A large yellow wedge-shaped graphic that originates from a point on the left side of the page and expands towards the right, partially overlapping the text box.

Lagos, Nigeria
REPORT OF THE DIRECTORS
AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

The EY logo, consisting of the letters 'E' and 'Y' in a bold, sans-serif font. The 'E' and 'Y' are connected at the top and bottom, with a small gap between them in the middle.

EY

Building a better
working world

GUINEA INSURANCE PLC

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS	PAGE
Directors and Advisers	3
Financial Highlights	4
Report of the Directors	5
Statement of Directors' Responsibilities	9
Report of the Statutory Audit Committee	10
Audited Financial Statements	
Independent Auditors' Report	11
Statement of Significant Accounting Policies	13
Statement of Profit or Loss and Other Comprehensive Income	40
Statement of Financial Position	41
Statement of Changes in Equity	42
Statement of Cash Flows	43
Notes to the Financial Statements	44
Non-life Revenue Account	86
Statement of Value Added	87
Five-Year Financial Summary	88

GUINEA INSURANCE PLC

DIRECTORS AND ADVISERS

FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTOR	CAPACITY
Sir Emeka Offor	Chairman
Mr. Polycarp Didam	Managing Director/CEO
Mr Soji Emiola	Managing Director/CEO (Resigned 14 October 2013)
Mr Emeka Onuseleogu	Deputy Managing Director (Resigned 1 September 2013)
Mr. Fred Udechukwu	Non-Executive Director
HRH. Eze Smart Eze	Non-Executive Director
Engr. Emeka Agusiobo	Non-Executive Director
Prof. E.C.L Nnabuiife	Non-Executive Director
Alhaji A.O. Kadiri	Non-Executive Director
Mr. Nasiru Isyaku	Executive Director Finance & Admin (Resigned 31 July 2013)

COMPANY SECRETARY Isioma Omoshie

REGISTERED OFFICE Guinea House
33, Ikorodu Road
Jibowu - Lagos

CONTACT DETAILS 01-4622050
info@guineainsurance.com
www.guineainsurance.com

AUDITORS Ernst & Young
2A, Bayo Kuku Road
Ikoyi, Lagos

REGISTRAR City Securities (Registrars) Limited
358, Herbert Macaulay Way
Yaba, Lagos

GUINEA INSURANCE PLC**FINANCIAL HIGHLIGHTS****FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 N'000	2012 N'000
Major Statement of Financial Position Items as at 31 December 2013		
Total assets	4,213,959	3,958,154
Total equity	2,982,953	2,562,012
Insurance contract liabilities	533,020	555,434
Major Statement of Profit or loss items for the year ended 31 December 2013		
Gross premium written	1,088,340	1,138,741
Gross premium income	1,081,185	1,237,920
Net premium income	978,027	1,129,573
Claims expenses	(324,281)	(281,270)
Profit before income tax	300,282	179,752
Profit for the year	39,835	52,763
Per 50k Share Data		
Earnings per share (Kobo)	0.7	1.0
Net asset per share (Kobo)	49	47
Stock Exchange quotation (Kobo) as at 31 December	50	50

GUINEA INSURANCE PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2013

In compliance with the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Insurance Act 2003, the Directors have pleasure in submitting to the members their report together with the audited financial statements of Guinea Insurance Plc "the Company" for the year ended 31 December 2013.

1. LEGAL FORM AND PRINCIPAL ACTIVITY

The Company is a public limited liability Company incorporated as a Private Limited Liability Company on 3rd December 1958 in accordance with the provisions of the Companies and Allied Matters Act, transacting primarily General Insurance business. On 17th January, 1991 it was listed on the Nigerian Stock Exchange.

2. RESULTS	2013 N'000	2012 N'000
Gross premium written	1,088,340	1,138,741
Net premium income	978,027	1,129,573
Claims expenses	(324,281)	(281,270)
Profit for the year	39,835	52,763

3. DIVIDEND

No dividend was proposed in respect of the current year 2012: Nil.

4. BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Company carried out insurance activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and prospects for the ensuing year is contained in the Managing Director's Report.

5. DIRECTORS AND THEIR INTERESTS

The following are the names of Directors as at the date of this report and those who held offices during the year under review:

DIRECTOR	CAPACITY
Sir Emeka Offor	Chairman
Mr. Polycarp Didam	Managing Director/CEO
Mr. Soji Emiola	Managing Director/CEO (Resigned 14 October 2013)
Mr. Emeka Onuseloju	Deputy Managing Director (Resigned 1 September 2013)
Mr. Fred Udechukwu	Non-Executive Director
HRH. Eze Smart Eze	Non-Executive Director
Engr. Emeka Agusiobo	Non-Executive Director
Prof. E.C.L. Nnabulife	Non-Executive Director
Alhaji A.O. Kadiri	Non-Executive Director
Mr. Nasiru Isyaku	Executive Director Finance & Admin (Resigned 31 July 2013)

GUINEA INSURANCE PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

5. DIRECTORS AND THEIR INTERESTS - continued

The names of the Directors and their interests in the issued share capital of the company as recorded in the Register of Directors' Shareholding as at 31 December 2013 are as follows:

DIRECTORS NAME	Number of Ordinary Shares held (2013)	Number of Ordinary Shares held (2012)
Sir Emeka Offor	Direct (1) - 30,000	Direct (1) - 30,000
	Indirect (2) - 2,798,514,210 (Chrome Oil Services Limited)	Indirect (2) - 2,291,781,010 (Chrome Oil Services Limited)
Mr. Fred Udechukwu HRH Eze Smart Eze	Direct - 21,600,000	Direct - 21,600,000
	Indirect - 2,545,454 (Edysmart Nigeria Limited)	Indirect - 2,545,454 (Edysmart Nigeria Limited)
Engr. Emeka Agusiobo	Indirect - 15,181,818 (Valanz Holdings)	Indirect - 15,181,818 (Valanz Holdings)

None of the Directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004 of any disclosable interests in contracts in which the Company was involved as at 31 December 2013.

6. EMPLOYMENT AND EMPLOYEES

i. Employee Involvement and Training

The Company is committed to keeping its employees fully informed, as much as possible on its performance and progress, and seeking their views whenever practicable on matters which practically affect them as employees. Management's professional and technical expertises are the Company's major assets and investment in their further development continues. The Company's expanding skill-base has been extended by a range of training programmes for its employees and opportunities for career development within the Company have thus been enhanced.

ii. Employment of Disabled Persons

The Company in recognition of its special obligation to employ disabled persons maintains a policy of giving fair consideration to application for employment made by disabled persons with due regard to their abilities and aptitude. All employees are given equal opportunities to develop themselves. As at 31 December 2013, no disabled person was employed in the Company.

iii. Health Safety and Welfare at Work

Employees are made aware of the health and safety regulations that are in force within the premises of the Company. The Company provides subsidy to all employees for transportation, housing, lunch and medical expenses, etc.

iv. Research and Development

The Company in its determination to maintain its status as one of the best insurance companies in the industry continues to encourage research and development of existing and new products aimed at consistently improving the Company's position.

GUINEA INSURANCE PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

7. EVENTS AFTER REPORTING DATE

There are no events after the reporting date which could have had material effect on the state of affairs of the Company as at 31 December 2013 and the profit for the year then ended which have not been adequately provided for or disclosed in the financial statements.

8. EQUITY RANGE ANALYSIS

The range of shareholding as at 31 December 2013 is as follows:

Range	No. of Holders	Percent (%)	Units	Percent (%)
1-10,000	8,561	47.30	40,657,552	0.66
10,001 - 100,000	7,799	43.10	309,668,085	5.04
100,001 - 1,000,000	1,558	8.61	479,976,375	7.82
1,000,001 - 10,000,000	158	0.87	416,590,036	6.78
10,000,001 - 100,000,000	16	0.09	275,954,674	4.49
100,000,001 - 1,000,000,000	3	0.02	530,386,291	8.64
1,000,000,001 - 99,999,999,999	2	0.01	4,086,766,987	66.57
Grand Total	18,097	100.00	6,140,000,000	100

9. SHAREHOLDERS WITH 5% UNITS AND ABOVE

	2013	2012
Chrome Oil Services Limited	45.58%	42.44%
Nimek Investments Limited	20.98%	19.54%

10. SHAREHOLDING HISTORY

The changes in the share capital of the Company since incorporation are summarized below:

Authorized Share Capital Increase

Issued and Fully Paid Capital Increase

DATE	UNITS	PRICE	AUTHORIZED SHARE CAPITAL INCREASE		ISSUED AND FULLY PAID CAPITAL INCREASE		CONSIDERATION		
			FROM AMOUNT N (000)	TO AMOUNT N (000)	UNITS	PRICE		FROM AMOUNT N (000)	TO AMOUNT N (000)
1986	500	2.00	2,000	3,000	504.9	2.00	1,515	2,525	Bonus
1989	6,000	0.50	3,000	6,000	2,524.5	0.50	2,525	3,787	Bonus
1991	18,000	0.50	6,000	15,000	-	0.50	-	3,787	Bonus
1992	30,000	0.50	15,000	30,000	15,147.0	0.50	3,787	11,360	Rights
1993	40,000	0.50	30,000	50,000	14,496.4	0.50	11,360	18,609	Rights
1997	140,000	0.50	50,000	120,000	37,018.9	0.50	18,609	37,217	Bonus
2001	-	0.50	-	120,000	165,566.2	0.50	37,217	120,000	Rights
2002	260,000	0.50	120,000	250,000	-	0.50	-	120,000	-
2003	500,000	0.50	250,000	500,000	-	0.50	-	120,000	-
2004	-	0.50	-	500,000	480,000	0.50	120,000	360,000	Rights
2005	-	0.50	-	500,000	-	0.50	-	360,000	Nil
2006	-	0.50	-	500,000	-	0.50	-	360,000	Nil
2007	5,000,000	0.50	500,000	3,000,000	-	0.50	-	360,000	Nil
2008	-	0.50	-	3,000,000	4,380,000	0.50	360,000	2,550,000	Nil
2011	-	0.50	-	3,000,000	300,000	0.50	2,550,000	2,700,000	ALB*
2012	400,000	0.50	3,000,000	3,200,000	-	0.50	-	2,700,000	-
2013	-	0.50	-	3,200,000	740,000	0.50	2,700,000	3,070,000	Cash

* Absorption of Life Business (ALB).

GUINEA INSURANCE PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2013

10. SHAREHOLDING HISTORY - continued

On 24 May 2010, a major shareholder made a deposit for share capital in the sum of N370 million in order to remedy the deficiency in solvency margin and share capital of the company. The N 370 million deposit for shares has now been fully allotted following SEC approval of 21 Feb 2013. The allocated shares have also been listed on the floor of NSE on 28 March 2013.

11. DONATIONS AND SPONSORSHIP

There were no donations to charitable organizations during the year (2012: Nil).

12. PROPERTY, PLANT AND EQUIPMENT INFORMATION

Information relating to the Company's assets is detailed in the Note 22 to the financial statements.

13. AUDITORS

Ernst & Young have indicated their willingness to continue in office as auditors of the Company in accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD



ISIQMA OMOSHIE

FRN No: FRC/2013/NBA/00000000928

COMPANY SECRETARY/LEGAL ADVISER

Guinea House
33, Ikorodu Road
Jibowu, Lagos

27 May 2014

GUINEA INSURANCE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2013

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;
- 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 annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with,

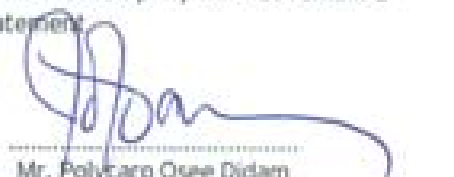
- relevant International Financial Reporting Standards issued by the International Accounting Standards Board (IASB)
- the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004
- Insurance Act 2003 and
- Financial Reporting Council of Nigeria Act, No .6, 2011.
- Relevant policy guidelines issued by the National Insurance Commission (NAICOM)

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Company and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.


.....
Athaji Abdulkerim Oshioke Kadiri
Director

FRN No: FRC/2013/ICAN/00000004049


.....
Mr. Polycarp Osee Didam
Managing Director/CEO
FRN No: FRC/2013/CIIN/00000005294

27 May 2014

GUINEA INSURANCE PLC


REPORT OF THE STATUTORY AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2013

To the members of Guinea Insurance Plc:

In accordance with the provision of Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the members of the Statutory Audit Committee of Guinea Insurance Plc hereby report as follows:

- We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and we acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We confirm that the accounting and reporting policies of the Company 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 31 December 2013 were satisfactory and reinforce the Company's internal control systems.
- We have deliberated with the external auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the external auditors' recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and internal control.


Peter Mgbearu
Chairman, Audit Committee
FRCN/2013/CIBN/00000005314
20 May 2014

Members of the Audit Committee are:

Mr .Peter Mgbearu
Mr. Sonibare Waheed Akani
Prof. E.L.C Nnabuife
Mr. Nasiru Isyaku

Shareholder Representative - Chairman
Shareholder Representative
Non-Executive Director
Executive Director (Resigned 31 July 2013)

Secretary to the Committee
Isioma Omoshie



Ernst & Young
2A Bayo Kuku Road,
Ikoyi, Lagos

Tel: +234 (01) 46 30479-80
Fax: +234 (01) 46 30481
Email: services@ng.ey.com
www.ey.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GUINEA INSURANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Guinea Insurance Plc, which comprise the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and Financial Reporting Council of Nigeria Act, No.6 2011 and for such internal control as the Directors determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Guinea Insurance Plc as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 37 of the financial statements which indicates that the Company's shareholders funds of ₦ 2.9 billion (2012: ₦ 2.6 billion) and the solvency margin of ₦ 2.1 billion (2012: ₦ 2.2 billion) as at 31 December 2013, are less than the minimum regulatory requirement. These conditions indicate the existence of an uncertainty on the Company's ability to continue as a going concern.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GUINEA INSURANCE PLC - Continued**

Report on Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, 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) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iii) the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account;

Compliance with National Insurance Commission (NAICOM) Guidelines on Finance Companies and circular BSD/1/2004

- i) During the year, the Company contravened a section of the NAICOM Guidelines on Insurance Companies. Details of these are stated in Note 35 of the financial statements.



Kayode Famutimi, FCA, FRC/2012/ICAN/00000000155
For: Ernst & Young
Lagos, Nigeria



23 July 2014

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

Guinea Insurance Plc ("the Company") was incorporated on 3 December 1958 as a Limited Liability Company and became a Public Liability Company on 17 January 1991. The overseas shareholders divested their 40% shareholding to existing Nigerian shareholders in 1998 thereby making the Company 100% owned by Nigerians. The Company was established for the purpose of carrying on insurance business. Up till 31 December 2006, the Company operated as an insurer for all classes of insurance business in Nigeria i.e. Life and pension, General business and Special risks. From 2007, it underwrites all classes of general insurance business and pays vouched claims arising.

The financial statements of the Company for the year ended 31 December 2013 were authorised for issue in accordance with the resolution of the Directors on 27 May 2014

Going Concern

The financial statements have been prepared on the going concern basis, and there is no intention to curtail business operations. Capital adequacy and liquidity ratios are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operations of the Company.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Insurance Act 2003 and are in compliance with the Listings Requirement of the Nigerian Stock Exchange (NSE) and the Companies and Allied Matters Act of Nigeria (CAMA), CAP C20 Laws of the Federation of Nigeria 2004 to the extent that they are not in conflict with the International Financial Reporting Standards.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in the respective notes to the financial statements.

3. Basis of preparation

(a) Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value
- investment properties are measured at fair value

(b) Functional and presentation currency

The financial statements are presented in Nigerian Naira, which is the Company's functional currency. Except where expressly indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Basis of preparation - continued

(c) Use of estimates and judgements - continued

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

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

i. Impairment of available-for-sale equity financial assets

The Company determined that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluated among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such qualitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. "Further details can be found in Note 9."

ii. Impairment on receivables

In accordance with the accounting policy, the Company tests annually whether premium receivables have suffered any impairment. The recoverable amounts of the premium receivables have been determined based on the incurred loss model. These calculations required the use of estimates based on passage of time and probability of recovery. "Further details can be found in Note 9."

iii. Valuation of employee benefit obligation

The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 27 to the financial statements.

iv. Valuation of investment properties

The valuation of the properties is based on the price for which comparable land and properties are being exchanged or are being marketed for sale. Therefore, the market-approach method of valuation is used; this reflects existing use with recourse to comparison approach that is the analysis of recent sale transaction on similar properties in the neighbourhood. The best price that subsisting interest in the property will reasonably be expected to be sold if made available for sale by private treaty between willing seller and buyer under competitive market condition. "Further details can be found in Note 20."

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Basis of preparation - continued

(c) Use of estimates and judgements - continued

v Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. "Further details can be found in Note 24."

4. New Standards and Improvements

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the 2013 financial statements are consistent with those followed in the preparation of the Company's 2012 financial statements, except for the adoption of new standards or interpretations effective as of 1 January 2013.

The nature and the impact of each new standard/amendment are described below:

IAS 1 -Financial statement presentation - presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. New Standards and Improvements - continued

IAS 19 - Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit or loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In this case, the transition to IAS 19R had no effect on total comprehensive income. However, considering its retrospective application, certain items on the statement of profit or loss and other comprehensive income did not correspond to that presented in prior year.

Impact profit or loss and OCI (increase/(decrease) in profit/OCI)

	2012
	N'000
Statement of profit or loss	
Management expenses	3,819
	<hr/>
Profit before income tax	3,819
Income tax expense	(1,146)
	<hr/>
Profit for the year	2,673
Statement of other comprehensive income	
Re-measurement loss on defined benefit plans	(3,819)
Income tax effect on above	1,146
	<hr/>
Other comprehensive income for the year, net of tax	(2,673)
	<hr/>
Total comprehensive income for the year	-

Earnings per share Basic and Diluted (kobo)	0.1
	==

The transition did not have impact on the statement of cash flows and statement of financial position because the 2012 actuarial gain/loss was excluded from profit or loss (together with the tax on it) and showed under OCI due to retrospective application there was/were no changes in the figures shown in SFP for 2012 and earlier periods.

IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Company is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Significant accounting policies - continued

arrangements, the amendment does not have an impact on the Company.

IFRS 10 - Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To meet the definition of control in IFRS 10, all three criteria must be met, including:

- (a) an investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the Company's financial statements as the company has no investment in subsidiaries

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable to the Company as the company has no interest in other entities.

IFRS 13 - Fair Value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim financial statements period. The Company provides these disclosures in Notes 15.3 and 20.

5. Significant accounting policies

Critical accounting policies are defined as those that are reflective of significant judgements and uncertainties, and potentially give rise to different results under different assumptions and conditions. Guinea Insurance Plc believes that its critical accounting policies are limited to those described below.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(a) Classification of insurance contracts

IFRS 4 requires contracts written by insurers to be classified as either 'insurance contracts' or 'investment contracts' depending on the level of insurance risk transferred. Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified

uncertain future event (the insured event) adversely affects the policy holder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the issuer.

Contracts that transfer financial risks but not significant insurance risk are termed investment contracts. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

(b) Recognition and measurement of insurance contracts

(i) Premiums

Gross premium written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premium income includes adjustments to premiums written in prior accounting periods.

Premiums on reinsurance inward are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

The earned portion of premium written is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risk underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of indemnity received.

(ii) Unexpired risk provision

The provision for unexpired risk represents the proportion of premiums written which is estimated to be earned in subsequent financial years, computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts.

(iii) Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transferral of risks. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the gross provision for the unearned premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premium ceded, claims reimbursed and commission recovered are presented in the statement of profit or loss and statement of financial position separately from the gross amounts.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(b) Recognition and measurement of insurance contracts - continued

(iii) Reinsurance - continued

Premiums, losses and other amounts relating to reinsurance treaties are recognized over the period from inception of a treaty to expiration of the related business. The actual profit or loss on reinsurance business is therefore not recognized at the inception but as such profit or loss emerges. In particular, any initial reinsurance commissions are recognized on the same basis as the acquisition costs incurred.

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

(iv) Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. The gross provision for claims represents the estimated liability arising from claims in current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims management and handling expenses. The gross provision for claims is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected in the profit or loss in the financial period in which adjustments are made, and disclosed separately if material.

In setting the provisions for claims outstanding, a best estimate is determined on an undiscounted basis and then a margin of prudence (usually required by regulation) is added such that there is confidence that future claims will be met from the provisions.

The methods used and estimates made for claims provisions are reviewed regularly.

(v) Acquisition costs

Acquisition costs represent commissions payable and other expenses related to the acquisition of insurance contracts revenues written during the financial year. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premium provision.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(c) *Deferred expenses*

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, DAC for general insurance are amortized over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortized in the same manner as the underlying asset amortization is recorded in the profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit or loss. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognized when the related contracts are either settled or disposed of.

Deferred expenses - Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected premiums payable.

(d) *Interest*

Interest income and expense for all interest bearing financial instruments, except for those classified at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. The effective interest rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense presented in the profit or loss include interest on financial assets and liabilities at amortised cost on an effective interest basis.

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments and carried at fair value in the profit or loss.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(e) *Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms and is included in investment income.

(f) *Net trading income*

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(g) *Income tax expenses*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(h) *Foreign currency translation*

The Nigerian Naira is the Company's functional and reporting currency. Foreign currency transactions are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the statement of financial position date; the resulting foreign exchange gain or loss is recognized in the profit or loss.

Non-monetary assets and liabilities denominated in foreign currency at historical cost are translated using the exchange rate at the date of the transaction; no exchange differences therefore arise. Non-monetary assets and liabilities denominated in foreign currency at fair value are translated using the exchange rate ruling at the date that the fair value was determined. Foreign exchange differences arising on retranslation are recognized in the profit or loss.

(i) *Dividends*

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income, net income on other financial instruments at fair value or other operating income depending on the underlying classification of the equity instrument.

(j) *Earnings per share*

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company 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.

(k) *Cash and cash equivalents*

Cash and cash equivalents include cash in hand and at bank, unrestricted balances held with Central Bank, call deposits and short term highly liquid financial assets (including money market funds) with original maturities of less than three months, which are subject to

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(k) Cash and cash equivalents- continued

insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(l) Financial assets and liabilities

(i) Recognition

The Company has classified its financial instruments into the following categories: at fair value through profit and loss, available-for-sale, held to maturity, and loans and receivables. Management determines the classification at initial recognition.

All financial instruments are initially recognized at fair value, which includes transaction costs for financial instruments not classified as at fair value through profit and loss.

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

- Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intention and ability to hold to maturity.

Where the Company sells more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets and the difference between amortised cost and fair value will be accounted for in equity.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment.

- Financial assets held at fair value through profit or loss

An instrument is classified as fair value through profit or loss if it is held for trading or designated as such upon initial recognition. Financial assets classified as held for trading are acquired principally for the purpose of selling in the short term, while financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value, in accordance with the Company's documented risk management or investment strategy.

The investments are carried at fair value, with gains and losses arising from changes in this value recognized in the profit or loss in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices. The fair values of unlisted securities, and quoted investments for which there is no active market, are established using valuation techniques corroborated by independent third parties.

These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(i) Financial assets and liabilities - continued

Available-for-sale financial assets

Financial assets classified by the Company as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments 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.

Available-for-sale financial assets are carried at fair value, with the exception of investments in unquoted equity instruments where fair value cannot be reliably determined, which are carried at cost. Fair values are determined in the same manner as for investments at fair value through profit or loss. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income while the investment is held, and are subsequently transferred to the profit or loss upon sale or de-recognition of the investment.

Interest income, calculated using the effective interest method, is recognised in the profit or loss. Dividends received on available-for-sale instruments are recognised in profit or loss when the Company's right to receive payment has been established.

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 designated by the Company as fair value through profit or loss or available-for-sale.

Loans and receivables consist primarily of trade receivables and staff loans and advances. These loans and advances are managed in accordance with a documented policy and information is provided internally on this basis.

Loans and receivables - continued

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR (Effective interest rate). The EIR amortization is included in 'finance income' in the profit or loss. Gains and losses are recognized in the profit or loss when the investments are derecognized or impaired, as well as through the amortization process. Loans granted at below market rates are fair valued and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs.

Trade receivables

Trade receivables 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 Company will not be able to collect the amount due under the original terms of the invoice. Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the

sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt. Impaired debts are derecognized when they are assessed as uncollectible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. Any subsequent reversal of an impairment loss is recognized in the profit and loss.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(i) Fair value measurement - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible to by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for nonrecurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(f) Fair value measurement - continued

For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation committee and the Company's external valuers present the valuation results to the audit committee and the company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs.

For units in unit trusts and shares in open ended investment companies, fair value is determined by reference to published bid values in an active market.

For other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's best estimate of the most appropriate model assumptions.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with credit institutions is their carrying value.

The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(m) Impairment of financial assets

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date from a financial asset with similar terms and conditions.

Where pricing models are used, inputs are based on observable market indicators at the statement of financial position date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in a setting price.

Financial assets comprise financial investments, and trade and other receivables. The carrying amounts of the Company's financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if the objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset and can be reliably estimated.

(i) Assets carried at amortised cost

An impairment loss in respect of a financial investment measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized through profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the statement of financial position date, that have an impact on the future cash flows of the asset.

An available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been re-measured to fair value directly through equity, is impaired the impairment loss is recognized in the profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to the profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in the profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized in the profit or loss, where the instrument is a debt instrument, the impairment loss is reversed through the profit or loss.

An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the profit or loss but accounted for directly in equity.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(m) *Impairment of financial assets*

(ii) *Trade receivable - continued*

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 Company will not be able to collect the amount due under the original terms of the invoice. Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt.

Impaired debts are derecognized when they are not collected within 30 days in line with "NO PREMIUM NO COVER".

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. Any subsequent reversal of an impairment loss is recognized in the profit and loss. The regulator has laid great emphasis on No Premium, No Cover and this has changed the phase of impairment model within the industry. The Company defines credit risk as the risk of counterparty's failure to meet its contractual obligations. The introduction of NO PREMIUM NO COVER policy with effect from 1 January 2013, is to enforce the Section 50(1) of the Insurance Act 2003; which stipulates that "the receipt of an insurance premium shall be a condition precedent to a valid contract of insurance and there shall be no cover in respect of an insurance risk, unless the premium is paid in advance or receivable within 30 days. Consequently, only insurance covers for which full premiums are receivable within 30 days either directly by the insured or through a duly licensed insurance broker, are recognized as trade receivable.

(n) *Offsetting financial instruments*

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a current legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(o) *Impairment of non-financial assets*

The carrying amounts of the Company's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any intangible asset allocated to the units and then to reduce the carrying amount of the other assets in the unit (company of units) on a pro rata basis. 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 risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(o) Impairment of non-financial assets- continued

Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

(p) De-recognition of financial instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(q) Reinsurance assets

Reinsurance assets consist of short-term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in compliance with the terms of each reinsurance contract. The company has the right to set-off re-insurance payables against amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

The company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the insurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated using the incurred loss model for these financial assets.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(q) Reinsurance assets-continued

These are deposit assets that are recognized based on the consideration paid less any explicit identified premiums or fees to be retained by the reinsured.

Investment income on these contracts is accounted for using the effective interest rate method when accrued.

(r) Other receivables and prepayment

Other receivables and prepayment are measured on initial recognition at the fair value of the consideration received and subsequently at amortised cost less provision for impairment. These include receivables from suppliers, accrued interest, prepaid rent, staff advances and other receivable other than those classified as trade receivable and loans and receivables.

If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the other receivable and prepayment accordingly and recognises that impairment loss in the income statement.

(s) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognized in the profit or loss in the year of retirement or disposal. Transfers are made to or from investment properties only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

(t) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(f) *Intangible assets- continued*

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period (three years) and the amortization method (straight line) for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortization and accumulated impairment losses. The intangible asset is amortized over the useful life of the acquired in-force policy during which future premiums are expected, which typically varies between five and 50 years. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and they are treated as a change in an accounting estimate.

An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit or loss.

(u) *Property, plant and equipment*

All categories of property, plant and equipment are initially recorded at cost subsequently; Land and buildings are measured using revaluation model at the end of the financial period. Any increase in the value of the assets is recognized in other comprehensive income and accumulated surplus, unless the increase is to reverse a decrease in value previously recognized in profit or loss where by the increase will be recognized in profit or loss. A decrease in value of land and building as a result of revaluation will be recognized in profit or loss unless the decrease is to reverse an increase in value previously recognized in other comprehensive income whereby the decrease will be recognized in other comprehensive income.

(i) *Recognition and measurement*

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(u) Property, plant and equipment - continued

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The estimated useful lives for the current and comparative period are as follows:

Buildings	20 years
Motor vehicles	4 years
Computer equipment	3 years
Furniture and office equipment	5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iv) De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(v) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and depreciated over the shorter of their useful economic life and the lease term. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which the Company does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on a straight line same as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Other leases are operating leases and are not recognised on the Company's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(v) *Leased assets- continued*

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(w) *Statutory deposit*

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

(x) *Insurance Contract Liabilities*

Non-life insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money due to its short term nature. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Non-life insurance contract liabilities

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, deficiency is recognized in the profit or loss by setting up a provision for premium deficiency.

Reserves for unearned premium

In compliance with Section 20 (1) (a) of Insurance Act 2003, the reserve for unearned premium is calculated on a time apportionment basis in respect of the risks accepted during the year.

Reserves for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the balance sheet date. The IBNR is based on the liability adequacy test.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(x) Insurance Contract Liabilities

- Reserves for unexpired risk

A provision for additional unexpired risk reserve (AURR) is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve (UPR).

Liability adequacy test

At the end of each reporting period, Liability Adequacy Tests are performed to ensure that material and reasonably foreseeable losses arising from existing contractual obligations are recognised. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, investment income backing such liabilities are considered. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. Any deficiency is charged to income statement by increasing the carrying amount of the related insurance liabilities.

(y) Trade payables

Trade payables are recognised when due. These include amount due to agents, brokers and insurance contract holders. Trade payables are measured on initial recognition at the fair value of the consideration received and subsequently measured at amortized cost.

Trade payables are derecognized when the obligation under the liability is settled, cancelled or expired.

(z) Other payables and accruals

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

(aa) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

(ii) Defined benefit (staff gratuity) payables

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The Company has a Gratuity Scheme for its employees. The scheme is non-contributory and employees qualify for benefits after five years' service. Provision for gratuity is made when it is determined that there is a shortfall in the assets funding liabilities.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(aa) Employee benefits- continued

The scheme was terminated in April 2011 & future service after this date does not attract gratuity benefits.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- - The date of the plan amendment or curtailment, and
- - The date that the Company recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in consolidated statement of profit or loss (by function):

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, Net interest expense or income.

(ab) Income tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except: Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(ac) Income tax

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(ad) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(ae) Financial guarantee contracts

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment and the unamortised premium when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(af) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividend on ordinary shares

Dividends on the Company's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

(iii) Treasury shares

Where the Company or any member of the Company purchases the Company's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Significant accounting policies - continued

(ag) Share premium reserve

Share premium reserve represents surplus on the par value price of shares issued. This amount is distributed to the shareholders at their discretion. The share premium is classified as an equity instrument in the statement of financial position.

(ah) Contingency reserve

The company maintains Contingency reserves for non-life business in accordance with the provisions of S. 21 of the insurance Act 2003 to cover fluctuations in securities and valuations in statistical estimates at the rate equal to the higher of 3% of total premium or 20% of the net profits; until the reserves reaches the greater of minimum paid up capital or 50% of net premium.

(ai) Share premium reserve

Share premium reserve represents surplus on the par value price of shares issued. This amount is distributed to the shareholders at their discretion. The share premium is classified as an equity instrument in the statement of financial position.

(aj) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

6. Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below.

This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date.

The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)

IFRS 14 Regulatory Deferral Accounts

IFRS 15 Revenue from contracts with customers

IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

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

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

Annual improvement - 2010-2012 cycle (issued in December 2013)

Annual improvement - 2011-2013 cycle (issued in December 2013)

IFRIC 21 Levies

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Standards and interpretations issued but not yet effective - continued

The effects of these standards have been described below:

IFRS 9 Financial Instruments

The first phase of IFRS 9, which addressed classification and measurement of financial assets was published in November 2009, and was subsequently amended in October 2010 and November 2013, to include classification and measurement requirements of financial liabilities and hedge accounting requirements.

IFRS 9 (2013) does not yet have a mandatory effective date, but early adoption is allowed. A mandatory effective date will be set when the IASB completes the impairment phase of the project. At its February 2014 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. The Company is still evaluating the impact of this standard and shall adopt this standard when it becomes effective.

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)

These amendments are effective for annual periods beginning on or after 1 January 2014, provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be

relevant to the Company, since none of the entities in the Company would qualify to be an investment entity under IFRS 10.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS. This standard is not relevant to the Company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities.

Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The Company is still evaluating the impact of this standard and shall adopt this standard when it becomes effective.

IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

GUINEA INSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Standards and interpretations issued but not yet effective - continued

Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age. The Company is still evaluating the effects of these amendments.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance.

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

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the issuance of IFRS 13 was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendments to IAS 36. These amendments are not expected to impact the Company's financial position or performance.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Company has not novated its derivatives during the current year.

Annual improvement - 2010-2012 cycle (issued in December 2013)

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, summaries of which are provided below. Other than amendments that only affect the standards' Basis for Conclusions, the changes are effective from July 01, 2014. Earlier application is permitted and must be disclosed. The IFRS 13 amendment only affects the Basis for Conclusions and, therefore, is effective immediately.

- IFRS 2 Share-based Payment - Definitions of vesting conditions
- IFRS 3 Business Combinations - Accounting for contingent consideration in a business combination
- IFRS 8 Operating Segments - Aggregation of operating segments
- IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13 Fair Value Measurement Short-term receivables and payables
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation/amortisation
- IAS 24 Related Party Disclosures - Key management personnel

Annual improvement - 2011-2013 cycle (issued in December 2013)

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, summaries of which are provided below. Other than amendments that only affect the standards' Basis for Conclusions, the changes are effective July 01, 2014. Earlier application is permitted and must be disclosed. The IFRS 1 amendment only affects the Basis for Conclusions and, therefore, is effective immediately.

GUINEAINSURANCE PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Standards and interpretations issued but not yet effective - continued

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Meaning of 'effective IFRSs'
- IFRS 3 Business Combinations - Scope exceptions for joint ventures
- IFRS 13 Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
- IAS 40 Investment Property Interrelationship between IFRS 3 and IAS 40 (ancillary services)

No early adoption is intended by the Company and management is still assessing the impact of the improvements on the financial position and performance of the Company.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

No early adoption is intended by the Company and management is still assessing the impact of the interpretation on the financial position and performance of the Company.

GUINEA INSURANCE PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

		2013	2012
	Note	N'000	Restated* N'000
Gross premium written	1	1,088,340	1,138,741
Change in unearned premium	1	(7,155)	99,179
Gross premium income	1.2	1,081,185	1,237,920
Reinsurance expenses	1.3	(103,158)	(108,347)
Net premium income		978,027	1,129,573
Fees and commission income	2	14,558	31,611
Net underwriting income		992,585	1,161,184
Claims expenses	3	(324,281)	(281,270)
Underwriting expenses	4	(267,004)	(301,347)
Underwriting result		401,300	578,567
Investment income	5	186,209	172,535
Gain on sale of property, plant and equipment	6	3,400	105
Net fair value gains on investment properties	7	20,000	60,000
Other operating income	8	227,904	104,141
Impairment losses	9	(3,879)	(6,969)
Management expenses	10	(534,652)	(728,627)
Profit before income tax		300,282	179,752
Income tax expense	11.1	(260,447)	(126,989)
Profit for the year		39,835	52,763
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net unrealised gains on available-for-sale financial assets		10,557	19,683
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains on defined benefit plans	27.2	785	(3,819)
Income tax relating to the components of OCI	11.1	(236)	1,146
Other comprehensive income for the year, net of tax		11,106	17,010
Total comprehensive income for the year, net of tax		50,941	69,773
Earnings per share - Basic and diluted (kobo)	12	0.7	1.0

*Certain amounts shown here do not correspond to the 2012 financials and reflect adjustments made. refer to Note 10 and 11.

See accompanying statement of significant accounting policies and notes to the financial statements.

GUINEA INSURANCE PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

Assets	Note	2013 N'000	2012 N'000
Cash and cash equivalents	14	1,471,323	1,288,245
Available-for-sale financial assets	15	140,504	129,947
Trade receivables	16	4,053	215,304
Reinsurance assets	17	103,811	127,589
Deferred acquisition costs	18	27,729	25,384
Other receivables and prepayments	19	52,003	774,617
Investment properties	20	1,050,000	1,030,000
Intangible assets	21	64,021	-
Property, plant and equipment	22	985,515	52,068
Statutory deposit	23	315,000	315,000
Total assets		4,213,959	3,958,154
Liabilities and Equity			
Liabilities			
Insurance contract liabilities	24	533,020	555,434
Trade payables	25	57,278	86,301
Other payables and accruals	26	244,938	247,342
Employee benefit obligations	27	16,118	18,096
Current income tax payable	11.2	301,217	104,964
Deferred tax liabilities	11.3	78,435	14,005
Deposits for shares	28	-	370,000
Total liabilities		1,231,006	1,396,142
Equity			
Issued share capital	29	3,070,000	2,700,000
Share premium	30	337,545	337,545
Contingency reserve	31	306,389	273,739
Accumulated losses		(770,328)	(778,062)
Available-for-sale reserve		39,347	28,790
Total equity		2,982,953	2,562,012
Total liabilities and equity		4,213,959	3,958,154



Alhaji Abdulkarim O. Kadiri
Director
FRC/2013/ICAN/00000004049



Mr. Polycarp Didam
Managing Director/CEO
FRC/2013/CIIN/00000005294



Mr. Osayande F. Obano
Chief Finance Officer
FRC/2013/ICAN/00000000778

See accompanying statement of significant accounting policies and notes to the financial statements.

GUINEA INSURANCE PLC

STATEMENT OF CHANGES IN EQUITY

	Issued share capital (Note 29) M '000	Share premium (Note 30) M '000	Contingency reserve (Note 31) M '000	Accumulated losses (Note 32) M '000	Available - for - sale reserve (Note 33) M '000	Total equity M '000
As at 1 January 2012	2,700,000	337,545	239,577	(793,990)	9,107	2,492,239
Profit for the year	-	-	-	52,763	-	52,763
Other comprehensive income/(loss)	-	-	-	(2,673)	19,683	17,010
Total comprehensive income	-	-	-	50,090	19,683	69,773
Transfer between reserves	-	-	34,162	(34,162)	-	-
At 31 December 2012	2,700,000	337,545	273,739	(778,062)	28,790	2,562,012
Profit for the year	-	-	-	39,835	-	39,835
Other comprehensive income	-	-	-	549	10,557	11,106
Total comprehensive income	-	-	-	40,384	10,557	50,941
Transfer between reserves	-	-	32,650	(32,650)	-	-
Issue of share capital	370,000	-	-	-	-	370,000
At 31 December 2013	3,070,000	337,545	306,389	(770,328)	39,347	2,982,953

See accompanying statement of significant accounting policies and notes to the financial statements.

GUINEA INSURANCE PLC

STATEMENT OF CASH FLOWS

	Note	2013 N '000	2012 N '000
Operating activities:			
Premium received		1,295,712	1,116,943
Commission received		14,558	31,611
Commission paid		(264,659)	(281,438)
Reinsurance premium paid		(108,224)	(130,394)
Gross claim paid net of recoveries		(325,006)	(138,763)
Payments to employees		(267,488)	(284,885)
Other operating cash receipts	33.1	492,843	93,413
Other income received		227,904	104,141
Income tax paid		-	(33,190)
Net cash flows from operating activities	33	1,065,640	477,438
Investing activities:			
Investment income received		186,209	172,535
Purchase of property, plant and equipment	22	(986,712)	(28,988)
Purchase of intangible assets	21	(84,504)	-
Proceeds from sale of property, plant and equipment		3,400	9,591
Purchase of investments		-	(40,974)
Net cash flows from investing activities		(881,607)	112,164
Net increase in cash and cash equivalents		184,033	589,602
Cash and cash equivalents at 1 January		1,288,245	698,206
Effect of exchange rate changes on cash and cash equivalents		(955)	437
Cash and cash equivalents at 31 December		1,471,323	1,288,245

See accompanying statement of significant accounting policies and notes to the financial statements.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

1.1 Gross Premium Income

	Gross premium written	Decrease in Unearned premium	Gross premium income
	2013 N '000	2013 N '000	2012 N '000
Motor	177,427	50,589	228,016
Fire	97,542	(29,396)	68,146
Marine & Aviation	87,500	31,750	119,250
Miscellaneous General Accident	725,871	(60,098)	665,773
	<u>1,088,340</u>	<u>(7,155)</u>	<u>1,237,920</u>

Changes in Unearned Premium per class of insurance business

	Unearned Premium	Decrease in Unearned premium in	Unearned Premium
	2013 N '000	2013 N '000	2013 N '000
Motor	58,127	8,103	50,024
Fire	24,972	(49,269)	74,241
Marine & Aviation	66,631	31,750	34,881
Miscellaneous General Accident	37,702	2,261	35,441
	<u>187,432</u>	<u>(7,155)</u>	<u>194,587</u>

Motor	269,945	36,037	305,982
Fire	214,435	9,578	224,013
Marine & Aviation	136,444	6,827	143,271
Miscellaneous General Accident	517,917	46,737	564,654
	<u>1,138,741</u>	<u>99,179</u>	<u>1,237,920</u>

Changes in Unearned Premium per class of insurance business

	Unearned Premium	Decrease in Unearned premium in	Unearned Premium
	2012 N '000	2012 N '000	2012 N '000
Motor	94,164	(36,037)	58,127
Fire	47,280	(9,578)	37,702
Marine & Aviation	73,458	(6,827)	66,631
Miscellaneous General Accident	71,709	(46,737)	24,972
	<u>286,611</u>	<u>(99,179)</u>	<u>187,432</u>

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

1.2	Gross premium income on insurance contracts	2013 N'000	2012 N'000
	Gross premium written in the year	1,088,340	1,138,741
	Change in unearned premium	(7,155)	99,179
	Total gross premium income	1,081,185	1,237,920
1.3	Reinsurance expenses		
	Premium ceded to reinsurers	(108,224)	(115,084)
	Change in unearned premiums ceded to reinsurers	5,066	6,737
	Total reinsurance expense	(103,158)	(108,347)
	Total net insurance premium income	978,027	1,129,573
2	Fees and commission income		
	Reinsurance commission income	14,558	31,611
	Total fees and commission income	14,558	31,611
3	Claims expenses		
	Gross claims paid	341,932	151,498
	Claims ceded to reinsurers	(16,926)	(12,735)
	Gross change in outstanding claims	(29,569)	165,858
	Change in outstanding claims ceded to reinsurers	28,844	(23,351)
	Total claims expenses	324,281	281,270
4	Underwriting expenses		
	Amortized acquisition costs (Note 18)	174,504	213,073
	Maintenance costs	92,500	88,274
	Total underwriting expenses	267,004	301,347
5	Investment income		
	Rental income from investment properties	8,700	8,700
	Available-for-sale financial assets:		
	Dividend income	12,341	15,925
	Interest income on statutory deposits	38,796	57,403
	Cash and cash equivalents interest income	126,372	90,507
	Total investment income	186,209	172,535
5.1	Cash and cash equivalents interest income:		
	Due to Policy holders	52,163	51,244
	Due to shareholders	74,209	39,263
	Total cash and cash equivalents interest income	126,372	90,507

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

6	Gain on sale of property, plant and equipment	2013 N'000	2012 N'000
	Property, plant and equipment: Realized gains on disposals	3,400 =====	105 ===
7	Net fair value gains on investment properties		
	Fair value gains on investment properties (Note 20)	20,000 =====	60,000 =====
8	Other operating income		
	Recoveries from trade receivables	116,230	37,286
	Recoveries from deposit on computerization (Note 19.1)	110,733	60,428
	Sundry income	941	6,427
		----- 227,904 =====	----- 104,141 =====
9	Impairment losses		
	Trade receivables (Note 16.1)	3,879	6,566
	Available-for-sale financial assets (Note 15.2)	-	403
		----- 3,879 =====	----- 6,969 =====
10	Management expense		
	Depreciation on property, plant and equipment (Note 22)	53,265	30,402
	Amortization of intangible assets (Note 21)	20,483	-
	Auditors' remuneration	9,000	8,000
	Employee benefits expense (10.1)	265,510	273,468
	Exchange loss	1,220	1,800
	Legal and professional fees	27,469	40,278
	Provision for litigation	-	33,753
	Write-off on trade and other receivables	-	161,893
	Rents and rates	22,339	27,367
	Administrative	135,366	151,666
		----- 534,652 =====	----- 728,627 =====
10.1	Management expenses		
	Wages and salaries	258,280	264,917
	Pension costs	7,230	8,551
		----- 265,510 =====	----- 273,468 =====

Administrative expenses is made up of NAICOM dues, bank charges, Subscriptions, ICT expenses, corporate gifts, directors remunerations/expenses, car repairs and maintenance, traveling expense.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

11 Income tax

The major components of income tax expense for the year are:

	2013 M'000	2012 M'000
11.1 Income tax expense		
Per statement of profit or loss		
Current income tax:		
Company income tax	52,395	90,643
Education tax	13,858	8,386
Back duty charge on prior years	130,000	13,654
	<u>196,253</u>	<u>112,683</u>
Deferred tax:		
Fair value gains on investment properties	2,000	6,000
Employee benefits	374	189
Property, plant and equipment	61,820	8,117
	<u>64,194</u>	<u>14,306</u>
Income tax expense reported in the statement of profit or loss	<u>260,447</u>	<u>126,989</u>
Per statement of other comprehensive income		
Deferred tax relating to items recognised in OCI during the year:		
Re-measurement gains/(losses) on defined benefit plans	236	(1,146)
Income tax expense charged to OCI	<u>236</u>	<u>(1,146)</u>
Reconciliation to tax expense and the accounting profit multiplied by Guinea's domestic tax rate for 2013 and 2012:		
	2013 M'000	2012 M'000
Accounting profit before income tax	300,282	179,752
At statutory income tax rate of 30% (2012: 30%)	90,085	53,926
Adjustments in respect of current income tax of previous years	130,000	13,654
Non-deductible expense for tax purposes	24,079	87,792
Income not subject to tax	(4,722)	(7,896)
Tax effect of capital allowance	11,147	(16,873)
Education tax	13,858	8,386
Tax rate differential on fair value gains	(4,000)	(12,000)
At effective income tax rate of 42% (2012: 71%)	<u>260,447</u>	<u>126,989</u>
11.2 Current income tax payable		
At 1 January	104,964	25,471
Based on profit for the year	196,253	112,683
Payments made during the year	-	(33,190)
	<u>301,217</u>	<u>104,964</u>

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

11.3 Deferred taxation

	Statement of financial position		Statement of profit or loss	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000
Accelerated depreciation for tax purposes	(77,965)	(16,145)	61,820	8,117
Fair values on investment properties	(4,287)	(2,287)	2,000	6,000
Employee benefits obligation	3,817	4,427	374	189
Deferred tax expense				
Net deferred tax assets/(liabilities)	(78,435)	(14,005)	64,194	14,306

Reflected in the statement of financial position as follows:

	2013 N'000	2012 N'000
Deferred tax assets	3,817	4,427
Deferred tax liabilities	(82,252)	(18,432)
Deferred tax liabilities, net	(78,435)	(14,005)

	2013 N'000	2012 N'000
Reconciliation of deferred tax liabilities, net		
Opening balance as of 1 January	(14,005)	(845)
Tax expense during the year recognised in profit or loss	(64,194)	(14,306)
Tax (expense)/income during the year recognised in OCI	(236)	1,146
Closing balance as at 31 December	(78,435)	(14,005)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

12 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2013 N'000	2012 N'000
Profit attributable to ordinary shareholders (=N='000)	39,835	52,763
Weighted average number of ordinary shares for basic EPS ('000)	6,034,575	5,400,000
Basic and diluted earnings per ordinary share (kobo)	0.7 ----	1.0 ----

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

	2013 N'000	2012 N'000
13 Net unrealised gains on available-for-sale financial assets	N'000	N'000
Unrealised gains on available-for-sale financial assets (Note 15.2)	10,557	19,683
Total net unrealised gains on available-for-sale financial assets	10,557 -----	19,683 -----
14 Cash and cash equivalents		
Cash at banks and on hand	54,169	187,354
Short-term deposits (including demand and time deposits)	1,417,154	1,100,891
Total cash and cash equivalents	1,471,323 -----	1,288,245 -----
Representing:		
Policyholder's fund	584,967	623,315
Shareholder's fund	886,356	664,930
	1,471,323 -----	1,288,245 -----

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. All placements are subject to an average variable interest rate obtainable in the market.

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

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

15	Financial assets	2013	2012
		N'000	N'000
15.1	Available-for-sale financial assets comprise:		
	Listed equity securities at fair value	102,700	92,143
	Unlisted equities at cost	37,804	37,804
		-----	-----
	Total available-for-sale financial assets	140,504	129,947
		-----	-----
15.2	Carrying value of financial instruments	Available-	Total
		for-sale	N'000
		N'000	N'000
	At 1 January 2012	70,340	70,340
	Purchases	40,974	40,974
	Disposals	(647)	(647)
	Fair value gains recorded in OCI	19,683	19,683
	Movement in impairment allowance (Note 9)	(403)	(403)
		-----	-----
	At 31 December 2012	129,947	129,947
	Fair value gains recorded in OCI	10,557	10,557
		-----	-----
	At 31 December 2013	140,504	140,504
		-----	-----

Fair value of financial assets and financial liabilities not carried at fair values

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), demand deposits and savings accounts without a specified maturity, the carrying amounts approximate to their fair value.

Unquoted investments carried at cost

Certain unquoted investments for which fair values could not be reliably estimated have been carried at cost less impairment. There are no active markets for these financial instruments, fair value information are therefore not available, this makes it impracticable for the Company to fair value these investments. They have therefore been disclosed at cost less impairment. The carrying amount is the expected recoverable amount on these investments.

15.3 Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by value technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are based on observable market data.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

15 Financial assets - continued

31 December 2013	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
<i>Available-for-sale financial assets:</i>				
Equity securities	102,700	-	-	102,700
Equity securities at cost				37,804

During the reporting period ended 31 December 2013, there were no transfers between level 1 and 2 and in and out of level 3.

31 December 2012	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
<i>Available-for-sale financial assets:</i>				
Equity securities	92,143	-	-	92,143
Equity securities at cost				37,804

16 Trade receivables	2013 N'000	2012 N'000
Gross insurance receivables	14,498	221,870
Impairment allowance	(10,445)	(6,566)
	4,053	215,304

The carrying amounts disclosed above approximate fair value at the reporting date and are net of impairment charges of =N=3,879,000(2012 =N=6,566,000)

16.1 Movement in impairment allowance:	2013 N'000	2012 N'000
At beginning of the year	6,566	34,868
Additions (Note 9)	3,879	6,566
Write-back	-	(34,868)
At end of the year	10,445	6,566

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	2013 N'000	2012 N'000
17 Reinsurance assets		
Reinsurers's share of reserve for outstanding claims	30,420	59,264
Prepaid reinsurance	73,391	68,325
	<u> </u>	<u> </u>
Total reinsurance assets	103,811	127,589
	<u> </u>	<u> </u>

At 31 December 2013, the Company conducted an impairment review of the reinsurance assets but no impairment loss resulted from the exercise.

Reinsurance assets are not impaired as balance are set-off against payables from retrocession at the end of every quarter.

18 Deferred acquisition costs

These represents commission paid to brokers on unearned premium relating to the unexpired tenure of risks.

	Fire N'000	Motor N'000	General accident N'000	Workmen compensa- tion N'000	Marine and aviation N'000	Total N'000
At 1 January 2012	4,882	11,716	13,137	890	14,667	45,292
Expenses deferred	44,616	35,805	81,436	1,847	29,461	193,165
Amorisation (Note 4)	(46,794)	(41,265)	(91,559)	(1,743)	(31,712)	(213,073)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2012	2,704	6,256	3,014	994	12,416	25,384
Expenses deferred	19,765	22,198	117,067	-	17,819	176,849
Amorisation (Note 4)	(15,369)	(27,023)	(112,027)	(994)	(19,091)	(174,504)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2013	7,100	1,431	8,054	-	11,144	27,729
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Current	7,100	1,431	8,054	-	11,144	27,729
Non-current	-	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	7,100	1,431	8,054	-	11,144	27,729
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

19 Other receivables and prepayments	2013 N'000	2012 N'000
Due from Starcrest Nigeria Limited	-	482,254
Deposit for computerization	93,291	264,451
Accrued interest	17,434	19,641
Due from Chrome group	232	189,232
Staff upfront and advances	15,631	-
Prepayments	16,207	15,761
Others	2,498	7,301
	<u>145,293</u>	<u>978,640</u>
Impairment loss on other receivables (Note 19.1)	(93,290)	(204,023)
	<u>52,003</u>	<u>774,617</u>
	=====	=====

19.1 Movement in impairment loss on other receivables:

At beginning of the year	204,023	284,538
Write-back of recovery (Note 8)	(110,733)	(60,428)
Write-off of DVCF investment	-	(20,087)
	<u>93,290</u>	<u>204,023</u>
	=====	=====

The carrying amounts disclosed above reasonable approximate the fair value at the reporting date. All other receivable amounts are collectible within one year and the prepayment utilisable within one year.

20 Investment properties	2013 N' 000	2012 N'000
At beginning of the year	1,030,000	970,000
Fair value adjustments	20,000	60,000
	<u>1,050,000</u>	<u>1,030,000</u>
	=====	=====

Investment properties are stated at fair value, which has been determined based on valuations performed by Yinka Kayode & Co.(FRCH/2013/00000000001197), Yemi Olugbile & Co.(FRC/2013/00000000001227) accredited independent valuers, as at 31 December 2013 and 31 December 2012 respectively. The valuer is a specialist in valuing these types of investment properties. The determination of fair value of the investment property was supported by market evidence. The modalities and process of valuation utilized extensive analysis of market data and other sectors-specific peculiarities corroborated with available data derived from previous experiences.

Valuations are performed on an annual basis and the fair value gains and losses were recorded within the profit or loss.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

20 Investment properties - continued

	2013 N '000	2012 N '000
Opening balance at 1st January	1,030,000	970,000
Additions (Subsequent expenditure)		
Net Profit / Loss from fair value adjustment	<u>20,000</u>	<u>60,000</u>
Closing balance at 31st	<u>1,050,000</u>	<u>1,030,000</u>
Rental income derived from investment properties	8,700	8,700
Direct operating expenses (including repairs and maintenance) generating rental income	-	-
Direct operating expenses (including repairs and maintenance) that did not generating rental income (included in cost of sales)	-	-
Profit arising from investment properties carried at fair value	<u>8,700</u>	<u>8,700</u>

Description of valuation techniques used and key inputs to valuation on investment properties

The valuation of the properties is based on the price for which comparable land and properties are being exchanged hands on or are being marketed for sale. (Open Market Basis Approach)

By nature, detailed information on concluded transactions is difficult to come by. We have therefore relied on past transactions and recent adverts in deriving the value of the subject properties. At least, eight properties were analysed and compared with the subject property.

The Company enters into operating leases for one of its investment properties. The rental income arising during the year amounted to N 8,700,000 (year ended 31 December 2012: N 8,070,000) and which is included in investment income.

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

	2013 N '000	2012 N '000
Rental income derived from investment properties	8,700	8,700
Direct operating expenses (including repairs & maintenance)	-	-
Profit arising from investment properties carried at fair value	<u>8,700</u>	<u>8,700</u>

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Fair value disclosure on investment properties is as follows:	Fair value measurement using			Total N '000
	Quoted prices in active market Level 1 N '000	Significant observable inputs Level 2 N '000	Significant unobservable inputs Level 3 N '000	
Date of valuation - 31 December 2013				
Investment property	-	-	1,050,000	1,050,000

During the reporting period ended 31 December 2013, there were no transfers between level 1 and 2 and in and out of level 3.

Description of valuation techniques used and key inputs to valuation on investment properties

Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Open market basis in its existing use to depreciated replacement cost approach	Estimated rental value per SQM per month	N500,000-1,000,000 (N725,000)
	Rent growth P.A	0
	long term vacancy rate	20%-30%(26)

Under the open market basis the current cost of reconstructing the existing structure together with improvement in today's market, adequately depreciated to reflect its physical wear and tear, age, functional and economical obsolescence plus site value in its existing use as at the date of inspection.

The duration of the cash flows and specific timing of inflows are determined by event such as rent reviews, lease renewals and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by the agreement at the time of letting out the property. Periodic cash flow is typically estimated as gross income less non recoverable expense, collection losses, lease incentives, maintenance cost, agent and commission cost, and other operating and management expenses.

Assumptions

Rental period is for 5years and 1 year and 4month is outstanding as at 31st December.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

21	Inangible assets	Computer software	Total
	Cost:	N '000	N '000
	Acquired/purchased 2013	84,504	84,504
	At 31 December 2013	84,504	84,504
	Accumulated amortisation and impairment:		
	Amortisation in 2013	20,483	20,483
	At 31 December 2013	20,483	20,483
	Carrying amount:		
	At 31 December 2013	64,021	64,021

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

22	Property, plant and equipment	Freehold	Motor	Computer	Household equipment, office furniture and fittings	Total
		Property N '000	vehicles N '000	Equipment N '000	N '000	
Cost:						
	At 1 January 2012	-	149,825	28,249	30,202	208,276
	Additions	-	20,934	2,278	5,776	28,988
	Disposals	-	(9,386)	(100)	-	(9,486)
	At 31 December 2012	-	161,373	30,427	35,978	227,778
	Additions	787,401	44,780	89,135	65,396	986,712
	Disposals	-	(16,641)	-	-	(16,641)
	At 31 December 2013	787,401	189,512	119,562	101,374	1,197,849
Accumulated depreciation:						
	At 1 January 2012	-	109,463	21,820	22,162	153,445
	Charge for the year	-	23,261	3,481	3,660	30,402
	Disposals	-	(8,063)	(74)	-	(8,137)
	At 31 December 2012	-	124,661	25,227	25,822	175,710
	Charge for the year	10,031	19,645	14,500	9,089	53,265
	Disposals	-	(16,641)	-	-	(16,641)
	At 31 December 2013	10,031	127,665	39,727	34,911	212,334
Net book value:						
	At 31 December 2013	777,370	61,847	79,835	66,463	985,515
	At 31 December 2012	-	36,712	5,200	10,156	52,068

The company acquired a freehold property at No 33, Ikorodu road, Ibeju-Lagos. From Atlantic Gulf International resources limited on 22nd August 2013 for N 770m, inclusive of legal and agency fee. N 17.4m was subsequently spent on improvement. The deed of assignment to finalise the transfer is awaiting Lagos State Governor's assent.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

23 Statutory deposit

This represents the amount deposited with the Central Bank of Nigeria as at 31 December 2013 (31 December 2012: ₦315,000,000) in accordance with Section 10 (3) of Insurance Act 2003. Interest income was earned at an average rate of 13.14% per annum (2012: 15.01%) and this has been included within investment income.

24 Insurance contract liabilities	2013	2012
	₦'000	₦'000
Insurance contract liabilities consist of the following:		
Provision for reported claims by policyholders	267,194	277,235
Provision for claims incurred but not reported (IBNR)	71,239	90,767
	-----	-----
Outstanding claims provisions (Note 24.1)	338,433	368,002
Provision for unearned premium (Note 24.2)	194,587	187,432
	-----	-----
Total insurance contract liabilities	533,020	555,434
	-----	-----

24.1 Outstanding claims provision

At 1 January	368,002	202,145
Claims incurred in the current accident period year	312,363	317,355
Claims paid during the year	(341,932)	(151,498)
	-----	-----
At 31 December	338,433	368,002
	-----	-----

24.2 Provision for unearned premium

At 1 January	187,432	286,611
Premium written in the year (Note 1)	1,088,340	1,138,741
Premium earned during the year (Note 1)	(1,081,185)	(1,237,920)
	-----	-----
At 31 December	194,587	187,432
	-----	-----

25 Trade payables

This represents the amount payable to insurance and reinsurance companies on facultative and treaty placements.

57,278	86,301
-----	-----

This represents the amount payable to insurance and reinsurance companies as at year end. The carrying amounts of trade payable as disclosed above approximate their fair value at the reporting date.

2013	2012
₦'000	₦'000

26 Other payables and accruals

Accrued expenses	76,310	67,453
Rent received in advance (Note 26.1)	11,600	20,300
Statutory payables	28,257	40,475
Other payables	118,677	119,114
Deferred commission income	10,094	-
	-----	-----
244,938	247,342	
-----	-----	

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Other payables is made up of creditors.

26.1 Rent received in advance	2013 N '000	2012 N '000
At beginning of the year	20,300	29,000
Released to profit or loss	(8,700)	(8,700)
	-----	-----
At end of the year	11,600	20,300
	-----	-----
 27 Employee benefit obligations		
Defined contribution payables (Note 27.1)	3,394	3,339
Defined benefit gratuity payables (Note 27.2)	12,724	14,757
	-----	-----
	16,118	18,096
	-----	-----

27.1 Defined contribution payables

Defined contribution payable represents the amount payable to fund manager under a defined Contributions plan. In accordance with the Pension Reform Act of 2004, the Company introduced defined contributory scheme to complement the funded defined benefit scheme. Under the contributory scheme, the employee contributes 7.5% of basic salary, housing and transport allowances and the employer contributes 7.5% on the same basis. Pension remittances are made to various PFAs on behalf of the Company's staff on a monthly basis.

27.2 Defined benefit gratuity payables

The Company operates a defined benefit pension scheme as well as a defined pension contribution payables for its employees. The Company operates a non-contributory lump sum defined benefit gratuity payables. Employees are entitled to gratuity payments on exit after full years of service with the Company. The gratuity benefits of each employee was calculated and crystallized as at 30th April 2011. In particular, future company service after this date does not attract gratuity benefits. Employees upon exit from the Company shall receive the value of their crystallized gratuity benefit without interest credit. The scheme was closed to new entrants beginning from 30th April 2011. There are no plan assets explicitly segregated to meet gratuity benefits. The Company meets benefits on a pay-as-you-go-basis.

The defined benefit plan will come to an end and no further disclosure will be required on characteristics of its defined benefit plans, the risks associated with them and how its defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.

An actuarial valuation was conducted by a qualified independent actuary. The last actuarial valuation was carried out by Messrs HR Nigeria Limited (Consultants and Actuaries) as at 31 December 2013. New employees joining the company from 1 April 2011 will only be entitled to the defined pension contribution payables. The gratuity balance is disclosed on the face of the statement of financial position. The Company ensures that adequate provisions are made to meet its obligations under the scheme.

The amounts recognised in profit or loss is as follows:	2013 N '000	2012 N '000
Interest cost	1,594	2,157
	-----	-----
The amounts recognised in other comprehensive income:		
Re-measurement (gain)/loss on defined benefit plans	(785)	3,819
	-----	-----

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

27 Employee benefit obligations - continued

The movement in the defined benefit obligation is as follows:

	2013 N '000	2012 N '000
At 1 January	14,757	17,945
Service cost	-	-
Interest cost	1,594	2,157
Actuarial (gains)/losses - Assumption	(1,570)	630
Actuarial (gains)/losses - Experience	785	3,189
Curtailment (gains)/losses	-	-
Benefit paid by the fund	(2,842)	(9,164)
	<u>12,724</u>	<u>14,757</u>
At 31 December	12,724	14,757

The movement in the plan assets is as follows:

At 1 January	-	-
Employer contributions made in the financial year	2,842	9,164
Benefit paid by the employer	(2,842)	(9,164)
	<u>-</u>	<u>-</u>
At 31 December	-	-

The principal actuarial assumptions used in determining the pension benefit obligation for the Company's plan are as follows:

	2013 %	2012 %
Discount rate per annum	13.5	13
Average per increase per annum	-	-
Average rate of inflation per annum	9	10

NOTES TO THE FINANCIAL STATEMENTS - Continued

27 Employee benefit obligations - continued

		Employee benefit cost charged to income or expenditure										Re-measurement gains/(losses) in other comprehensive income	
		Service cost	Net interest	Past service cost	Sub-total included in profit or loss (Note 7)	Benefit payments	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from economic assumptions	Actuarial changes arising from financial assumptions	Experience adjustments included in OCI	Sub-total include d in OCI	Contributi ons by employer	31-Dec-12
		M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000
1/01/2012													
Defined benefit obligation		17,945	2,157		20,102	(9,164)		630		3,189			14,757
TOTAL		17,945	2,157		20,102	9,164		630		3,189			14,757
01/01/2011:													
Defined benefit obligation		14,757	(0)	1,594	(0)	16,351	(2,842)		69	(854)			12,724
TOTAL		14,757	(0)	1,594	(0)	16,351	(2,842)		69	(854)			12,724

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

27 Employee benefit obligations - continued

The principal assumptions used in determining employee benefit obligations for the company's plans are shown below:

	2013	2012
	%	%
Discount rate:	13.5	12
Average pay increase	0	0
Average rate of inflation rate	9	10

A quantitative sensitivity analysis for significant assumption as at 31 December is as shown below:

Assumptions	Discount rate	
Sensitivity Level	1% Increase	1% Decrease
	N '000	N '000
Impact on the net defined benefit obligation	12,851	12,597
	=====	=====

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	2013	2012
	N '000	N '000
Less than 4	-	759
Between 4 and 10 years	4,908	7,142
Between 10 and 15 years	7,816	6,856
	-----	-----
Total expected payments	12,724	14,757
	=====	=====

28 Deposits for shares

During the year, seven hundred and forty million shares of fifty kobo each were fully allotted following the Securities and Exchange Commission's approval of 21 February 2013. The allocated shares have also been listed on the floor of the Nigerian Stock Exchange on 28 March 2013.

29 Issued share capital	2013	2012
	N '000	N '000
Authorised share capital		
6.4 billion Ordinary shares of 50 kobo each	3,200,000	3,200,000
	-----	-----
Issued and fully paid		
6.14 billion (2012: 5.4 billion) Ordinary shares of 50 kobo each	3,070,000	2,700,000
	-----	-----
The movement in issued share capital during the year is as follows:		
At 1 January	2,700,000	2,700,000
Issued during the year (Note 28)	370,000	-
	-----	-----
At 31 December	3,070,000	2,700,000
	=====	=====

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

		2013	2012
		N'000	N'000
30	Share premium		
	At 31 December	337,545	337,545
		-----	-----
31	Contingency reserve		
	Contingency reserve is computed as the higher of 20% of net profit and 3% of premium as specified in Section 21(2) of the Insurance Act 2003.		
32	Available-for-sale reserve		
	The fair value available-for-sale reserve shows the effects from the fair value measurement of financial instruments of the category available-for-sale. Any gains or losses are not recognised in the profit or loss until the asset has been sold or impaired.		
33	Reconciliation of profit before income tax to cash flows provided by operating activities		
		2013	2012
		N'000	N'000
	Profit before income tax	300,282	179,752
	Adjustments for non-cash items:		
	Depreciation of property, plant and equipment	53,265	30,402
	Amortization of intangible assets	20,483	-
	Profit from sale of property, plant and equipment	(3,400)	(105)
	Exchange losses on transactions	1,220	1,800
	Investment income	(186,209)	(172,535)
	Fair value gains	(20,000)	(60,000)
	Impairment loss on insurance receivables	3,879	6,566
	Recoveries on other receivables	(110,733)	-
	Impairment loss on available-for-sale financial asset	-	403
	Write-off of impaired receivables	-	161,893
	Changes in working capital:		
	Decrease/(increase) in trade receivables	207,372	(21,799)
	Decrease/(increase) in reinsurance assets	23,778	(45,398)
	(Decrease)/increase in deferred expenses	(2,345)	19,909
	Decrease in other receivables and prepayment	833,347	356,955
	(Decrease)/increase in provision for outstanding claim	(29,569)	165,857
	Increase/(decrease) in provision for unearned premium	7,154	(99,178)
	Decrease in trade payables	(29,023)	(20,003)
	(Decrease)/increase in other payables and accruals	(2,668)	17,526
	Decrease in employee benefit obligation	(1,193)	(11,417)
	Income tax paid	-	(33,190)
		-----	-----
	Net cash flows from operating activities	1,065,640	477,438
		-----	-----
33.1	Other Operating cash receipt		
	Auditors' remuneration	(9,000)	(8,000)
	Other expenses	(185,174)	(253,063)
	Decrease/(increase) in other receivables and prepayment	722,614	366,245
	Increase/Decrease in trade and other payables	(35,597)	(11,769)
		-----	-----
		492,843	93,413
		-----	-----

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

34 Related party disclosures

34.1 Transactions with related parties

The Company entered into transactions with its parent company (Chrome Group) and other affiliates and key management personnel during the year in the normal course of business. The sales to and purchases from related parties are made at normal market prices.

	2013 N'000	2012 N'000
Sale of		
Insurance contracts to fellow subsidiaries and other key management personnel (Note 1):		
- Chrome Oil Services Limited- Shareholder	-	15,192
- Chrome Insurance Brokers- Shareholder	493,830	378,688
- Kaztech Engineering Nigeria Limited- Shareholder	2,809	48,694
- Kaztech Marine Services Limited- Shareholder	45,021	28,483
- Sir Emeka Offor Foundation- Shareholder	105	5
- Sir Emeka Offor- Shareholder	-	110
- Mr Soji Emiola- Shareholder	537	129
- Mr Fred Udechukwu- Shareholder	13	15
- Prof E.C.L Nnabuife- Shareholder	145	20
- Mr Emeka Onuselogu- Shareholder	702	43
- Mr Nasiru Isyaku- Shareholder	2,273	129
Purchase of Financial services from affiliates:		
- Chrome Insurance Brokers	96,901	84,181
- Global Scansystems Technology Limited	36,114	-

34.2 Balances with related parties

Receivables from related parties (Note 1)		
- Chrome Oil Services Limited	-	50
- Chrome Group	232	189,232
- Ethanig Nigeria Limited	93,291	204,024
- Chrome Insurance Brokers	-	30,421
- Kaztech Marine Services Limited	-	26,597
- Starcrest Nigeria Limited	-	482,254
- Global Scansystems Technology Limited (Note 14)	636,114	-
Payables to related parties		
- Chrome Insurance Brokers (Note1)	-	6,927

Outstanding balances at the reporting date are unsecured. Settlement will take place in cash. However, some of the receivables from related parties are impaired. The impaired receivables are as follows:

	2013 N'000	2012 N'000
- Ethanig Nigeria Limited - Shareholder (Note 1)	93,291	204,024

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

	2013 N'000	2012 N'000
34.3 Compensation of key management personnel:		
Salaries	60,842	66,259
Post-employment pension benefits	2,328	2,362
Total compensation of key management personnel	63,170	68,621

35 Contraventions:

Nature of contravention	Number of Infractions	Penalty N'000
NAICOM		
Late submission of audited financial statements to the National Insurance Commission (NAICOM)	1	1,825
Non rendition of unremitted premium	1	120
TAX LAW		
Late filing of the Company's return on VAT	1	25

36 Events after the reporting date

No significant event has occurred since the reporting date which requires adjustment of, or further disclosure in the financial statements.

37 Going Concern

The Company's shareholders funds as at 31 December 2013 is =N=2.9 billion (2012: =N=2.6billion) and the solvency margin as at 31 December 2013 is =N= 2.1 billion (2012: =N=2.2billion), are less than the minimum regulatory requirement. These conditions indicate the existence of an uncertainty on the Company's ability to continue as a going concern. However, with the recoveries expected on deposit from computerization, injection of new funds, planned disposal of investment property and expected profit from operations in 2014, the gap in solvency is expected to be remedied.

38. Risk management framework

a. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

The board of directors approves the Company risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

b. Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

1. To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
2. To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
3. To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
4. To align the profile of assets and liabilities taking account of risks inherent in the business;
5. To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders;
6. To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

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

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the NAICOM directives, including any additional amounts required by the regulator. The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds.

The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

38. Insurance and financial risk – continued

Available capital resources as at 31 December 2013

	N'000
Total shareholders' funds per financial statements	2,982,953
Other Receivables and prepayment	(52,003)
Staff upfront and advances	15,631
Intangible assets	(64,021)

Adjustments to a regulatory basis	(100,393)

Available capital resources	2,882,560
	=====
Available capital resources as at 31 December 2012	
Total shareholders' funds per financial statements	2,562,012
Adjustments to a regulatory basis	(57,872)

Available capital resources	2,504,140
	=====

The adjustments onto a regulatory basis represent assets inadmissible for regulatory reporting purposes. However, current year available capital resources are subject to Regulator's review and approval.

NAICOM measures the financial strength of non-life insurers using a solvency margin model. It generally expects non-life insurers to comply with this capital adequacy requirement. Section 24 of the Insurance Act 2003 defines solvency margin of a non-life insurer as the difference between the admissible assets and liabilities and this shall not be less than 15% of the net premium income (Gross Premium Income less Reinsurance Premium paid) or the minimum capital base (3billion) whichever is higher. The regulator indicated that insurers should produce a minimum solvency margin of 100%. The Company maintain solvency margin which was below the minimum required as at 31 December, 2013. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement.

Solvency margin for the non-life business as at 31 December, 2013 is as follows:-

	N'000
Admissible Assets	
Cash and cash equivalents	1,471,323
Available for sale	140,504
Trade receivables	4,053
Reinsurance assets	103,811
Deferred acquisition cost	27,729
Other receivables and prepayments	15,631
Investment properties	1,000,000
Property, plant and equipment (Others)	208,145
Statutory deposit	315,000

	3,286,196
	=====
Admissible Liabilities	
Insurance contract liabilities	533,020
Trade payable	57,278
Other payables and accruals	244,938
Employee benefit obligations	16,118
Current tax payable	301,217

	1,152,571

Solvency margin	2,133,625
	=====

The higher of 15% net premium income and shareholders' fund 3,000,000,000

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

The company has a solvency gap which it plans to address through:

- i. Expected profit from operations - N414 million budgeted in 2014
- ii. Recovery from deposit on computerization earlier written off - N 93 million
- iii. Injection of new fund - N 500 million
- iv. Disposal of investment property.

c. Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

d. Asset liability management (ALM) framework

The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is:

- An integral part of the insurance risk management policy, to ensure in each period sufficient cash flows is available to meet liabilities arising from insurance contracts.

a. Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

a. Insurance risk - continued

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 20% of total reinsurance assets at the reporting date.

The Company principally issues the following types of general insurance contracts: fire, motor, general accident, engineering, marine and aviation, bond and credit and oil and gas. Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim

inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

a. Insurance risk

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Non -life Insurance contracts (General insurance)

The company principally issues the following types of general insurance contract which include: motor, miscellaneous general accident, fire, marine and aviation. Risk under non -life policies usually cover an average of twelve (12) month duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risk, are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further more strict claim review policies to access all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the company .The company further enforce a policy of actively managing and promptly pursuing claims ,in order to reduce its exposure to unpredictable future developments that can negatively impact the business . Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities

The company has also limited its exposure by imposing maximum claim amount on certain contract as well as the use of reinsurance arrangements in order to limit exposure.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

The table below set out the concentration of non-life insurance contract liabilities by type of contract:

	31st December 2013			31st December 2012		
	Gross Liabilities	Reinsurance of liabilities	Net Liabilities	Gross Liabilities	Reinsurance of liabilities	Net Liabilities
	N 000	N 000	N 000	N 000	N 000	N 000
MISC GENERAL						
ACCIDENT	211,634	3,280	208,354	246	26	219
FIRE	50,425	2,688	47,737	45	6	39
MARINE	27,904	16,213	11,691	51	26	24
MOTOR	48,468	8,238	40,230	26	-	26
	<u>338,432</u>	<u>30,420</u>	<u>308,013</u>	<u>368</u>	<u>59</u>	<u>309</u>

Key assumptions

The principal assumptions underlying the liability estimates is that the company uses historically paid losses are inflated using the corresponding inflation index in each of the accident years to the year of valuation and then accumulated to their ultimate values for each accident year to obtain the projected outstanding claims. These projected outstanding claims are then further multiplied by the future inflation index from the year of valuation to the future year of payment of the outstanding claims.

The non-life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. It should be noted that movements in these assumptions are non-linear.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

31 December 2013	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		N 000	N 000	N 000	N 000
Average claims cost	+10%	1,493	134	1,358	951
Average number of claims	+10%	33,843	3,042	30,801	21,551

31 December 2012	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
		N 000	N 000	N 000	N 000
Average claims cost	+10%	610	98	512	358
Average number of claims	+10%	38,800	5,926	30,874	21,612

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each triangulation below illustrates how the Company's estimate of total claims outstanding for each year has changed at successive year-ends.

Claims Paid Triangulations as at 31 December 2013

Motor Accident year	Development Years				
	1 N'000	2 N'000	3 N'000	4 N'000	5 N'000
2009	19,518	37,913	39,830	39,830	39,830
2010	12,429	23,516	28,537	28,956	
2011	9,652	30,745	33,251		
2012	12,623	19,486			
2013	12,675				

Fire Accident year	Development Years				
	1 N'000	2 N'000	3 N'000	4 N'000	5 N'000
2009	155	708	2,075	4,315	
2010	311	3,092	3,602		
2011	167	9,607			
2012	90	30,016			
2013	527				

General Accident Accident year	Development Years				
	1 N'000	2 N'000	3 N'000	4 N'000	5 N'000
2009	4,589	52,458	4,701	2,130	7,999
2010	27,848	28,629	1,825	16,329	
2011	14,855	19,686	25,574		
2012	63,948	63,681			
2013	11,869				

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

Marine	Development Years				
	1	2	3	4	5
Accident year	N'000	N'000	N'000	N'000	N'000
2009	-	4,416	4,416	4,669	4,669
2010	335	1,601	58	4,026	
2011	220	3,267	11,738		
2012	4,817	8,473			
2013	1,938				

b. Financial risks

(i). Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of director and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The Company sets the maximum amounts and limits that may be advances to corporate counterparties by reference to their long-term credit ratings.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid or fully provided for and Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.
- Net exposure limits are set for each counterparty i.e limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held.
- A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit exposure

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2013 and 2012 is the carrying amounts as presented in Notes 16 & 17.

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit risk exposure based on the carrying value of the financial instruments.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

Industry analysis

31 December 2013	Financial services N'000	Government N'000	Other N'000	Total N'000
Other receivables and prepayments	-	-	52,003	52,003
Statutory deposit	-	315,000	-	315,000
	-----	-----	-----	-----
	-	315,000	52,003	367,003
Reinsurance assets	-	-	103,811	103,811
Trade receivables	-	-	4,053	4,053
Cash and cash equivalents	1,471,323	-	-	1,471,323
	-----	-----	-----	-----
Total credit risk exposure	1,471,323	315,000	159,867	1,946,190
	-----	-----	-----	-----
31 December 2012				
Other receivables and prepayments	-	-	774,617	774,617
Statutory deposit	-	315,000	-	315,000
	-----	-----	-----	-----
	-	315,000	774,617	1,089,617
Reinsurance assets	-	-	127,589	127,589
Trade receivables	-	-	215,304	215,304
Cash and cash equivalents	1,288,245	-	-	1,288,245
	-----	-----	-----	-----
Total credit risk exposure	1,288,245	315,000	1,117,510	2,720,755
	-----	-----	-----	-----

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counter parties:

	Investment Grade M'000	Neither past-due nor impaired Non-investment grades satisfactory M'000	Non-investment grades unsatisfactory M'000	Past-due but not impaired M'000	Total M'000
31 December 2013					
Other receivables and prepayments	-	52,003	-	-	52,003
Statutory deposit	315,000	-	-	-	315,000
Reinsurance assets	-	-	103,811	-	103,811
Trade receivables	-	54,169	-	4,053	4,053
Cash and cash equivalents	1,417,154	-	-	-	1,471,323
Total	1,732,154	106,172	103,811	4,053	1,942,190
31 December 2012					
Other receivables and prepayments	-	774,617	-	-	774,617
Statutory deposit	315,000	-	-	-	315,000
Reinsurance assets	-	-	127,589	-	127,589
Trade receivables	-	-	-	215,304	215,304
Cash and cash equivalents	1,100,891	187,354	-	-	1,288,245
Total	1,415,891	961,971	-	342,893	2,720,755

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

Age analysis of financial assets past due but not impaired

	< 30 days N'000	31 to 60 days N'000	61 to 90 days N'000	Total past due but not impaired N'000
31 December 2013				
Other receivables and prepayments	-	-	-	-
Reinsurance assets	2,429	459	100,923	103,811
Trade receivables	3,470	485	98	4,053
Total	5,899	944	101,021	107,864
31 December 2012				
Other receivables and prepayments	-	-	-	-
Reinsurance assets	58,346	15,438	53,805	127,589
Trade receivables	208,614	5,933	757	215,304
Total	266,960	21,371	54,562	342,893

At 31 December 2013, there are no impaired reinsurance assets (2012: Nil), impaired other receivables of N9,329,000 (2012: N204,023,000) and trade receivable N 3,879,000 (2012: N6,566,000).

For assets to be classified as 'past-due and impaired' contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

(ii). Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meeting insurance and investment contracts obligations.
- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.
- Contingency funding plans are place, which specify minimum proportions of funds to meet emergency calls well as specifying events that would trigger such plans.

Maturity profiles

The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs to assist users in understanding how assets and liabilities have been matched. Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

Maturity analysis (contractual undiscounted cash flow basis)

31 December 2013	Carrying amount M'000	Up to 1 year M'000	1-3 years M'000	3-5 years M'000	Over 5 years M'000	No maturity date M'000	Total M'000
Financial assets							
Other receivables and prepayments	52,003	52,003	-	-	-	-	52,003
Available-for-sales financial assets	140,504	-	-	140,504	-	140,504	140,504
Reinsurance assets	103,811	102,986	825	-	-	-	103,811
Trade receivables	4,053	4,053	-	-	-	-	4,053
Cash and cash equivalents	1,471,323	1,471,323	-	-	-	-	1,471,323
Total assets	1,771,694	1,630,365	825	-	-	140,504	1,771,694
Financial liabilities							
Insurance contract liabilities	533,020	533,020	-	-	-	-	533,020
Trade payables	57,278	57,278	-	-	-	-	57,278
Other payables and accruals	244,938	233,338	11,600	-	-	-	244,938
Total liabilities	835,236	823,636	11,600	-	-	-	835,236
Total liquidity gap	936,458	806,729	(10,775)	140,504	-	140,504	943,447

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

31 December 2012	Carrying amount M'000	Up to 1 year M'000	1-3 years M'000	3-5 years M'000	Over 5 years M'000	No maturity date M'000	Total M'000
Financial assets							
Other receivables and prepayments	774,617	774,617	-	-	-	-	774,617
Available-for-sale financial assets	129,947	-	-	129,947	-	129,947	129,947
Reinsurance assets	127,589	127,589	-	-	-	-	127,589
Trade receivables	215,304	215,304	-	-	-	-	215,304
Cash and cash equivalents	1,288,245	1,288,245	-	-	-	-	1,288,245
Total assets	2,535,702	2,405,755				129,947	2,535,702
Financial liabilities							
Insurance contract liabilities	555,434	555,434	-	-	-	-	555,434
Trade payables	86,301	86,301	-	-	-	-	86,301
Other payables and accruals	247,342	227,042	20,300	-	-	-	247,342
Total liabilities	889,077	868,777	20,300				889,077
Total liquidity gap	1,646,625	1,536,978	20,300			129,947	1,646,625

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

31 December 2013	Current M'000	Non- Current M'000	Total M'000
Cash and cash equivalents	1,471,323	-	1,471,323
Trade receivables	4,053	-	4,053
Reinsurance assets	103,811	-	103,811
Financial assets:			
Available-for-sale financial assets	-	140,504	140,504
Investment properties	-	1,050,000	1,050,000
Property, plant and equipment	-	985,515	985,515
Intangible Asset	-	64,021	64,021
Other receivables and prepayments	52,003	-	52,003
Deferred acquisition costs	27,729	-	27,729
Statutory deposit	-	315,000	315,000
	-----	-----	-----
Total Assets	1,658,919	2,555,040	4,213,959
	-----	-----	-----
Liabilities and Equity			
Liabilities			
Other payables and accruals	233,338	11,600	244,938
Trade payables	57,278	-	57,278
Current tax payable	301,217	-	301,217
Deferred tax liability	-	78,435	78,435
Employee benefit obligations	16,118	-	16,118
Insurance contract liabilities	533,020	-	533,020
	-----	-----	-----
Total liabilities	1,140,971	90,035	1,231,006
	-----	-----	-----
 31 December 2012			
Cash and cash equivalents	1,288,245	-	1,288,245
Trade receivables	215,304	-	215,304
Reinsurance assets	127,589	-	127,589
Financial assets:			
Available-for-sale financial assets	-	129,947	129,947
Investment properties	-	1,030,000	1,030,000
Property, plant and equipment	-	52,068	52,068
Other receivables and prepayments	774,617	-	774,617
Deferred acquisition costs	25,384	-	25,384
Statutory deposit	-	315,000	315,000
	-----	-----	-----
Total Assets	2,431,139	1,527,015	3,958,154
	-----	-----	-----
Liabilities			
Other payables and accruals	227,042	20,300	247,342
Trade payables	86,301	-	86,301
Current tax payable	104,964	-	104,964
Deferred tax liability	-	14,005	14,005
Employee benefit obligations	18,096	-	18,096
Insurance contract liabilities	555,434	-	555,434
Deposit for shares	370,000	-	370,000
	-----	-----	-----
Total liabilities	1,361,837	34,305	1,396,142
	-----	-----	-----

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

(iii). Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The risk management frameworks for each of its components are discussed below:

(a). Currency risk

Currency risk is the risk that fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Our currency risk exposure is minimal and we are currently putting framework to manage our exposures to exchange rate risks emanating from our underwriting some foreign transactions.

Foreign Exchange risk

Guinea Insurance is exposed to foreign exchange currency risk primarily through certain transactions denominated in foreign currency. The Company is exposed to foreign currency through bank balances in other foreign currencies.

The carrying amounts of the Company's foreign currency-denominated assets as at end of the year are as follows:

	Cash & Cash Equivalents	Available-for-sale	Total
	N'000	N'000	N'000
Dollars	53,627	-	53,627

The Company limits its exposure to foreign exchange to 10% of total investment portfolio. Foreign currency changes are monitored by the investment committee and holdings are adjusted when offside of the investment policy. The Group further manages its exposure to foreign exchange risk using sensitivity analysis to assess potential changes in the value of foreign exchange positions and impact of such changes on the Group's investment income. At the year end, the foreign currency investments held in the portfolio are cash and cash equivalents.

There have been no major changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

(iii) Market risk - continued

(a) Currency risk

The following table details the effect on the profit as at 31 December 2013 from a N155.25/\$ closing rate favorable/unfavorable change in US dollars against the naira with all other variables held constant.

	Increase by 1%	Increase by 4%	Decrease by 1%	Decrease by 4%
	N'000	N'000	N'000	N'000
Financial assets:				
Cash and cash equivalents	536	2,145	(536)	(2,145)
Impact on profit before tax	536	2,145	(536)	(2,145)
Impact on equity	375	1,502	(375)	(1,502)

The method used to arrive at the possible risk of foreign exchange rate was based on both statistical and non-statistical analyses. The statistical analysis was based on movement in main currencies for the last five years. This information was then revised and adjusted for reasonableness under the current economic circumstances.

(b). Interest rate risk

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

Fixed interest rate instruments expose the Company to fair value interest risk. The risks arising from fluctuations in our interest rate is managed in line with the investment risk policy. We also manage this risk by reducing the portfolio of our interest rate risk sensitive securities as well as fixed most of interest rate income.

The table below details the interest rate sensitivity analysis of Guinea Insurance Plc as at 31st December 2013, holding all other variable constant. Based on historical date, 100 & 500 basis points changes are deemed to be reasonably possible and are used when reporting interest rate risk.

Interest earning assets	Amount	Increase by 100bp	Increase by 500bp	Decrease by 100bp	Increase by 500bp
	N'000	N'000	N'000	N'000	N'000
Fixed term deposit	1,417,154	1,417	7,086	(1,417)	(7,086)
Impact on equity	1,417,154	1,417	7,086	(1,417)	(7,086)

(c) Equity Price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities. The risks arising from change in price of our investment securities is managed through our investment desk and in line with the investment risk policy.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

- (ii) Market risk - continued
- (c) Equity price risk- continued

The Company's management of equity price risk is guided by the following:

- Investment Quality and Limit Analysis
- Stop Loss Limit Analysis
- Stock to Total Loss Limit Analysis

Investment quality and limit analysis

The Board through its Board Investment Committee set approval limits for taking investment decision approval limits are illustrated using an approval hierarchy that establishes different levels of authority necessary to approve investment decisions of different naira amounts. The approval limits system: sets a personal discretionary limit for Chief Executive Officer; requires that investment decisions above this personal discretionary limit requires approval by the Board of Directors and; sets out lower limits for Chief Finance Officer (CFO) and, or provides the CFO with the authority to assign limits to subordinates.

Stop loss limit analysis

The eligible stocks are further categorized into class A, B and C based on market capitalizations, liquidities and market volatilities. These classes are assigned stop loss limits and maximum holding days for trading as a measure of the amount of loss the Group is willing to accept. Periodic reviews and reassessments are undertaken on the performance of the stocks. The stop loss limits on classes' basis that guide the monitoring of investment in capital markets depicted below:

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

38. Insurance and financial risk - continued

(c). Equity price risk continued

The Company's ERM function monitors compliance of the Investment arm to these limits and reports to Management periodically.

A summary of the Company's Stop Loss Limit position on trading equities as at 31 December 2013 is as follows:

STOCK TO TOTAL LIMIT ON COMPANY'S INVESTMENT PORTFOLIO					
SECTOR OF STOCK	COST PRICE	MARKET PRICE	STOCK CLASS	GAIN/LOSS	Bench Mark
BREWERIES	90	404	A	349%	25%
PETROLEUM(MARKETING)	147	190	A	29%	25%
BANKING	105	119	A	13%	25%
INSURANCE	4	1	C	-75%	20%
CONGLOMERATE	11	177	A	1,508%	25%

STOCK TO TOTAL LIMIT ON COMPANY'S PORTFOLIO		
SECTOR OF STOCK	MARKET PRICE	%
BREWERIES	404	45%
PETROLEUM(MARKETING)	190	21%
BANKING	119	13%
INSURANCE	1	0%
CONGLOMERATE	177	20%

Operational risks

Our operational risk exposure arises from inadequately controlled internal processes or systems, human error or non-compliance as well as from external events. Operational risk management framework includes strategic, reputation and compliance risks. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

GUINEA INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

39. Contingencies and commitments

(a). Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material affect on its results and financial position.

The Company is also subject to insurance solvency regulations of NAICOM. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

(b). Capital commitments and operating leases

The Company has no capital commitments at the reporting date.

40. Admissible assets

The admissible assets representing insurance funds are included in the Statement of Financial Position as follows:

Total assets representing insurance funds	N'000	N'000
Cash and cash equivalents:		
Cash	54,169	
Short-term deposits	1,417,154	

Total cash and cash equivalents		1,471,323
Available-for-sale financial assets:		
Quoted equities	102,700	
Total Available-for-sale financial assets		102,700

Total Assets representing insurance funds		1,574,024
Total insurance funds		533,020

Balance due to shareholders' funds		1,041,005

GUINEA INSURANCE PLC

NON-LIFE REVENUE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Fire Business N'000	Motor Business N'000	Individual General Accident N'000	Marine and Aviation N'000	2013 N'000	2012 N'000
INCOME						
Gross premium written	97,542	177,427	725,871	87,500	1,088,340	1,138,741
Decrease/(increase) in reserve for unexpired risks	(29,396)	50,589	(60,098)	31,750	(7,155)	99,179
Gross premium income	68,146	228,016	665,773	119,250	1,081,185	1,237,920
Reinsurance expense	(1,086)	(19,914)	(10,727)	(71,431)	(103,158)	(108,347)
Net insurance premium revenue	67,060	208,102	655,046	47,819	978,027	1,129,573
Fees and Commission income	566	7,752	283	5,957	14,558	31,611
Net underwriting income	66,494	215,854	655,329	53,776	992,585	1,161,184
EXPENSES						
Gross claims paid	51,407	22,264	244,992	23,269	341,932	151,498
Adjustment for movement in outstanding claims	5,513	22,319	(34,279)	(23,121)	(29,569)	165,858
Gross claims incurred	56,919	44,582	210,713	148	312,363	317,356
Change in insurance contract liabilities ceded to reinsurers	3,684	(8,238)	22,764	10,634	28,844	(23,351)
Reinsurance recoveries	(7,018)	(5,178)	(3,085)	(1,645)	(16,926)	(12,735)
Claims expense	53,585	31,167	230,392	9,137	324,281	281,270
Acquisition expenses	15,407	22,253	109,693	27,152	174,505	213,073
Maintenance Expenses	7,790	15,893	67,310	1,507	92,499	88,273
Total expenses	76,781	69,312	407,395	37,797	591,285	582,617
Underwriting result Transfer to profit and loss account	(10,288)	146,542	247,935	17,111	401,300	578,567

GUINEA INSURANCE PLC

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013		2012	
	N'000	%	N'000	%
Gross premium written	1,088,340		1,138,741	
Claims expenses	(324,281)		(281,270)	
Reinsurances expenses	(103,158)		(108,347)	
Other charges and expenses	(146,378)		(392,955)	
Fees and commission	14,558		31,611	
Investment and other income	414,113		276,676	
	-----		-----	
Value added	943,194	100	664,456	100
	-----	---	-----	---
Applied as follows:				
Salaries, wages and other benefits	265,510	28	273,468	41
In payment to Government:				
Taxation	260,447	28	126,989	19
In payment to Shareholders:				
Payment of dividends	-	-	-	-
Retained in the business:				
Depreciation and amortization	73,748	8	30,402	5
Contingency reserve	32,650	3	34,162	5
Available for sale reserve	10,557	1	19,683	3
Transfer to general reserve	300,282	32	179,752	27
	-----	---	-----	---
	943,194	100	664,456	100
	-----	---	-----	---

Value added is the wealth created by the efforts of the company and its employees. This statement shows the allocation of that wealth among the employees, shareholders, government and amount re-invested for future creation of further wealth.

GUINEA INSURANCE PLC

5 YEAR FINANCIAL SUMMARY

	← IFRS →			← NGAAP →	
	2013 M'000	2012 M'000	2011 M'000	2010 M'000	2009 M'000
Assets					
Cash and bank balances	-	-	-	-	51,698
Cash and cash equivalents	1,471,323	1,288,245	698,206	530,668	-
Short-term funds	-	-	-	-	109,997
Debtors and prepayments	-	-	-	-	1,296,359
Long-term investments	-	-	-	-	1,403,954
Trade receivables	4,053	215,304	200,071	74,864	-
Reinsurance assets	103,811	127,589	82,191	46,362	-
Financial instruments:					
AFS financial assets	140,504	129,947	70,340	63,334	-
Investment properties	1,050,000	1,030,000	970,000	860,000	959,127
Fixed assets					
Property and equipment	985,515	52,068	54,831	77,115	-
Intangible assets	64,021	-	-	-	-
Deferred tax asset	-	-	-	18,204	-
Receivables and prepayments	52,003	774,617	1,302,755	1,821,413	-
Deferred acquisition costs	27,729	25,384	45,293	34,953	-
Statutory deposit	315,000	315,000	315,000	300,000	300,000
Total assets	4,213,959	3,958,154	3,738,687	3,826,913	4,221,637
Liabilities and Equity					
Bank overdraft	-	-	-	-	4,473
Creditors and accruals	-	-	-	-	307,167
Insurance payables	57,278	86,301	68,338	47,986	-
Other payables and accruals	244,938	247,342	267,345	328,569	-
Taxation/current tax payable	301,217	104,964	25,944	72,074	71,053
Deferred tax liability	78,435	14,005	26,315	-	-
Employee benefit obligations	16,118	18,096	25,694	65,145	-
Insurance fund	-	-	-	-	546,053
Insurance contract liabilities	533,020	555,434	488,755	179,185	-
Deposit of shares	-	370,000	370,000	370,000	-
Total liabilities	1,231,006	1,396,142	1,272,391	3,826,913	924,273
Equity					
Issued share capital	3,070,000	2,700,000	2,700,000	2,550,000	2,550,000
Share premium	337,545	337,545	337,545	317,981	317,981
Revaluation reserves	-	-	-	-	149,107
Available-for-sale-reserve	39,347	28,790	9,107	11,794	-
Quoted investment revaluation reserve	-	-	-	-	-
Contingency reserve	306,389	273,739	239,577	206,401	176,022
(Accumulated losses)/retained earnings	(770,328)	(778,062)	(819,933)	(322,222)	104,255
Total equity	2,982,953	2,562,012	2,466,296	2,763,954	3,297,364
Total liabilities and equity	4,213,959	3,958,154	3,738,687	3,826,913	4,221,637

GUINEA INSURANCE PLC

FIVE YEAR FINANCIAL SUMMARY

	← IFRS →			← NGAAP →	
	2013 N'000	2012 N'000	2011 N'000	2010 N'000	2009 N'000
TURNOVER AND PROFIT					
Gross premium written	1,088,340	1,138,741	1,105,889	1,012,623	1,169,852
Premium earned	1,081,185	1,237,920	888,518	1,418,620	1,069,308
Profit/(loss) before income tax	300,282	(179,752)	(192,391)	(94,420)	19,663
Profit/(Loss) for the year	39,835	52,763	(465,507)	(106,002)	(13,394)
Per 50k share data (kobo):					
Basic earnings/(losses)	0.65	1.0	(8.10)	(2.70)	(0.30)
Net assets	51	41	46	62	65
	---	---	---	---	---

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

© 2013 EYGM Limited

All Rights Reserved.

EY refers to the global organization and/or one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgement. Neither EYGM Limited nor any other member of the global Ernst & Young organisation can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

ey.com