the Sum Assured was adopted.
Claims Incurred But Not Reported was obtained by deducting the claims paid from the ultimate expected claims.
- b. Unexpired Premium Reserve is determined on the assumption that policies are evenly written during the calendar quarter. A 30% allowance is provided for expenses.

4.5 Other Risks 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 to realise this.	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.

Annual Report & Accounts 2013

RISK TYPE	DESCRIPTION	MITIGANT
Market Risk	Market risk is defined as the adverse potential change in the volume of business, especially reinsurance premium.	The GDP of Nigeria in 2013 was \$510 billion after rebasing in March, 2014. This is expected to lend impetus to more investment, leading to increase in demand for reinsurance. 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.
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 liabilities are matched with corresponding assets. Indeed, 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>

Annual Report & Accounts 2013

RISK TYPE	DESCRIPTION	MITIGANT
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>Revenue target</u> The expected revenue required to drive operations is not achieved.</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 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><u>Revenue target</u> 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 to 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>

Annual Report & Accounts 2013

RISK TYPE	DESCRIPTION	MITIGANT
Regulatory Risks	Regulatory risks may arise from changes in regulatory requirements, accounting standards, tax statutes and local laws.	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.

5. Results of operations and prospects

Gross premium income and net underwriting income decreased substantially by 36% and 38% to N629 million and N558 million respectively. The rate of retention decreased to 89% from 92% in 2012.

Profit after taxation before other comprehensive income was N1.51 billion, against a loss of N3.15 billion in 2012. Profit after taxation and other comprehensive income was N1.99 billion, against a loss of N2.6 billion in 2012.

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.

In line with the move by NAICOM to reform the insurance industry and ensure reporting in accordance with International Financial Reporting Standards, IFRS, the implementation of the "No Receipt of Premium, No Cover" policy became effective from 1st January, 2013. This measure has dated the existence of premium receivable.

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 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.

Annual Report & Accounts 2013

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

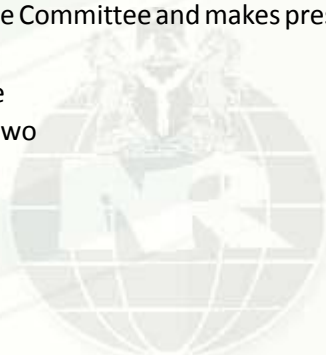
The Board carries out its oversight function through its standing committees, each of which has responsibilities that clearly define their purpose, composition, structure, frequency of meetings, duties, tenure and reporting lines to the Board. In line with best corporate governance practices, the Chairman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

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



Annual Report & Accounts 2013

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, 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



Annual Report & Accounts 2013

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.



**REPORT OF THE AUDIT COMMITTEE
TO THE MEMBERS OF NIGERIA REINSURANCE CORPORATION
FOR THE YEAR ENDED 31st DECEMBER, 2013**

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act, Laws of the Federation of Nigeria 2004, 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, Laws of the Federation of Nigeria 2004 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, 2013 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
28th August, 2014

Members of the Audit Committee are:

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

In attendance:

Elizabeth Esiemokhai – Corporation Secretary.

Annual Report & Accounts 2013

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

A . T. FOLOWOSELE
& ASSOCIATES

RN 2013763



We have audited the financial statements of Nigeria Reinsurance Corporation set out on pages 52 to 84 which have been prepared on the basis of the accounting policies set out on pages 25 to 51.

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, Laws of the Federation of Nigeria 2004; the Insurance Act, 2003; relevant guidelines and circulars of NAICOM and the Financial Reporting Council Act No 6, 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.

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Herbert Macaulay Way, Wuse Zone 4, P.M.B. 7184, Wuse, Abuja.
Tel: 09-4616655, 0803 408 0026. Fax: 09-4616655.
Partners Names are at the Head Office Address.

Annual Report & Accounts 2013

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 48 to the financial statements.

There was a solvency margin deficit of N1,015,589,000 in general reinsurance business. This arose from the restriction placed by NAICOM on the value of admissible Property, Plant and Equipment (PPE). If the values of the PPE admitted pre-2012 were adopted, the solvency margin deficit is N57,591,000. In like manner, there is a deficit of N398 million in the statutory minimum capital for life reinsurance business.

Opinion

Except for the solvency margin 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, 2013 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 No 6, 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

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

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. The Corporation has kept proper books of accounting records so far as appears from our examination of those books.
- iii. The Corporation's statement of financial position and statement of comprehensive income are in agreement with the books.

Adewale Folowosele, FCA
FRC/2012/ICAN/00000000458
ABUJA, Nigeria
29th August, 2014



A.T. Folowosele & Associates

CHARTERED ACCOUNTANTS

■ AUDIT ■ TAXATION ■ ADVISORY

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Tel: 09-4616655, 0803 408 0026. Fax: 09-4616655.
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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 in all the 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 General and Life reinsurance businesses incorporating payment of claims. It provides cover in all classes of reinsurance, treaty and facultative reinsurance which are backed by retrocessions. The products and services include fire, general accident, marine, aviation, individual and group life.

The Corporation is also engaged in investment of funds aimed at sustaining productivity, meet future obligations of claims and conserve shareholders' funds.

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 Corporation will continue as a going concern for the foreseeable future.

3. Basis of preparation and compliance with IFRS

Basis of preparation

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 financial statements are 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).

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.

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 estimates and associated assumptions are based on historical experience, actuarial and valuation analyses as well as 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. 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. 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.

4. New Standards and Amendments Adopted

New Standards, interpretations and amendments to existing standards issued by the IASB adopted are:

(i) IFRS 13- Fair Value Measurement

IFRS 13 is effective for annual periods beginning on or after 1st January, 2013 with early adoption permitted. The standard which requires prospective application from the effective date grants specific transition provision such that entities need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the application of this standard. 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.

Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs as is applicable to financial and non-financial instruments. The exceptions include leasing transactions within the scope of IAS 17 – Leases, IFRS 2 – Share-based Payments and some measurements with similarities to fair

value but are not fair value e.g. value in use for impairment assessment purpose or net realisable value for measuring inventories. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 requires the Corporation to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3.

(ii) **IAS 1 – Presentation of Financial Statements**

IAS 1 addresses changes in the presentation of other comprehensive income. The amended standard retains the option to present either a single statement or as two separate statements. The amendment also includes new terminologies whose use is not mandatory. Under IAS 1 amended, the statement of comprehensive income is renamed as the statement of profit or loss account and other comprehensive income and the income statement is renamed as the statement of profit or loss. The Corporation continues to adopt the single statement approach.

The amendments to IAS 1 also require items of other comprehensive income to be grouped into:

- o Items that may be subsequently reclassified in the profit and loss account when specific conditions are met.
 - o Items that will not be subsequently reclassified in the profit and loss account.
- Income tax on items in other comprehensive income should also be allocated in the same manner.

The amendment did not remove the option to report the item in other comprehensive income before or net of tax. This standard is applicable for annual periods beginning on or after 1st July, 2012.

(iii) **IAS 19 – Employee benefits**

The amendment requires changes in the defined benefit obligation and fair value of plan assets to be stated in the period as they occur by eliminating the 'corridor' approach and recognizing actuarial gains and losses together with unrecognised past service costs directly in other comprehensive income. This is because actuarial gains and losses are no longer deferred thereby affecting both the net defined benefit liability/asset and the amounts recognised in the profit or loss.

The Corporation has assessed the full impact on the date of application of the amendment on IAS 19 as 1st January, 2013 and is of the opinion that it.

Annual Report & Accounts 2013

will not have any impact on the financial statements. This is because the defined benefit scheme was discontinued in 2011 although the defined contribution scheme is on-going in compliance with the Pension Reform Act, 2004.

(iv) IAS 32 (amended) – Financial Instruments: Presentation

The amendment clarifies the treatment of income tax relating to distributions and transaction cost. The amendment clarifies that the treatment is in accordance with IAS 12. In essence, income tax related to distributions is treated in the income statement, and income tax related to the costs of equity transactions is treated in equity. The amended IAS 19 is effective for periods beginning on or after 1st January, 2013.

The application of the amendments has no material impact on the disclosures or the amount stated in the financial statements.

5. New Standards and Amendments not Adopted

New Standards, interpretations and amendments to existing standards issued by the IASB not adopted by reason of not being applicable to the circumstances of the Corporation are:

(i) IFRS 1 (amended) – First time adoption of IFRS

The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances and that an entity can choose to adopt IAS 23 – “Borrowing costs”, either from its date of transition or from an earlier date. The amendment also clarifies that a first-time adopter should provide the supporting notes for all statements presented.

(ii) IFRS 7 – Offsetting financial assets and financial liabilities

Disclosures - Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of right of offsets and related arrangements for financial instruments under master netting or similar arrangements. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are applied retrospectively. The Corporation does not have offsetting arrangements in place as at 31st December 2013.

(iii) IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces all the consolidation guidance of IAS 27 on Consolidated and Separate Financial Statements. The objective of IFRS 10 is to establish principles for the

presentation and preparation of consolidated financial statements when an entity controls one or more other entity. It defines the principle of control 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.

(iv) IFRS 11 – Joint Arrangements

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.

(v) IFRS 12 – Disclosure of Interests in other entities

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.

(vi) IAS 1 (amended) – Presentation of financial Statements

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third statement of financial position either required by IAS 8 - Accounting policies, changes in accounting estimates and errors or voluntarily. The standard also requires a disclosure of items in other comprehensive income that will be transferred to the profit or loss statement and those that would not be transferred.

(vii) IAS 16 (amended) – Property, Plant and Equipment

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

(viii) IAS 27 – Separate Financial Statements (as amended)

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

Annual Report & Accounts 2013

(ix) IAS 28 – Investment in Associates and Joint Ventures

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.

(x) IAS 34 (amended) – Interim financial reporting

The amendment brings IAS 34 in tune with the requirements of IFRS 8 - Operating Segments. A measure of total Assets and liabilities is required for an operating segment in the interim financial statements if such information is regularly provided to the Chief Operating Decision Maker (CODM) and there has been a material change in those measures since the last annual financial statements.

(xi) IFRIC 20 – Stripping costs in the production phase of a surface mine

In surface mining operations, entities may find it necessary to remove mine waste materials or Overburden to gain access to mineral ore deposits. This waste removal activity is known as “Stripping”. The interpretation clarifies the benefit accruing to an entity from stripping activity in the usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The interpretation considers when and how to account separately for the benefit arising from the stripping activity as well as how to measure the benefits, initially and subsequently.

6. New Standards that are not due and not early Adopted

(i) IAS 32 (amended) – Financial Instruments: Presentation

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 1st January 2014.

(ii) IAS 36 (amended) – Impairment of Assets

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

The amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. It requires disclosure of the recoverable amount of the asset or Cash Generating Unit (CGU) when an impairment loss has been recognised or reversed.

Annual Report & Accounts 2013

The Corporation had assessed the full impact on the date of application of the amendment on IAS 36 as 1st January, 2014 and intends to adopt it no later than the accounting period beginning on or after 1st January 2014.

(iii) IFRIC 21 – Levies

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

IFRIC 21 – Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses the obligating event that gives rise to pay a levy and when the liability should be recognised. The Corporation is not currently subjected to significant levies so the impact is not material.

(iv) 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 financial assets of the Corporation 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.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Corporation.

7. Consolidation

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

8. 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 45 to the financial statements. There is no geographic segment reporting as all the businesses are conducted in Nigeria.

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

10. 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.

11. Financial assets

11.1 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 as highlighted in note 44 of the financial statements on Asset and Liability Management.

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 or 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 2013, the fair value of Africa Reinsurance Corporation was based on the lowest unit price of \$225.57 which was approved for share subscription at the 35th Annual General Meeting held on 20th June, 2013 in Dakar, Senegal (2012 - \$182.70).

b. Held to Maturity

Held-to-maturity investments are Treasury bills of the Federal Republic of Nigeria and 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'.

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.

11.2 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.

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.

11.3 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 2013, level 2 basis was adopted for the valuation of Africa Reinsurance Corporation. This was in view of the unit price of \$225.57 approved at the Board of Directors for the subscription of additional shares at the 35th Annual General Meeting on 20th June, 2013 in Dakar, Senegal.

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 inputs of similar nature, historic observations or analytical techniques.

12. 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.



13. 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.

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.



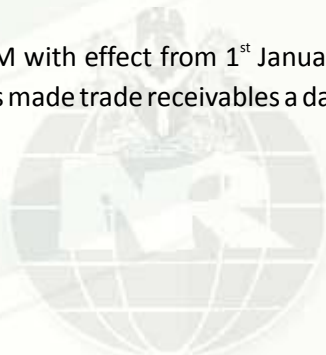
b) Assets classified as available for sale

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 the profit or loss.

The guideline of NAICOM with effect from 1st January, 2013 of no cover or policy without payment of premium has made 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).

14. 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.

15. 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.

16. Trade receivables

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

17. Deferred Acquisition Costs

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

18. Other receivables and Prepayments

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. Prepayments are payments in advance for benefits enjoyed beyond the reporting date. They are carried at costs less accumulated impairment losses.

19. 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 profit or loss.

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.

20. Deferred tax

Deferred tax is computed using the liability method on temporary differences arising between the tax written down values of property, plant and equipment and their carrying amounts in the financial statements. Deferred income tax is determined using extant income tax rates at the end of the reporting period.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

21. 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 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.

22. 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

Annual Report & Accounts 2013

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 in December, 2013. 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.

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.

23. 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.

24. 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.

24.1 Types

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.

24.2 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) 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.

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

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

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 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.

vi. 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.

25. Investment contracts

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

26. 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.

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.

27. 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.

28. 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.

29. 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 7½% 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.

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.

30. 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.

31. 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.

32. 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.

33. Retained Earnings

Retained earnings represent the current available reserves for dividend distribution to equity holders of the Corporation.

34. 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.

35. Fair Value Reserves

This is the accretion in the value of available for sale financial assets and investment property 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 11.3 above.

36. 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.

37. 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.

38. Revenue recognition

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

a. Gross Premium Written

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).

39. Outward reinsurance expenses

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

40. 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.

41. Underwriting Expenses

Underwriting expenses comprise commissions paid, acquisition costs, servicing of existing policies/contracts, superintending and technical expenses. Acquisition costs comprise all direct and indirect cost arising from the writing of insurance contracts.

42. 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 recognized in the profit or loss account through unearned premium or movement in claims.

43. Investment income

Investment income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and rental income.

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. Rental income is recognized when earned.

44. Other operating income

Other operating income comprises rental income and gains on the disposal of available-for-sale financial assets.

45. 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.

46. Exceptional items

Exceptional items are income or expenditure transactions that are incidental to operations but need to be reported separately by reason of the magnitude being outside the normal business operations.

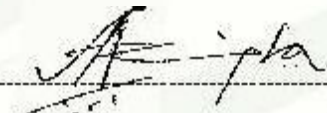

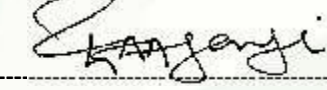
Exceptional income comprises material write-back of impairment or repudiated claims, whilst exceptional expenses comprise material impairment costs.

Annual Report & Accounts 2013

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2013

	Note	12/31/2013 N'000	12/31/2012 N'000
ASSETS			
Cash and Cash Equivalents	3	637,884	436,786
Financial Assets	4	2,585,674	2,150,887
Bank balances under lien	5	-	-
Trade Receivables	6	-	40,190
Deferred acquisition costs	7	32,320	74,242
Other receivables and prepayments	8	74,183	65,247
Investment properties	9	13,395,000	12,300,000
Deferred tax asset	10	108,890	195,340
Intangible Assets	11	6,793	8,186
Property and Equipment	12	838,009	788,889
Statutory Deposit	13	1,035,000	1,035,000
TOTAL ASSETS		18,713,753	17,094,767
LIABILITIES			
Reinsurance Contract Liabilities	14	686,461	1,070,741
Trade Payables	16	-	8,480
Provisions and Other Payables	17	151,161	196,026
Retirement Benefit Obligations	18	142,014	142,014
Income Tax Liabilities	19	8,107	8,107
Total liabilities		987,743	1,425,368
EQUITY			
Issued and Paid Share capital	20	2,258,605	2,258,605
Share Premium	21	6,645,042	6,645,042
Statutory Contingency reserve	22	1,761,119	1,457,113
Retained Earnings	23	4,445,266	3,174,763
Property Revaluation Reserve	24	792,794	714,369
Fair Value Reserves	25	1,823,184	1,419,507
TOTAL EQUITY		17,726,010	15,669,399
TOTAL LIABILITIES AND EQUITY		18,713,753	17,094,767

The financial statements and the notes thereon were approved by the Board of Directors on 28th August, 2014 and signed on its behalf by:

 <hr style="border-top: 1px dashed black;"/>	Dr. Amos Akingba FRC/2013/IODN/00000003762
 <hr style="border-top: 1px dashed black;"/>	Lady Isioma Chukwuma FRC/2013/CIIN/00000002440
 <hr style="border-top: 1px dashed black;"/>	Mrs. E. Adetutu Ajayi FRC/2013/ICAN/00000002531

The accounting policies on pages 25 to 51 and the notes on pages 56 to 80 form an integral part of these financial statements.

Annual Report & Accounts 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2013

	Note	12/31/2013 N'000	12/31/2012 N'000
Gross Premium Written	26	477,161	861,084
Changes in unearned premium	27	152,006	119,725
Gross Premium Income	28	629,167	980,809
Retrocession expenses	29	(71,190)	(82,118)
Net Underwriting Income		557,977	898,691
Claims expenses	30	4,851	(285,112)
Underwriting expenses	31	(156,549)	(259,214)
		(151,698)	(544,326)
Underwriting Results		406,279	354,365
Investment Income	32	213,624	255,137
Net fair value gain on assets	33	1,091,523	1,057,000
Other operating income	34	105,128	314,266
Net Operating Income		1,816,554	1,980,768
Expenses			
Management expenses	35	(313,296)	(411,471)
Impairment of assets	36	96,049	226,879
Exceptional expenses	37	-	(4,800,272)
		(217,247)	(4,984,864)
Profit/(loss) before taxation	46	1,599,307	(3,004,096)
Taxation	38	(92,665)	(149,967)
Profit/(loss) after taxation		1,506,642	(3,154,063)
Other comprehensive income net of tax			
Items that may be subsequently reclassified to profit or loss			
Fair value gain on properties	39.1	78,425	87,998
Net fair value gain on AFS financial assets	39.2	403,677	469,209
Total other comprehensive income		482,102	557,207
Total Comprehensive income/(loss) for the year		1,988,744	(2,596,856)
Earnings/(loss) per 50 kobo share - kobo	47	33	(70)

The accounting policies on pages 25 to 51 and the notes on pages 56 to 80 form an integral part of these financial statements.

Annual Report & Accounts 2013

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2013

	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, 2013	2,258,605	6,645,042	1,457,113	3,174,763	714,369	1,419,507	15,669,399
Profit after taxation	-	-	-	1,506,642	-	-	1,506,642
Transactions with equity holders							
Transfer to contingency reserve	-	-	304,006	(304,006)	-	-	-
Fair value gain on AFS financial assets - quoted	-	-	-	-	-	431,137	431,137
Realised Fair value gain at 1st January, 2013 on disposals of AFS financial assets during the year	-	-	-	67,867	-	(67,867)	-
Released fair value gain during the year on disposals of AFS financial assets	-	-	-	-	-	(10,205)	(10,205)
Loss during the year on disposals of AFS financial assets	-	-	-	-	-	306	306
Fair value gain on AFS financial assets - unquoted	-	-	-	-	-	50,306	50,306
Fair value gain on properties	-	-	-	-	78,425	-	78,425
Total contributions by equity holders	-	-	304,006	(236,139)	78,425	403,677	549,969
Balance at 31st December, 2013	2,258,605	6,645,042	1,761,119	4,445,266	792,794	1,823,184	17,726,010
Balance at 1st January, 2012	2,258,605	6,645,042	1,431,348	6,354,591	1,045,974	950,298	18,685,858
(Loss) after taxation	-	-	-	(3,154,063)	-	-	(3,154,063)
Transactions with equity holders							
Transfer to contingency reserve	-	-	25,765	(25,765)	-	-	-
Fair value gain on AFS financial assets - quoted	-	-	-	-	-	276,960	276,960
Fair value gain on AFS financial assets - unquoted	-	-	-	-	-	192,249	192,249
Fair value gain on properties	-	-	-	-	87,998	-	87,998
Released fair value gain on properties disposed	-	-	-	-	(419,603)	-	(419,603)
Total contributions by equity holders	-	-	25,765	(25,765)	(331,605)	469,209	137,604
Balance at 31st December, 2012	2,258,605	6,645,042	1,457,113	3,174,763	714,369	1,419,507	15,669,399

Annual Report & Accounts 2013

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2013

	Note	12/31/2013 N'000	12/31/2012 N'000
Cash flows from operating activities			
Net cash generated from operating activities	41	<u>123,314</u>	<u>207,474</u>
Cash flows from investing activities			
Dividend received from investments		68,041	47,293
Transfer to statutory deposit		-	(200,000)
Purchase of property and equipment		(33,693)	(12,871)
Purchase of investment property		(3,477)	(50,000)
Purchase of intangible assets		(2,500)	(3,500)
Purchase of Held-to-Maturity AFS - Treasury Bills		(30,000)	-
Movement in loans and advances to staff		(64)	517
Proceeds from disposal of AFS financial assets		78,061	-
Proceeds from disposal of property, plant and equipment		<u>1,416</u>	<u>141,722</u>
		-	-
Net cash generated from/(used by) investing activities		77,784	(76,839)
Cash flows from financing activities			
		-	-
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		201,098	130,635
Cash and cash equivalents at the beginning of the year		436,786	306,151
Cash and cash equivalents at the end of the year		<u>637,884</u>	<u>436,786</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2013

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 incorporating payment of claims. It provides cover in all classes of reinsurance, treaty and facultative reinsurance which are backed by retrocessions. The products and services include fire, general accident, marine, aviation, individual and group life.

2. Statement of Compliance with the International Financial Reporting Standards.

These financial statements are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

3 Cash and Cash Equivalents

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

12/31/2013 N'000	12/31/2012 N'000
136,695	58,344
74,464	170,638
426,725	191,913
-	15,891
637,884	436,786

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
Loans and receivables - Note 4c

2,552,264	2,147,541
30,000	-
3,410	3,346
2,585,674	2,150,887

4.1 Available for sale

Quoted ordinary equities
Unquoted ordinary equities

1,695,956	1,341,539
856,308	806,002
2,552,264	2,147,541

4.2 Held to maturity

Federal Government of Nigeria Treasury Bills

30,000	-
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4.3 Loans and receivables

Staff loans and advances

3,410	3,346
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Annual Report & Accounts 2013

4.4 Movement in AFS financial assets

Movement in AFS financial assets		
Balance at beginning of the year	2,150,887	1,673,838
Accretion in value during the year - Note 40.3	481,443	469,209
Gain on general AFS financial Assets - quoted equities - Note 36	687	5,569
Gain/(loss) on life AFS financial Assets - quoted equities - Note 36	654	(1,075)
Fair value of disposals during the year	(78,061)	-
	2,555,610	2,147,541
Purchase of Held to Maturity financial assets	30,000	-
Net movement in loans and receivables	64	-
Reclassification of staff loans and advances	-	3,346
	<u>2,585,674</u>	<u>2,150,887</u>

4.5 Fair Value Hierarchy of Financial Assets - 31/12/2013

Asset Type	N'000			Total
	Level 1	Level 2	Level 3	
Quoted ordinary equities - available for sale	1,695,956	-	-	1,695,956
Unquoted ordinary equities - available for sale	-	265,207	591,101	856,308
Federal Government of Nigeria Treasury Bills	30,000	-	-	30,000
Staff loans and advances	-	-	3,410	3,410
	<u>1,725,956</u>	<u>265,207</u>	<u>594,511</u>	<u>2,585,674</u>

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

Asset Type	N'000			Total
	Level 1	Level 2	Level 3	
Quoted equity securities - available for sale	1,341,539	-	-	1,341,539
Unquoted equity securities - available for sale	-	214,901	591,101	806,002
Staff loans and advances	-	-	3,346	3,346
	<u>1,341,539</u>	<u>214,901</u>	<u>594,447</u>	<u>2,150,887</u>

- 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 years.
- b) Level 2 hierarchy of fair value was adopted for Africa Reinsurance Corporation at 31st December, 2013. This is based on the unit price of \$225.57 approved for the subscription of additional shares at the 35th Annual Ordinary Meeting held in Dakar, Senegal on 20th June, 2013. This translates to N265,207,160 (2012 at fair value - unit price of \$182.70 translating to N214,901,240).
- 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.

Annual Report & Accounts 2013

4.7 Maturity profile of Financial assets - 31/12/2013

	Within 12 Months N'000	Beyond 12 Months N'000	Total N'000
Quoted equity securities - available for sale	1,695,956	-	1,695,956
Unquoted equity securities - available for sale	-	856,308	856,308
Federal Government of Nigeria Treasury Bills	30,000	-	30,000
Staff loans and advances	1,904	1,506	3,410
	1,727,860	857,814	2,585,674

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	12/31/2012 N'000
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, 2012, inter alia, for abuse of court process with NICON Investment Limited being awarded damages and some costs.

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 in 2012 accounting year and there is no indication to the contrary in the 2013 accounting year.

6 Trade Receivables

6.1 Summary

Receivables on reinsurance accounts
Impairment - 6.3

12/31/2013 N'000	12/31/2012 N'000
4,003,507	4,138,406
(4,003,507)	(4,098,216)
-	40,190

Annual Report & Accounts 2013

6.2 Age Analysis

Under 90 days
91 - 180 days
Above 180 days

12/31/2013 N'000	12/31/2012 N'000
-	104,473
-	78,403
4,003,507	3,955,530
4,003,507	4,138,406

6.3 Impairment

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

4,098,216	4,058,710
-	-
(94,709)	(222,385)
-	261,891
4,003,507	4,098,216

In line with the Insurance Act, 2003 and subsequent circulars by the National Insurance Commission, insurance contracts exist only on the payment of premium by the insured. Consequently, there is no receivable reinsurance premium.

7 Deferred acquisition costs

Analysis by class of reinsurance

Fire
General Accident
Motor
Marine and Aviation
Contractors' All Risk
Oil & Gas

12/31/2013 N'000	12/31/2012 N'000
11,577	21,925
7,912	19,000
2,019	3,123
4,537	19,560
4,798	7,263
1,477	3,371
32,320	74,242

Movement during the years
Balance at beginning of the year
Movement during the year

74,242	88,339
(41,922)	(14,097)
32,320	74,242

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

8 Other receivables and prepayments

Accrued income on bank placements
Accrued income on dividend
Prepayment

48,321	58,613
2,397	6,634
23,465	-
74,183	65,247



Annual Report & Accounts 2013

	12/31/2013 N'000	12/31/2012 N'000
9 Investment properties		
9.1 Summary		
Balance at the beginning of the year	12,300,000	11,193,000
Additions during the year	3,477	50,000
Unrealised fair value gain	1,091,523	1,057,000
Balance at the end of the year	13,395,000	12,300,000
9.2 Analysis		
Plot 784, Herbert Macaulay Way, Central Area, Abuja - 20-storey building	8,580,000	7,800,000
46, Marina, Lagos - 21-storey building	3,317,000	3,100,000
Fernandez Towers, 1-9, Berkeley Street, Lagos 9-storey building	1,498,000	1,400,000
	13,395,000	12,300,000
9.3 Income earned during the year		
Rental income earned from investment properties	72,867	89,638

- 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 N39,842,000. 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 N304,320,000.
- b) On 25th November, 1996, the investment property situated at Berkeley Street, Lagos was valued at N5 million by Messrs Jide Taiwo & Co., Estate Surveyors and Valuers resulting in a revaluation surplus of N3,616,000. These assets were also valued by Messrs Bode Adediji & Partners at N510 million on 3rd March, 2004 resulting in a surplus of N458.77 million. All the revaluation surplus have been included in the fair value 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 N1,105,390,000. The surplus on revaluation have been credited to the fair value reserve.
- d) All the investment properties were professionally valued by Messrs Rotimi Fagbemi & Co. on 26th November, 2010, 11th November, 2011, 7th December, 2012 and December, 2013. The cumulative net revaluation surplus on the investment properties at 31st December, 2013 was N12,094,246,331 (2012 - N11,002,723,796).
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.

Annual Report & Accounts 2013

- 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 2012 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.

	12/31/2013 N'000	12/31/2012 N'000
10 Deferred tax asset		
Balance at the beginning of the year	195,340	336,689
Deferred tax (charge) during the year	(86,450)	(141,349)
Balance at the end of the year	108,890	195,340
11 Intangible Asset		
Computer software	16,964	13,464
Cost at the beginning of the year	2,500	3,500
Additions during the year	19,464	16,964
Cost at the end of the year		
Aggregate depreciation at the beginning of the year	8,778	5,385
Charge during the year	3,893	3,393
Aggregate depreciation at the end of the year	12,671	8,778
Net book value	6,793	8,186

Computer software was acquired.



Annual Report & Accounts 2013

12 Property and Equipment At 31st December, 2013

	Land	Land & Buildings	Furniture, Fittings & Equipment	Motor Vehicles	Net Total
Cost/Valuation	N'000	N'000	N'000	N'000	N'000
At 1st January, 2013	94,500	660,231	225,024	105,283	1,085,038
Additions during the year	-	-	14,693	19,000	33,693
Unrealised fair value gain	3,390	75,035	-	-	78,425
Disposals during the year	-	-	-	(8,850)	(8,850)
At 31st December, 2013	97,890	735,266	239,717	115,433	1,188,306
Depreciation					
At 1st January, 2013	-	-	-	-	-
Charge for the year	-	36,516	159,000	100,633	296,149
Disposals during the year	-	34,948	20,975	7,075	62,998
At 31st December, 2013	-	-	-	(8,850)	(8,850)
Net book value	-	71,464	179,975	98,858	350,297
At 31st December, 2013					
At 31st December, 2012	97,890	663,802	59,742	16,575	838,009
	94,500	623,715	66,024	4,650	788,889

Property and Equipment (Cont'd) At 31st December, 2012

	Land	Land & Buildings	Furniture, Fittings & Equipment	Motor Vehicles	Net Total
Cost/Valuation	N'000	N'000	N'000	N'000	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	94,500	660,231	225,024	105,283	1,085,038
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	-	36,516	159,000	100,633	296,149
Net book value	94,500	623,715	66,024	4,650	788,889
At 31st December, 2012					
At 31st December, 2011	80,325	838,251	44,298	27,869	990,743

Annual Report & Accounts 2013

- 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. in December, 2013 on the basis of their capital values. The revaluation surplus of N792,793,650 (2012 - N429,944,000) has been incorporated in the property revaluation reserve.
- In accordance with IAS 16, the revaluation surplus is not distributable until the properties are disposed and derecognised.

	12/31/2013 N'000	12/31/2012 N'000
13 Statutory deposit		
Central Bank of Nigeria	<u>1,035,000</u>	<u>1,035,000</u>

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

	12/31/2013 N'000	12/31/2012 N'000
14 Reinsurance Contract Liabilities		
This is made up of:		
Life Fund - 14.1	58,249	79,156
Reserve for unearned premium - 14.2	135,027	266,126
Reserve for claims - 14.3	493,185	725,459
	<u>686,461</u>	<u>1,070,741</u>
14.1 Life fund		
At the beginning of the year	79,156	133,986
Changes in life insurance contract liability	(20,907)	(54,830)
At the end of the year	<u>58,249</u>	<u>79,156</u>
14.2 Reserve for unearned premium		
Fire	45,242	84,236
General Accident	27,181	53,791
Motor	16,082	26,632
Marine and Aviation	14,045	48,560
Contractors' All Risk	17,249	22,566
Oil & Gas	15,228	30,341
	<u>135,027</u>	<u>266,126</u>

Annual Report & Accounts 2013

	12/31/2013 N'000	12/31/2012 N'000
14.3 Reserve for claims		
14.3a Total Claims		
Fire	285,762	227,085
General Accident	32,003	17,247
Motor	18,168	41,465
Marine and Aviation	125,363	382,020
Contractors' All Risk	8,562	16,402
Oil & Gas	21,512	27,660
Life	1,815	13,580
	493,185	725,459
14.3b Actual claims		
Fire	230,058	227,085
General Accident	16,538	17,247
Motor	3,819	6,705
Marine and Aviation	63,855	75,106
Contractors' All Risk	-	-
Oil & Gas	-	-
Life	-	13,580
	314,270	339,723
14.3c Incurred But Not Reported		
Fire	55,704	-
General Accident	15,465	-
Motor	14,349	34,760
Marine and Aviation	61,508	306,914
Contractors' All Risk	8,562	16,402
Oil & Gas	21,512	27,660
Life	1,815	-
	178,915	385,736

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.



Annual Report & Accounts 2013

	12/31/2013 N'000	12/31/2012 N'000	
15 Hypothecation of Investments			
15.1 Summary			
<u>Investments</u>			
Cash and cash equivalents	167,954	260,000	
Financial assets - AFS Quoted equities	330,736	487,727	
Financial assets - AFS Unquoted equities	44,396	91,068	
Investment property	149,800	238,000	
	692,886	1,076,795	
 Reinsurance contract liabilities - Note 14	686,461	1,070,741	
 Surplus of investments over reinsurance contract liabilities	6,425	6,054	
 15.2 Segment			
<u>Investments</u>	General N'000	Life N'000	Total N'000
Cash and cash equivalents	123,052	44,902	167,954
Financial assets - AFS Quoted equities	313,253	17,483	330,736
Financial assets - AFS Unquoted equities	44,396	-	44,396
Investment properties	149,800	-	149,800
Total	630,501	62,385	692,886
 <u>Reinsurance contract liabilities</u>			
Life Fund	-	58,249	58,249
Reserve for Unexpired Premium Revenue	135,027	-	135,027
Reserve for Claims	491,370	1,815	493,185
	626,397	60,064	686,461
 Surplus of investments over insurance contract liabilities	4,104	2,321	6,425
 16 Trade Payables			
Due to retrocessionaires	-		8,480
 17 Provisions and Other Payables			
Other creditors	76,744		87,704
Accrued expenses	29,284		41,289
Unearned income	45,133		67,033
	151,161		196,026

Annual Report & Accounts 2013

18 Retirement Benefit Obligations

At 1st January
Charge for the year

Payment during the year
At 31st December,

12/31/2013 N'000	12/31/2012 N'000
142,014	143,112
-	-
142,014	143,112
-	(1,098)
142,014	142,014

The retirement benefit obligations are in respect of firm and agreed sums due to staff with no additional provision from 2012 when the scheme was discontinued. Therefore, it is not subjected to actuarial valuation.

The corresponding sum of N142,014,171 in cash and cash equivalents has been earmarked for this obligation.

19 Income Tax Liabilities

Capital Gains Tax

12/31/2013 N'000	12/31/2012 N'000
8,107	8,107

i. Capital Gains Tax arose from property disposed in 2010.

ii. There is no liability for Capital Gains Tax on the available for sale financial assets and motor vehicles disposed in 2013.

iii. 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.

20 Share capital

Authorised
Ordinary shares of 50k each

Issued and fully paid
At the beginning of the year
Issued during the year
At the end of the year

4,500,000	4,500,000
2,258,605	2,258,605
-	-
2,258,605	2,258,605

21 Share premium

At the beginning of the year
On shares issued during the year
At the end of the year

6,645,042	6,645,042
-	-
6,645,042	6,645,042

Annual Report & Accounts 2013

	12/31/2013 N'000	12/31/2012 N'000
22 Statutory Contingency reserve		
At the beginning of the year	1,457,113	1,431,348
Transfer from profit and loss account	304,006	25,765
At 31st December	<u>1,761,119</u>	<u>1,457,113</u>
23 Retained Earnings		
At the beginning of the year	3,174,763	(3,591,133)
Transfer of cumulative net fair value gains on investment properties	-	9,945,724
Restated balance at the beginning of the year	3,174,763	6,354,591
Retained profit/(loss) for the year	1,270,503	(3,179,828)
At the end of the year	<u>4,445,266</u>	<u>3,174,763</u>
24 Property Revaluation Reserve		
At the beginning of the year	714,369	1,045,974
Unrealised fair value gain	78,425	87,998
Reversal on disposal of properties	-	(419,603)
At the end of the year	<u>792,794</u>	<u>714,369</u>
25 Fair Value Reserves		
This is made up of:		
Quoted investments revaluation reserve - Note 25.1	1,580,629	1,227,258
Unquoted investments valuation reserve - Note 25.2	242,555	192,249
	<u>1,823,184</u>	<u>1,419,507</u>
	12/31/2013 N'000	12/31/2012 N'000
25.1 Quoted investments revaluation reserve		
At the beginning of the year	1,227,258	950,298
Arising during the year	431,137	276,960
Reversal on disposal	(77,766)	-
At the end of the year	<u>1,580,629</u>	<u>1,227,258</u>
25.2 Unquoted investments revaluation reserve		
At the beginning of the year	192,249	-
Arising during the year	50,306	192,249
At the end of the year	<u>242,555</u>	<u>192,249</u>

Annual Report & Accounts 2013

	12/31/2013 N'000	12/31/2012 N'000
26 Gross premium written		
General		
Fire	150,806	240,674
Accident	90,604	153,689
Motor	53,608	76,091
Marine and Aviation	46,818	138,744
Bond and Engineering	57,496	64,474
Oil & Gas	50,758	86,688
	450,090	760,360
Life	27,071	100,724
	477,161	861,084
27 Changes in unearned premium		
General		
Fire	38,995	9,467
Accident	26,610	34,148
Motor	10,549	5,414
Marine and Aviation	34,515	28,131
Bond and Engineering	5,317	(1,459)
Oil & Gas	15,113	(10,806)
	131,099	64,895
Life	20,907	54,830
	152,006	119,725
28 Gross premium income		
General		
Fire	189,801	250,141
Accident	117,214	187,837
Motor	64,157	81,505
Marine and Aviation	81,333	166,875
Bond and Engineering	62,813	63,015
Oil & Gas	65,871	75,882
	581,189	825,255
Life	47,978	155,554
	629,167	980,809
29 Retrocession Expenses	2013 N'000	2012 N'000
Outward reinsurance premium	71,190	82,118
	-	-
	71,190	82,118
30 Claims Expenses		
30.1 Summary		
Claims paid	227,423	253,473
Movement in outstanding claims	(232,274)	34,962
Recoveries	-	(3,323)
	(4,851)	285,112

Annual Report & Accounts 2013

	12/31/2013 N'000	12/31/2012 N'000
30.2 Movement in outstanding claims		
Claims at 1st January - Note 14	(725,459)	(700,328)
Adjustment to claims between estimate and actual	-	9,831
Claims at 31st December - Note 14	493,185	725,459
Movement in outstanding claims - Note 30.1	<u>(232,274)</u>	<u>34,962</u>
31 Underwriting expenses		
Commissions paid	107,733	243,917
Movement in deferred commission paid	41,922	14,097
Maintenance expenses	6,894	1,200
	<u>156,549</u>	<u>259,214</u>
32 Investment income		
32.1 Attributable to Policyholders' funds		
Equities-quoted	4,724	12,419
Equities-unquoted	11,752	9,570
Interest on fund placements	1,194	-
Rental income	1,746	208
	<u>19,416</u>	<u>22,197</u>
32.2 Attributable to Shareholders' funds		
Equities-quoted	43,665	19,183
Equities-unquoted	7,900	6,121
Interest on fund placements	142,643	207,636
	<u>194,208</u>	<u>232,940</u>
Total Investment income	<u>213,624</u>	<u>255,137</u>
33 Net fair value gain on assets		
Fair value gain on investment property	<u>1,091,523</u>	<u>1,057,000</u>
34 Other operating income		
Rental income	72,867	115,752
Gain on disposal of AFS financial assets	10,205	-
(Loss) on disposal of AFS financial assets	(306)	-
Exchange difference on translation of foreign bank balances	3,297	1,195
Gain on disposal of property	1,416	160,253
(Loss) on disposal of equipment	-	(10,581)
Write-back of provision no longer required	-	25,523
Other income	17,649	22,124
	<u>105,128</u>	<u>314,266</u>

Annual Report & Accounts 2013

	2013 N'000	2012 N'000
35 Management expenses		
Administrative expenses	234,005	222,133
Depreciation - properties and equipment	62,998	180,998
Depreciation - intangible asset	3,893	3,393
Ground rents	12,400	4,947
	313,296	411,471
36 Impairment of assets		
(Write-back) of impairment on Trade Receivables	(94,708)	(222,385)
Gain on general AFS financial Assets - quoted equities	(687)	(5,569)
Gain/(loss) on life AFS financial Assets - quoted equities	(654)	1,075
	(96,049)	(226,879)
<p>I. The write-back of impairment on trade receivables represent receipts in 2013 on accounts of which provision has been made for loss in previous years.</p> <p>ii. The gain on Available-for-sale quoted equities are the reversals of losses arising from timing differences on quoted equities in previous years.</p>		
37 Exceptional expenses		
Impairment of bank balances under lien with Union Bank	-	4,800,272
	-	-
	-	4,800,272
38 Income taxes		
Deferred tax charge	86,450	141,349
Withholding tax on dividends	6,205	4,730
Withholding tax on director's fees earned	10	-
Withholding tax on rents	-	3,888
	92,665	149,967
39 Fair value gain/(loss) on properties		
39.1 Transferred to Property revaluation reserve		
Fair value gain on properties	78,425	87,998
	-	-
	78,425	87,998
39.2 Fair value gain/(loss) on available for sale financial assets		
Transferred to Fair value reserve		
Fair value gain on AFS financial assets - quoted	431,137	276,960
Release on disposal of quoted equities	(77,766)	-
Fair value gain on AFS financial assets - unquoted	50,306	192,249
	403,677	469,209

Annual Report & Accounts 2013

	2013 N'000	2012 N'000
40 Reconciliation of operating profit/(loss) to net cash provided by operating activities		
Profit/(loss) after taxation	1,506,642	(3,154,063)
Exceptional items	-	4,800,272
Taxation	92,665	149,967
Tax paid	(6,215)	(8,618)
(Write-back) of provision on trade receivables	(94,709)	(222,385)
(Gain) on general AFS financial Assets - quoted equities	(687)	(5,569)
(Gain)/loss on life AFS financial Assets - quoted equities	(654)	1,075
Dividend income on investments	(68,041)	(47,293)
Depreciation of property, plant and equipment	62,998	180,998
Amortisation of intangible asset	3,893	3,393
Write-back of provision recognised in other income	-	(25,523)
Fair value (gain) on investment property	(1,091,523)	(1,057,000)
(Gain) on disposal of AFS financial assets	(10,205)	-
Loss on disposal of AFS financial assets	306	-
(Gain) on disposal of property	(1,416)	(160,253)
Loss on disposal of equipment	-	10,581
	393,054	465,582
Changes in:		
Trade receivables	134,899	132,406
Deferred acquisition costs	41,922	14,097
Other receivables and prepayments	(8,936)	(61,611)
Reinsurance Contract liabilities: Life funds	(20,907)	(54,830)
Reinsurance Contract liabilities: Unexpired risks	(131,099)	(64,895)
Reinsurance Contract liabilities: Claims	(232,274)	25,131
Trade payables	(8,480)	(236,913)
Provisions and other payables	(44,865)	(10,395)
Retirement benefit obligations (paid)	-	(1,098)
Cash flow from operating activities	123,314	207,474
41 Cash and Cash Equivalents		
Cash and bank balances	637,884	436,786

42 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 N398,006,000 in the statutory minimum capital for life reinsurance business.

Annual Report & Accounts 2013

Compliance with solvency margin

There was a solvency margin deficit of N1,015,589,000 in general reinsurance business. This arose from the restriction placed by NAICOM on the value of admissible Property, Plant and Equipment (PPE). If the values of the PPE admitted pre-2012 were adopted, the solvency margin deficit is N57,591,000.

43 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 2013:

	Notes	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						
Cash and cash equivalents	3	637,884	-	-	-	637,884
Financial assets	4	1,727,418	188	254	857,814	2,585,674
Other receivables and prepayments	8	56,585	5,865	11,733	-	74,183
		2,421,887	6,053	11,987	857,814	3,297,741
Liabilities						
Reinsurance contract liabilities	14	157,053	157,053	314,106	58,249	686,461
Trade payables	16	-	-	-	-	-
Provisions and other payables	17	83,011	20,030	31,735	16,385	151,161
Retirement benefit obligations	18	-	-	-	142,014	142,014
Income tax	19	8,107	-	-	-	8,107
		248,171	177,083	345,841	216,648	987,743
Excess of current assets over liabilities		2,173,716	(171,030)	(333,854)	641,166	2,309,998
Cumulative current assets over liabilities		2,173,716	2,002,686	1,668,832	2,309,998	

44 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 reinsurance and investment liabilities. The fulcrum of the ALM is to match assets to the liabilities from reinsurance contracts based on the benefits due to respective policy holders.

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

Annual Report & Accounts 2013

	Notes	Reins- urance Fund N'000	Share- holders' Funds N'000	Total N'000
Assets				
Cash and Cash Equivalents	3	167,954	469,930	637,884
Financial Assets	4	375,132	2,210,542	2,585,674
Bank balances under lien	5	-	-	-
Trade receivables	6	-	-	-
Deferred acquisition costs	7	-	32,320	32,320
Other receivables and prepayments	8	-	74,183	74,183
Investment properties	9	149,800	13,245,200	13,395,000
Deferred tax asset	10	-	108,890	108,890
Intangible Assets	11	-	6,793	6,793
Property and Equipment	12	-	838,009	838,009
Statutory Deposit	13	-	1,035,000	1,035,000
Total assets		692,886	18,020,867	18,713,753
Liabilities				
Reinsurance Contract Liabilities	14	686,461	-	686,461
Trade Payables	16	-	-	-
Provisions and Other Payables	17	-	151,161	151,161
Retirement Benefit Obligations	18	-	142,014	142,014
Income Tax Liabilities	19	-	8,107	8,107
Total liabilities		686,461	301,282	987,743
Surplus		6,425	17,719,585	17,726,010

45 Segment Reporting

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

45.1 Analysis of Statement of Financial Position - 31/12/2013

		General N'000	Life N'000	Total N'000
Assets				
Cash and Cash Equivalents	3	460,832	177,052	637,884
Financial Assets	4	2,568,104	17,570	2,585,674
Bank balances under lien	5	-	-	-
Trade Receivables	6	-	-	-
Deferred acquisition costs	7	32,320	-	32,320
Other Receivables and prepayments	8	62,060	12,123	74,183
Investment properties	9	10,078,000	3,317,000	13,395,000
Deferred tax asset	10	98,176	10,714	108,890
Intangible Assets	11	6,793	-	6,793
Property and Equipment	12	790,999	47,010	838,009
Statutory Deposit	13	770,000	265,000	1,035,000
Total assets		14,867,284	3,846,469	18,713,753

Annual Report & Accounts 2013

	Notes	General N'000	Life N'000	Total N'000
Liabilities				
Reinsurance Contract Liabilities	14	626,397	60,064	686,461
Trade Payables	16	-	-	-
Provisions and Other Payables	17	116,871	34,290	151,161
Retirement Benefit Obligations	18	-	142,014	142,014
Income Tax Liabilities	19	-	8,107	8,107
Total liabilities		743,268	244,475	987,743
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	1,654,134	106,985	1,761,119
Retained Earnings	23	4,783,363	(338,097)	4,445,266
Property Revaluation Reserve	24	745,784	47,010	792,794
Fair Value Reserves	25	1,815,859	7,325	1,823,184
Total Equity		14,124,016	3,601,994	17,726,010
Total liabilities and equity		14,867,284	3,846,469	18,713,753

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

Assets				
Cash and Cash Equivalents	3	183,089	253,697	436,786
Financial Assets	4	2,135,832	15,055	2,150,887
Bank balances under lien	5	-	-	-
Trade Receivables	6	40,190	-	40,190
Deferred acquisition costs	7	74,242	-	74,242
Other Receivables and prepayments	8	50,018	15,229	65,247
Investment properties	9	9,200,000	3,100,000	12,300,000
Deferred tax asset	10	102,236	93,104	195,340
Intangible Assets	11	8,186	-	8,186
Property and Equipment	12	743,931	44,958	788,889
Statutory Deposit	13	770,000	265,000	1,035,000
Total assets		13,307,724	3,787,043	17,094,767
Liabilities				
Reinsurance Contract Liabilities	14	978,005	92,736	1,070,741
Trade Payables	16	7,040	1,440	8,480
Provisions and Other Payables	17	140,945	55,081	196,026
Retirement Benefit Obligations	18	-	142,014	142,014
Income Tax Liabilities	19	-	8,107	8,107
Total liabilities		1,125,990	299,378	1,425,368

Annual Report & Accounts 2013

	Notes	General N'000	Life N'000	Total N'000
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	1,361,024	96,089	1,457,113
Retained Earnings	23	3,610,923	(436,160)	3,174,763
Property Revaluation Reserve	24	670,869	43,500	714,369
Fair Value Reserves	25	1,414,042	5,465	1,419,507
Total Equity		12,181,734	3,487,665	15,669,399
Total liabilities and equity		13,307,724	3,787,043	17,094,767
45.3 Analysis of Statement of Profit or Loss and Other Comprehensive Income - 31/12/2013		General N'000	Life N'000	Total N'000
Gross Premium Written	26	450,090	27,071	477,161
Changes in unearned premium	27	131,099	20,907	152,006
Gross Premium Income	28	581,189	47,978	629,167
Retrocession expenses	29	(70,691)	(499)	(71,190)
Net Underwriting Income		510,498	47,479	557,977
Claims expenses	30	27,192	(22,341)	4,851
Underwriting expenses	31	(149,655)	(6,894)	(156,549)
		(122,463)	(29,235)	(151,698)
Underwriting Results		388,035	18,244	406,279
Investment Income	32	175,976	37,648	213,624
Net fair value gain on assets	33	874,523	217,000	1,091,523
Other operating income	34	85,641	19,487	105,128
Net Operating Income		1,524,175	292,379	1,816,554
Expenses				
Management expenses	35	(294,124)	(19,172)	(313,296)
Impairment of assets	36	40,688	55,361	96,049
Exceptional expenses	37	136,914	(136,914)	-
		(116,522)	(100,725)	(217,247)
Profit before taxation	46	1,407,653	191,654	1,599,307
Taxation	38	(9,970)	(82,695)	(92,665)
Profit after taxation		1,397,683	108,959	1,506,642

Annual Report & Accounts 2013

	Notes	General N'000	Life N'000	Total N'000
Other comprehensive income net of tax				
Items that may be subsequently reclassified to profit or loss				
Fair value gain on properties	39.1	74,915	3,510	78,425
Net fair value gain on AFS financial assets	39.2	401,817	1,860	403,677
Total other comprehensive income		476,732	5,370	482,102
 Total Comprehensive Profit for the year		 1,874,415	 114,329	 1,988,744
Appropriation:				
Transfer to contingency reserve	22	(293,110)	(10,896)	(304,006)
		1,581,305	103,433	1,684,738
 Earnings per 50 kobo share - kobo	47	 41	 10	 33

45.4 Analysis of Statement of Profit or Loss and Other Comprehensive Income - 31/12/2012

		General N'000	Life N'000	Total N'000
Gross Premium Written	26	760,360	100,724	861,084
Changes in unearned premium	27	64,895	54,830	119,725
Gross Premium Income	28	825,255	155,554	980,809
Retrocession expenses	29	(80,631)	(1,487)	(82,118)
Net Underwriting Income		744,624	154,067	898,691
Claims expenses	30	(251,757)	(33,355)	(285,112)
Underwriting expenses	31	(226,216)	(32,998)	(259,214)
		(477,973)	(66,353)	(544,326)
Underwriting Results		266,651	87,714	354,365
Investment Income	32	200,194	54,943	255,137
Net fair value gain on assets	33	778,000	279,000	1,057,000
Other operating income	34	137,518	176,748	314,266
Net Operating Income		1,382,363	598,405	1,980,768
Expenses				
Management expenses	35	(266,435)	(145,036)	(411,471)
Impairment of assets	36	252,172	(25,293)	226,879
Exceptional expenses	37	(2,407,371)	(2,392,901)	(4,800,272)
		(2,421,634)	(2,563,230)	(4,984,864)

Annual Report & Accounts 2013

	Notes	General N'000	Life N'000	Total N'000
(Loss) before taxation	46	(1,039,271)	(1,964,825)	(3,004,096)
Taxation	38	(204,744)	54,777	(149,967)
(Loss) after taxation		(1,244,015)	(1,910,048)	(3,154,063)
Other comprehensive income net of tax				
Items that may be subsequently reclassified to profit or loss				
Fair value gain on properties	39.1	83,453	4,545	87,998
Net fair value gain on AFS financial assets	39.2	471,309	(2,100)	469,209
Total other comprehensive income		554,762	2,445	557,207
Total Comprehensive (loss) for the year		(689,253)	(1,907,603)	(2,596,856)
Appropriation:				
Transfer to contingency reserve	22	(24,758)	(1,007)	(25,765)
		(714,011)	(1,908,610)	(2,622,621)
(Loss) per 50 kobo share - kobo	47	(36)	(176)	(70)

46 Profit/(loss) for the year

This is stated after charging/(crediting)

	2013 N'000	2012 N'000
Directors' emoluments	18,844	12,174
Directors' expenses	12,403	7,904
Depreciation of property and equipment	62,998	180,998
Amortisation of intangible assets	3,893	3,393
Auditors' remuneration	5,000	5,000
National Insurance Commission levy	4,772	9,310
Investment income	(213,624)	(255,137)

47 Earnings per share

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

48 Contraventions

Nature	500	500
Violation of policy on bank placements	50	50
Excess investments in real property	550	550

Annual Report & Accounts 2013

49 Staff

49.1 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	

2013 Number	2012 Number
18	43
4	1
2	1
1	3
19	7
17	9
3	-
4	5
68	69

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

Cadre
Managerial
Senior
Junior
Contract

2013 Number	2012 Number
8	9
6	8
54	28
-	24
68	69

49.3 The related staff costs were:

Salaries, wages and allowances
Pension cost

2013 N'000	2012 N'000
96,526	79,143
3,344	3,156
99,870	82,299

50 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
4,000,000 - 5,000,000	
Over 5,000,000	

2013 Number	2012 Number
-	-
2	2
2	2

None of the directors waived their emoluments during the year.

Annual Report & Accounts 2013

51 Contingent liabilities and obligations

There are contingent liabilities in respect of legal suits against the Corporation totaling N28,738,437 at 31st December, 2013 (2012 - N28,338,437). 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.

52 Guarantees and other financial commitments

52.1 Capital expenditure

Contracted

**2013
N'000**

**2012
N'000**

-

-

52.2 Pension commitments

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

52.3 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.

**2013
N'000**

**2012
N'000**

53 Related parties

53.1 Transactions

NICON Insurance Limited

517,851

439,262

Global Fleet Industries Limited

2,500

371,500

Air Nigeria Development Company Limited

-

62,312

NICON Properties Limited

-

30,360

53.2 Due from

NICON Insurance Limited

1,447,506

1,435,229

53.3 Due to

NICON Insurance Limited

51,042

-

Global Fleet Industries Limited

-

2,000

54 Approval of financial statements

These financial statements were approved for issue by the Directors on 28th August, 2014.

Annual Report & Accounts 2013

55 Subsequent Events Review

The financial statements of the Corporation was prepared for the year ended 31st December, 2013. At the date of approval of the financial statements on 28th August, 2014, 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.

56 Comparative figures

Certain prior year items have been reclassified to conform with the current year format of presentation.



Annual Report & Accounts 2013

SUMMARISED GENERAL BUSINESS REVENUE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2013

	Contractors'							
	General		Marine &		All Risks, Bonds &		Oil &	
	Fire	Accident	Motor	Aviation	Guarantees	Gas	2013	2012
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Gross Written Premium	150,806	90,604	53,608	46,818	57,496	50,758	450,090	760,360
Changes in Unearned Premium	38,994	26,610	10,549	34,515	5,318	15,113	131,099	64,895
Gross Premium Income	189,800	117,214	64,157	81,333	62,814	65,871	581,189	825,255
Retrocession expenses	(19,520)	(252)	-	(15,951)	-	(34,968)	(70,691)	(80,631)
Net Underwriting Income	170,280	116,962	64,157	65,382	62,814	30,903	510,498	744,624
Direct expenses								
Gross Claims Paid	(80,932)	(30,880)	(18,706)	(33,695)	(11,145)	(17,959)	(193,317)	233,698
Movement in outstanding claims	(58,676)	(14,756)	23,297	256,656	7,840	6,148	220,509	21,382
Gross Claims Incurred	(139,608)	(45,636)	4,591	222,961	(3,305)	(11,811)	27,192	255,080
Retrocessionaires' claims recoveries	-	-	-	-	-	-	-	(3,323)
Net Claims Incurred	(139,608)	(45,636)	4,591	222,961	(3,305)	(11,811)	27,192	251,757
Underwriting expenses								
Commission paid	(38,591)	(26,373)	(6,729)	(15,123)	(15,993)	(4,924)	(107,733)	212,119
Movement in deferred acquisition costs	(10,348)	(11,088)	(1,104)	(15,023)	(2,465)	(1,894)	(41,922)	14,097
	(48,939)	(37,461)	(7,833)	(30,146)	(18,458)	(6,818)	(149,655)	226,216
Total expenses	(188,547)	(83,097)	(3,242)	192,815	(21,763)	(18,629)	(122,463)	477,973
Underwriting result								
2013	(18,267)	33,865	60,915	258,197	41,051	12,274	388,035	266,651
2012	67,455	69,970	48,476	64,503	21,262	(5,015)	266,651	

**STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31ST DECEMBER, 2013**

	2013		2012	
	N'000	%	N'000	%
Gross premium income	629,167		980,809	
Retrocessions, claims and underwriting expenses	(222,888)		(626,444)	
	406,279		354,365	
Investment and other income	1,410,275		1,626,403	
	1,816,554		1,980,768	
Bought-in materials and services	(146,535)		(144,781)	
Impairment of assets	96,049		226,879	
Exceptional expenses	-		(4,800,272)	
Value added/(eroded)	1,766,068	(100)	(2,737,406)	(100)
Applied as follows:				
To pay employees				
Salaries, wages and other benefits	96,526	(5)	79,143	3
Pensions	3,344	(0)	3,156	0
To pay government				
Taxation	92,665	(5)	149,967	5
Retained for future replacement of assets and expansion of business				
Depreciation of P&E and amortisation of intangible assets	66,891	(4)	184,391	7
Contingency reserve	304,006	(17)	25,765	1
Retained profit/(loss)	1,202,636	(68)	(3,179,828)	(116)
Value added/(eroded)	1,766,068	(100)	(2,737,406)	(100)

Value added or eroded is the wealth created or lost respectively 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.



Annual Report & Accounts 2013

FIVE YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31ST DECEMBER, 2013

	IFRS Financials					NGAAP
	N'Million					N'Million
Assets	2013	2012	2011	2010	Assets	2009
Cash and Cash Equivalents	638	437	306	333	Cash and short term funds	5,032
Financial Assets	2,586	2,148	1,674	3,178	Reinsurance premium receivable	270
Bank balances under lien	-	-	4,800	4,800	Other assets	2,625
Trade Receivables	-	40	215	410	Quoted investments	747
Deferred acquisition costs	32	74	88	178	Unquoted investments	68
Other Receivables and Prepayments	74	69	7	8	Statutory Deposit	1,035
Investment properties	13,395	12,300	11,193	7,619	Investment properties	2,542
Deferred tax asset	109	195	337	320		
Intangible Assets	6	8	8	11	Fixed assets	1,427
Property, Plant and Equipment	839	789	991	3,501		
Statutory Deposit	1,035	1,035	835	35		
Total Assets	18,714	17,095	20,454	20,393	Total assets	13,746
Liabilities					Liabilities	
Reinsurance Contract Liabilities	687	1,071	1,165	1,314	Bank overdraft	-
Trade Payables	-	9	245	254	Creditors and accruals	1,503
Provisions and Other Payables	151	196	207	1,317	Reinsurance funds	1,627
Retirement Benefit Obligations	142	142	143	139	Staff pension and gratuity	129
Income Tax Liabilities	8	8	8	8		
Total liabilities	988	1,426	1,768	3,032	Total liabilities	3,259
Equity and reserves					Capital and reserves	
Issued and Paid Share capital	2,259	2,259	2,259	2,134	Share capital	3,071
Share Premium	6,645	6,645	6,645	5,846	Share Premium	4,910
Contingency reserve	1,761	1,457	1,431	1,396	Contingency reserve	1,348
Retained Earnings	4,445	3,175	6,355	(2,731)	Fixed assets revaluation Reserve	2,297
Property Revaluation Reserve	793	714	1,046	3,170	Quoted investment revaluation Reserve	579
Fair Value Reserves	1,823	1,419	950	7,546	Revenue reserve	(1,718)
Total equity	17,726	15,669	18,686	17,361	Shareholders' funds	10,487
Total liabilities and equity	18,714	17,095	20,454	20,393	Total liabilities and reserves	13,746

Annual Report & Accounts 2013

	IFRS Financials N'Million				Assets	NGAAP N'Million
	2013	2012	2011	2010		
Premium and profits						
Gross premium income	629	981	1,270	1,524		1,397
Profit/(loss) after taxation before other comprehensive income	1,507	(3,154)	(825)	(763)		(59)
Total comprehensive income	1,989	(2,597)	(149)	(763)		(59)
Transfer to contingency reserve	(304)	(26)	(36)	(48)		(45)
Retained profit/(loss)	1,685	(2,623)	(185)	(811)		(104)
Per share data						
Earnings/(loss) per share - kobo	33	(70)	3	(18)		(1)
Net assets per share - kobo	392	347	414	407		171

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 2009 to 2013 were based on the re-denominated nominal value of 50 kobo per share.



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