

Insuring | Renewing. Reassuring. Rewarding.



Our 2011 Annual Report is a reflection of our corporate renewal in service excellence and financial performance.

After recently marking 40 years of providing exceptional and customer-focused insurance services in Nigeria, **Leadway Assurance** is reinforced for greater achievements.

Indeed, our customers can count on this reassuring rejuvenation as confidence today for tomorrow.





## Contents

### AGM Report:

#### *Business Review*

This section provides information about the AGM and the Chairman's review of the business. It also contains background market information, the six core elements of our strategy (iSCORE) and our performance against Key Performance Indicators.

Notice of Annual General meeting	//06
Chairman's Statement	//08
Corporate Profile	//12

### Directors' Report:

#### *Corporate Governance*

This section provides information about the Board of Directors and senior management, in addition to the governance framework under which the Group operates and the remuneration arrangements for the Board of Directors.

Board of Directors	//13
Directors' Report	//17
Statement of Directors' Responsibilities	//22
Corporate Governance Report	//23
Independent Auditors' Report	//25
Statement of Accounting Policies	//27

### Financial Statements

#### *Group Financial Statements*

This section contains statutory information on the Group and parent company account as well as Shareholder Information

Consolidated Balance Sheet	//46
Consolidated Profit and Loss Accounts	//47
Statement of Cash Flows	//48
General Business Balance Sheets	//49
General Business Profit and Loss Accounts	//50
General Business Revenue Accounts	//51
Life Business Balance Sheets	//52
Life Business Profit and Loss Accounts	//53
Life Business Revenue Accounts	//54
Deposit Administration Revenue Accounts	//55
Notes to the Financial Statements	//56
Value Added Statements	//122
Group's Five-year Financial Summary	//123
Company's Five-year Financial Summary	//124
Leadway at a Glance	//125
Branches Directory	//126
Profile of Subsidiaries	//128





## Notice of Annual General Meeting

### Notice of the 40<sup>th</sup> Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 40<sup>th</sup> Annual General Meeting of **LEADWAY ASSURANCE COMPANY LIMITED** will be held at Conference Hall of Protea Hotel - Leadway, No 1, Mogambo Drive off Emmanuel Street, Maryland, Lagos on Thursday 9<sup>th</sup> August, 2012 at 12 noon for the following purposes:

#### Ordinary Business

1. To lay before the meeting, the reports of the Directors and Auditors, including the Statement of Accounts for the year ended 31<sup>st</sup> December, 2011
2. To declare a dividend.
3. To re-elect the Directors of the Company
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To transact any other business that may be transacted at an Annual General Meeting

BY ORDER OF THE BOARD

Adetola Adegbayi  
Company Secretary  
18<sup>th</sup> July, 2012



#### NOTES

1. Any member entitled to attend and vote at the meeting may appoint a proxy (who need not be a member) to attend and vote in his place. In order to be valid, an instrument appointing a proxy must be deposited at the office of the Company Secretary, Leadway House, 121/123 Funso Williams Avenue, Iponri, Lagos not later than 48 hours before the time appointed for the meeting.
2. The register of members and their shareholding is available for inspection, at the office of the Company Secretary during normal business hours, from the date of this notice until the close of business on Monday, 6<sup>th</sup> August, 2012.



## Chairman's Statement



“The Federal Executive Council requiring all publicly listed entities including financial institutions to adopt the International Financial Reporting Standards by the Year starting 1<sup>st</sup> of January, 2012, this would be the last year that our accounts would be presented under the Nigerian GAAP”

**My fellow Shareholders,** distinguished ladies and gentlemen, on behalf of the Board of Directors Management and Staff, I would like to warmly welcome you all to the Fortieth Annual General Meeting of Leadway Assurance Company Limited and, during the course of the meeting, present to you the audited financial statements and reports for the financial year ended 31<sup>st</sup> December, 2011.

### **ECONOMIC BACKGROUND**

The year 2011 witnessed the successful conduct of the 2011 general elections which created renewed confidence in Nigeria's political process despite its chequered democratic credentials. Despite this, the year remained challenging

with escalated violence and increased internal security issues, particularly within various locations across the Northern Region of Nigeria.

In spite of the heated political environment, Standard and Poor's reviewed the nation's BB+ long term credit ratings from stable to positive while Fitch reviewed its BB- rating from negative to stable. The upgrade was based on the perceived improvement in Nigeria's outlook as a result of the several important economic reform initiatives embarked upon by the Federal Government which includes the break-up of the state owned monopoly, the Power Holding Company of Nigeria (PHCN) and the introduction of extensive

## Chairman's Statement

(PHCN) and the introduction of extensive private sector involvement within the value chain of the power sector which continues to raise the hope that the country could perhaps finally overcome its most critical infrastructure challenge.

It is hoped that if this is resolved, it will bolster development of other infrastructure such as water and roads and help in reducing the high cost of business expenses in the country.

In 2011, the Nigerian economy grew at a real rate of 7.36%, slightly lower than the 7.98% recorded in 2010 as the key economic developments that contributed to the marginal decline in the Gross Domestic Product includes lower agricultural output, the lingering effect of the financial sector reforms as well as some significant disruptions witnessed in the oil and gas sector particularly in the fourth quarter. During this period, the Nigerian Stock Exchange suffered a decline, as the All Share Index and Market capitalization plunged by 16.3% and 17.5% in 2011 compared to growths of 18.9% and 56% in 2010 respectively, thus depressing investor activity and increasing the level of investor apathy.

### INSURANCE INDUSTRY

The Insurance Industry is commonly seen as an economic barometer as insuring activities are inevitably tied to the health of the economy, whether in terms of financial protection for other industries or for person or economic support by provision of long term funds for development activities. While political unrest engenders the need for appropriate risk management and creates the need for certain types of special risks insurance, the limit of

insurability for key industries was further pressured by the unavailability of such insurance in the domestic market or, where available through international risk syndication, the financial cost of meeting the insurance requirements or the pure cost of purchase. With closure of industries, the erosion of the medium scale enterprise, including rising unemployment which puts pressure on disposable income, the purchase of discretionary insurance products becomes very low. Thus, in the last decade, the growth that have been experienced within the Nigerian insurance sector has been largely reform driven with emphasis on local risk retention, non discretionary (compulsory) insurances and more importantly by the constructive engagement of the National Insurance Commission under its Market Development and Restructuring Initiatives (MDRI) which is aimed at deepening market penetration.

Despite this, insurance market opportunities remained limited and the industry continues to witness negative competition.

### FINANCIAL PERFORMANCE & DIVIDEND

In spite of the harsh operating environment, the company recorded a 38% increase in Gross Premium Written from ₦14.2bn in 2010 to ₦19.6bn in 2011, largely driven by premium revenue from Special Risks business. With this traded volume, Reinsurance Cost went up by 27% from ₦7bn in 2010 to ₦9bn in 2011 resulting in 15% increase in Net Premium Earned from ₦8.7bn in 2010 to ₦10bn in 2011.

Despite a modest increase in Net Retained Earnings, the company recorded significant increase in Claims Incurred by an overwhelming 118% from ₦2.4b in 2010 to ₦5.2b in 2011, largely contributed by claims from the Special Risks revenue line.

The significant rise in Claims Incurred affected Underwriting Profit, which dropped by 18% from ₦4.3b in 2010 to ₦3.5b in 2011. Despite the fact that Underwriting Profit was shored up by 29% growth in Investment Income, which rose to ₦1.6b in 2011 from ₦1.3b in 2010, the Company still recorded a 31% decline in Profit After Tax from ₦1.4b in 2010 to ₦965m in 2011.





## Chairman's Statement

Our Balance Sheet size grew by 9% from ₦39b in 2010 to ₦42.4b in 2011, with a 49% increase in Insurance Funds from ₦11.5bn in 2010 to ₦17bn in 2011 while Shareholder's Funds declined by 14% from ₦13.1bn in 2010 to ₦11.2bn in 2011. In recognition of the sacrifices that shareholders continue to make in supporting the growth and development of the company, your board of directors is recommending that ₦500m be distributed from current profit and reserves at a dividend rate of 6kobo per ordinary share for the 2011 financial year.

### INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

I wish to inform you that, following the directive from The Federal Executive Council requiring all publicly listed entities including financial institutions to adopt the International Financial Reporting Standards by the Year starting 1<sup>st</sup> of January, 2012, this would be the last year that our accounts would be presented under the Nigerian GAAP and subsequent audited accounts and reports tabled before you, starting from current year 2012, will now conform to the new IFRS format.

### FUTURE OUTLOOK

With economic/infrastructural reforms, the potential for growth exists and our company is well positioned to take advantage of the insurance value chain. In particular and on the immediate level, our company is positioned to benefit from the NAICOM MDRI by increasing the level of awareness needed to deepen insurance

penetration in Nigeria through mass awareness campaigns and other programs for the promotion of the sale of compulsory insurances.

### CONCLUSION

This statement will not be complete without mention of the company's new six storey office, a building within our complex, at 121/123 Funsho Williams Avenue. We commend the management and staff for this great achievement and trust that the new environment will bolster service to our customers for whom we exist.

On behalf of the Board, I would like to extend my heartfelt gratitude to our valued brokers, clients, customers and business partners for their long term support and trust, while the company will continue to build on its core competencies to strengthen its position in the insurance industry.

My appreciation also goes to you, our valued shareholders, and all the staff and management of the company for their contributions during the past year.

**Alhaji Hassan Hadejia**  
(Shettiman Hadejia)  
Chairman



### Directors

1. Alhaji Hassan Hadejia (Shettiman Hadejia)-Chairman
2. Mr. Oye Hassan-Odukale, mfr-MD/CEO
3. Mr. Jeremy Rowse
4. Mr. Olawale Oyeniyi Oyedele (Rtd w.e.f 16/2/12)
5. Mrs. Fehintola Obatusin
6. Dr. Konyinsola Ajayi
7. Mallam Umar Yahaya
8. Dr. A.B.C. Orjiako
9. Mr. Tunde Hassan-Odukale

### Secretary

Adetola Adegbayi

### Registered Office

Leadway Assurance House  
NN 28/29 Constitution Road,  
P.O.Box 458 Kaduna

### Corporate Office

Leadway Assurance House  
121/123 Funso Williams Avenue,  
Iponri, Lagos  
G.P.O. Box 6437, Marina, Lagos

### Auditors

KPMG Professional Services  
KPMG Tower  
Bishop Aboyade Cole Street  
Victoria Island  
PMB 40014, Falomo  
Lagos, Nigeria

### Consulting Actuaries

H.R (Nigeria) Limited  
P. O. Box 75399  
Victoria Island, Lagos

### Reinsurers - Local

African Reinsurance Corporation  
Continental Reinsurance Plc

### Reinsurers - International

Swiss Re Zurich Limited  
Munich Mauritius Reinsurance Company Limited  
Hannover Reinsurance Africa Limited  
General Insurance Corporation of India



## Board of Directors



**Alhaji Hassan Hadejia**  
(Shettiman Hadejia) Chairman

- Former Minister of State for Petroleum Resources.
- Founding Chairman
- Seasoned businessman and administrator.
- Interests in various companies.



**Mr. Oye Hassan-Odukale, mfr**  
Chief Executive Officer

- Member, Executive Committee of the African Insurance Organization
- Past Chairman, Nigerian Insurers Association
- Former Member, Federal Government of Nigeria's Committee for the review of Insurance Laws.
- Munich Re Fellow, Georgia State University
- Alumnus, University of Houston, Texas USA
- Alumnus, Harvard Business School, USA



**Mr. Jeremy Rowse**  
Director

- Director, Santam South Africa
- Former Chief Executive of African Life Assurance, Johannesburg, South Africa
- Former Director, Life Offices Association of South Africa
- Former Member, Ghana Investment Advisory Council
- Alumnus, Rhodes University South Africa
- Alumnus, University of Cape Town, South Africa



## Board of Directors



**Mr. Olawale Oyeniya Oyedele**  
**Director** (Rtd. w.e.f 16/2/12)

- Former Executive Director in charge of Business Development
- Managing Director Nikoy Nigeria Limited
- Director, Vono Nigeria Plc.
- Associate Member, Chartered Insurance Institute, London
- Alumnus, University of Lagos



**Mrs. Fehintola Obatusin**  
**Director**

- Director, Leadway Capital and Trusts Limited
- Managing Director, Pebbles International Limited
- Alumnus, Ahmadu Bello University, Zaria



**Dr. Konyinsola Ajayi, SAN**  
**Director**

- Managing Partner, Olaniwun Ajayi and Co.
- Director, Nigerian Economic Summit Group
- Member, International Bar Association
- Alumnus, University of Cambridge, England
- Alumnus, Harvard Law School, USA
- Alumnus, University of Ife

## Board of Directors



**Mallam Umar Yahaya**  
**Director**

- Managing Director, Associated Haulages (Nigeria) Limited
- Former Director, First Bank of Nigeria Plc.
- Former Director, New Africa Merchant Bank Ltd.
- AMP Alumnus, Harvard Business School, USA
- EMP Alumnus, Stamford Graduate School of Business, USA
- Alumnus, Ahmadu Bello University, Zaria



**Dr. A.B.C. Orjiako**  
**Director**

- Chairman/Medical Director, Rebs Memorial Specialist Hospital
- Fellow, West African College of Surgeons
- Alumnus, College of Medicine, University of Calabar



**Mr. Babatunde Hassan-Odukale**  
**Executive Director**

- Director, Union Assurance Limited
- Former Director, Stanbic IBTC Bank Plc.
- Member, Royal Society of Mathematics and the Institute of Actuaries
- Alumnus, University of London
- Alumnus, City University, London
- Alumnus, Harvard Business School, USA



## Directors' Report *For the year ended 31 December 2011*

The directors have pleasure in presenting their annual report on the affairs of Leadway Assurance Company Limited (“the Company”) and subsidiary companies (“the Group”) together with the audited financial statements and the auditor's report for the year ended 31 December 2011.

### **Legal form and principal activity**

The Company was incorporated as a private limited liability company in September 1970. It obtained a license to operate as an insurance company in January 1971 and commenced business in January 1971.

The Company is principally engaged in the business of providing risk underwriting and related financial services to its customers. Such services include provision of life and general business insurance services to both corporate and individual customers.

### **Subsidiary and associated companies**

The Company holds 53% shareholding in Leadway Capital and Trust Limited (formerly Leadway Trustees Limited), 51% in Leadway Hotels Limited and 100% in Leadway Properties and Investments Limited. The Company also holds 46% shareholding in Leadway Pensure PFA Limited and 25% in Total Health Trust Limited that are associated companies.

The financial results of all the subsidiaries have been consolidated in these financial statements. Leadway Pensure PFA Limited and Total Health Trust Limited, being associated companies, have been accounted for using the equity method.





## Directors' Report For the year ended 31 December 2011

### Operating results

The highlights of the Group and Company's operating results for the year ended 31 December 2011 were as follows:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Profit before taxation	2,030,587	2,375,400	1,549,072	2,038,439
Taxation	(597,163)	(721,020)	(505,596)	(636,585)
Profit after taxation	1,433,424	1,654,380	1,043,477	1,401,854
Non-controlling interest	(92,553)	(71,857)	-	-
Profit attributable to equity holders	1,340,871	1,582,523	1,043,477	1,401,854
Transfer to statutory contingency reserve	(632,866)	(451,873)	(632,866)	(451,873)
Transfer to asset replacement reserve	(18,449)	(18,850)	-	-
<b>Transfer to general reserve</b>	<b>689,556</b>	<b>1,111,800</b>	<b>410,611</b>	<b>949,981</b>
<b>Shareholders' funds</b>	<b>11,522,700</b>	<b>13,040,332</b>	<b>11,286,405</b>	<b>13,101,431</b>
Earnings per share (k)- Basic	15	19	12	17
Earnings per share (k)- Adjusted	15	18	12	16
Declared dividend per share (k)	6	7	6	7

### Dividends

#### Proposed dividends

The board of directors has proposed a dividend of 6k per share on the issued share capital of 8,779,596,000 ordinary shares of 50k each, subject to the approval of the shareholders at the next annual general meeting.

#### Declared dividends:

The shareholders, at the annual general meeting held on 6 July 2011, approved the payment of ₦500,000,000 (2010: ₦400,000,000) as dividend during the year. The dividends were subject to deduction of withholding tax.



## Directors' Report *For the year ended 31 December 2011*

### Directors and their interest

The Directors who held office during the year, together with their direct and indirect interests in the shares of the Company, were as follows

(Number of 50k ordinary shares held)

		2011		2010	
		Direct	Indirect	Direct	Indirect
Alhaji Hassan Hadejia	- Chairman	106,365,062	238,833,901	99,717,246	223,906,783
Mr. Oye Hassan-Odukale	- Managing Director	16,342,172	1,187,422,571	53,842,662	1,113,208,661
Mr. Tunde Hassan-Odukale	- Executive	-	530,384,901	-	503,856,849
Dr. Konyinsola Ajayi	- Non Executive	-	14,144,100	-	1,500,000
Dr. A.B.C Orjiako	- Non Executive	-	-	-	-
Mr. Olawale Oyedele	- Executive	-	19,800,528	-	36,562,995
Mallam Umar Yahaya	- Non Executive	2,488,888	-	-	-
Mrs. Fehintola Obatusin	- Non Executive	347,925,463	-	339,051,630	-
Mr. Jeremy Rowse	- Non Executive	-	-	-	-

### Analysis of Shareholding

The analysis of the distribution of the shares of the Company is as follows;

Share range	No. of shareholders	2011		
		Percentage of shareholders	Number of Holding	Percentage of Holding
Above 400,000,000	5	12%	5,946,720,426	68%
200,000,001 - 400,000,000	5	12%	1,557,333,710	18%
100,000.001 - 200,000,000	4	10%	573,612,772	7%
50,000,001 - 100,000,000	7	17%	489,593,107	6%
1,000,000 - 50,000,000	21	49%	212,333,394	2%
<b>Total</b>	<b>42</b>	<b>100%</b>	<b>8,779,593,409</b>	<b>100%</b>

Share range	No. of shareholders	2010		
		Percentage of shareholders	Number of Holding	Percentage of Holding
Above 400,000,000	5	14%	5,589,911,988	68%
200,000,001 - 400,000,000	5	14%	1,530,267,891	19%
100,000.001 - 200,000,000	2	5%	282,445,747	3%
50,000,001 - 100,000,000	9	25%	647,540,897	8%
1,000,000 - 50,000,000	15	42%	180,702,278	2%
<b>Total</b>	<b>36</b>	<b>100%</b>	<b>8,230,868,801</b>	<b>100%</b>

### Property and equipment

Information relating to changes in fixed assets is given in Note 12 to the financial statements.



## Directors' Report *For the year ended 31 December 2011*

### Donations and charitable gifts

A total sum of ₦11,001,919 (2010: ₦7,536,520) was donated to non-political and charitable organizations, in order to identify with the aspirations of the community and the environment within which the Group operates. Details of such donations and charitable contributions are as follows:

Beneficiaries	Amount ₦
Lagos Preparatory School Foundation	2,500,000.00
Lagos State Security Trust Fund	1,000,000.00
Methodist Church of Nigeria	1,000,000.00
University of Ibadan	1,000,000.00
Nigerian Insurers Association	750,000.00
Special Olympics Nigeria	500,000.00
Franco-Nigerian Chamber of Commerce - French Networking Cocktail	400,000.00
Richardson Oil & Gas	400,000.00
Goldbanc Management - Asset Backed Securitization Seminar	300,000.00
Lagos Boxing Hall of Fame	300,000.00
Lagos State Football Association	250,000.00
Centre For Palliative Care, Nigeria	200,000.00
Chartered Insurance Institute of Nigeria	200,000.00
Greensprings School PTA	200,000.00
Institute of Directors	200,000.00
Kingdom Wealth Initiative	200,000.00
Nigeria Council of Registered Insurance Brokers	160,000.00
Omojola-Olarinde-Alinco	150,000.00
Make Poverty History	120,000.00
Others	1,171,919.00
	11,001,919.00

### Employment of disabled persons

The Group operates a non-discriminatory policy in the consideration of applications for employment, including those received from disabled persons. The Group's policy is that the most qualified and experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition. In the event of any employee becoming disabled in the course of employment, the Group is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. Currently, the group has no persons on its employment with physical disability.

### Health, safety and welfare of employees

The Group maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards.



## Directors' Report *For the year ended 31 December 2011*

### **Employee involvement and training**

The Group encourages participation of employees in arriving at decisions in respect of matters affecting their well-being. Towards this end, the Group provides opportunities where employees deliberate on issues affecting the interest of the Group and its employee, with a view to making inputs to decisions thereon.

The Group places a high premium on the development of its manpower. Consequently, the Group sponsors its employees for various training courses both locally and overseas.

### **Directors' interests in contracts**

In accordance with section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Company of any declarable interest in contracts deliberated by the Company during the year (2010: Nil).

### **Acquisition of own shares**

The Company did not purchase any of its own shares during the year (2010: Nil).

### **Auditors**

Messrs **KPMG Professional Services** have indicated their willingness to continue in office in accordance with section 357(2) of the Companies and Allied Matters Act 1990.

**BY ORDER OF THE BOARD**

Adetola Adegbayi  
Company Secretary  
121/123 Funso Williams Avenue  
Iponri, Lagos  
10 May 2012





Renewing

## Statement of Directors' Responsibilities in Relation to the Financial Statements For the year ended 31 December 2011

The directors accept responsibility for the preparation of the annual financial statements set out on pages 10 to 109 that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria and National Insurance Commission (NAICOM) circulars.

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

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

SIGNED ON BEHALF OF THE DIRECTORS BY:

Mr. Oye Hassan-Odukale (*Managing Director*)  
10 May 2012

Mrs. Fehintola Obatusin (*Director*)  
10 May 2012



## Corporate Governance Report

### Introduction

The Leadway group is made up of three subsidiaries and two associate companies spanning through the insurance and allied financial services, trusts and pensions, hospitality and property management. The National Insurance Commission (NAICOM) Code of Good Corporate Governance regulates the corporate governance issues within the insurance industry, while general company legal codes are as contained within the Companies and Allied Matters Act 1990.

### Reporting standards and quality of financial disclosures

We have continued to pay great attention to the quality of disclosure in our annual report and accounts. The quality of disclosures will continue to resonate as the company transits to reporting of its financial performances in compliance with the International Financial Reporting Standards (IFRS) and in alignment with the strongest global standards of transparency in financial reporting, in the hope of enhanced shareholder value.

### Board Structure and composition

The Leadway Board comprises 9 (nine) members made up of six non-executive Directors and three executive directors. Dr. A.B.C. Orjiako and Mallam Umar Yahaya qualify as “independent” directors as they do not have any or significant shareholding interest nor any special business relationship with the company.

The constitution of the Leadway board allows for robust debate on issues and also ensures that there is a balance of power to prevent a monopoly of contributions by a single director.

The members of the board are experienced and reliable and do have the requisite expertise to perform their functions with; good business judgment, good management skills and good accounting knowledge among others.

### Tenure of Directors

Non-executive directors are appointed for an initial term of three years and can be re-elected for a maximum of two subsequent terms of three years (nine years in total) each subject to satisfactory performance and approval by the shareholders.

### Board effectiveness and evaluation

In line with provisions of the NAICOM Code of Good Corporate Governance, the Company has commenced the evaluation of the performance of its directors and would commence the publication of such an appraisal exercise in its next financial statement.

### Board Meetings

The Board meets quarterly with the annual calendar of its meetings approved in advance at its first meeting in each financial year and all directors are expected to attend each meeting. All directors are provided with notices, agenda and meeting papers in advance of each meeting. The Board met four times in 2011. The record of attendance is provided below:

Meetings Held	1	2	3	4
Names	3rd February, 2011	12th May, 2011	11th August, 2011	8th December, 2011
Alhaji Hassan Hadejia	✘	✘	✘	✓
Mr. Oye Hassan-Odukale	✓	✓	✓	✓
Mr. Tunde Hassan-Odukale	✓	✓	✓	✓
Mr. Olawale Oyedele	✓	✓	✓	✘
Mallam Umar Yahaya	✓	✘	✓	✓
Dr. Konyinsola Ajayi	✓	✓	✓	✓
Dr. A.B.C. Orjiako	✘	✘	✓	✓
Mr. Jeremy Rowse	✓	✓	✓	✓
Mrs. Fehintola Obatusin	✓	✘	✓	✓

Key:  
 ✓ Present   ✘ Apology



## Corporate Governance Report

### Board Committees

Leadway Assurance Board has set up three committees: the Risk & Technical Committee, the Audit and Establishment Committee and the Finance and Investment Committee. The full board is regularly informed about the work of the committees by their respective chairmen. The main responsibilities of the Committees are as follows:

The **Risk and Technical Committee** coordinates and oversees the application and effectiveness of technical controls and analysis in the company's insurance activities. It enhances the quality, effectiveness and relevance of insurance technical reports and management information. Besides this, the committee oversees the strategic risk management process and monitors the quality, integrity, reliability and effectiveness of the process while it provides the board with an independent point of reference in seeking a resolution of technical, interpretive or controversial issues relating to the insurance activities. The Committee equally acts as an effective vehicle of communication between the Board and external parties (such as the valuator, auditor) regarding insurance technical issues and also promotes the overall effectiveness of corporate governance within Leadway

Members of the committee are Mr. Jeremy Rowse (In Chair), Dr. A.B.C Orjiako, Mrs. Fehintola Obatusin, Mr. Oye Hassan-Odukale, and Mr. Olawale Oyedele.

The **Audit and Establishment Committee** provides oversight responsibility for the audit, regulatory, compliance and establishment functions of the company and also monitors the Nigerian regulatory environment for threats and or opportunities. The committee equally discusses the quarterly compliance reports and takes delivery of the audit reports and other reports and statements by the external auditors. The committee monitors the effectiveness of the company's internal control system, risk management system, compliance system and internal audit system. The Committee recommends the appointment of external auditors and monitors its independence and quality and review external auditor's fee arrangements. The committee also creates and abolishes positions within the company while also reviewing the terms and conditions of employment.

Members of the Audit & Establishment Committee are Mallam Umar Yahaya (In Chair), Mrs. Fehintola Obatusin, Mr. Oye Hassan-Odukale, and Mr. Tunde Hassan-Odukale.

The **Finance and Investment Committee** develops monitors and reviews the company's investment policies. It ensures at all times that the Company's investment policies reflect the objectives of safety and maintenance of fair returns on investments; The Committee equally establishes standards, rules and guidelines for the Company's investment management operations while also reviewing the Company's Investment strategy with a view to sustaining medium to long term competitive edge. The value of the Company's marked-to-market portfolios is also evaluated by this Committee.

Members of the Committee are Dr.Konyinsola Ajayi (In Chair), Mr. Jeremy Rowse, Mallam Umar Yahaya, and Mr. Olawale Oyedele.

### Relationship with Shareholders

The Company operates an open and consistent policy with its shareholders and other interested parties which implies that the Company gives equal treatment to shareholders in equal situations. The Company also encourages shareholders to attend the Annual General Meeting which is always open to shareholders and their proxies. The Board ensures that shareholders are provided with adequate notice of meetings.

### Social Responsibility

The Company has been consistent in its corporate social responsibility and has provided support for educational advancement, health and welfare in a desire to continue improving the lots of the less privileged in the society.



# Reassuring

## Independent Auditors' Report



**KPMG professional Services**  
Lagos (Head Office)  
KPMG Tower  
Bishop Aboyade Cole Street  
Victoria Island  
PMB 40014, Falomo  
Lagos, Nigeria

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### INDEPENDENT AUDITOR'S REPORT

To the Members of **Leadway Assurance Company Limited**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Leadway Assurance Company Limited (“the Company”) and its subsidiary companies (together “the Group”), which comprise the balance sheets as at 31 December, 2011, and the profit and loss accounts, statements of cash flows and value added statements for the year then ended, and the statement of accounting policies, notes to the financial statements, the Group's five year financial summary and the Company's five year financial summary, as set out on pages 10 to 109.

#### *Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria and National Insurance Commission (NAICOM) circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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



## Independent Auditors' Report

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, these financial statements give a true and fair view of the financial position of Leadway Assurance Company Limited (“the Company”) and its subsidiary companies (together “the Group”) as at 31 December, 2011, and of the Group and Company's financial performance and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria and relevant National Insurance Commission (NAICOM) circulars.

### **Report on Other Legal and Regulatory Requirements**

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

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's balance sheet and profit and loss account are in agreement with the books of accounts.

**KPMG**  
Lagos, Nigeria  
21 May 2012





## Statement of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as 'the Group') in the preparation of its financial statements. These accounting policies have been consistently applied for all years presented.

### 1. Basis of accounting

These financial statements are prepared in accordance with, and comply with, Nigeria Statements of Accounting Standards (SAS), the Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria and its interpretations issued by the National Insurance Commission in its Insurance Industry Guidelines on a yearly basis.

The financial statements are presented in Nigerian currency (Naira). The financial statements have been prepared under the historic cost convention as modified by the carrying of fixed assets and long term investments at valuation amounts.

*Life business:* The financial statements for life business have been prepared using the fund method and under the historical cost convention as modified by the carrying of fixed assets and long term investments at valuation amount.

*General business:* The financial statements for general insurance business have been prepared using the annual basis of accounting and under the historical cost convention as modified by the carrying of long term investments at valuation amount.

### 2. Basis of consolidation

#### (a) Subsidiaries

Subsidiary undertakings, which are those companies in which the Company, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over their operations, have been consolidated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Company. Separate disclosure is made for non-controlling interests.

The consolidated financial statements combine the financial statements of Leadway Assurance Company Limited ("the Company") and its subsidiaries ("the Group") wherein there is majority shareholding and/or control Board of Directors and Management. The consolidated subsidiaries are Leadway Capital and Trust Limited (formerly Leadway Trustees Limited), Leadway Hotels Limited and Leadway Properties and Investments Limited.





## Statement of Significant Accounting Policies

### *Transactions eliminated on consolidation*

Intra-group balances and transactions and any unrealized gains or losses arising from intra-group transactions are eliminated in preparing the group financial statements.

### b. *Associates*

Associates are those entities in which the Company has significant influence but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting and are recognised at cost less impairment in the Company's separate financial statements.

The Group's share of the associates' post acquisition profits or losses is recognised in the profit and loss accounts. Its share of pre-acquisition reserves is recognised in reserves. The cumulative post acquisition investments are adjusted against the carrying amount of the investments.

When the Group's share of losses equals or exceeds its interest in an associate including any other unsecured receivables, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. Distributions received from an associate are applied to reduce the carrying amount of the investment.

### 3. **Use of estimates in the preparation of financial statements**

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Although estimates are determined on the basis of historical information, actuarial analyses and the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to take account of new and available information. Revisions to accounting estimates are recognized in the year in which the estimate is revised.

The preparation of the financial statements requires Management to make certain estimates and assumptions that affect the allocated and reported amounts of assets and liabilities in the different business units as at the date of the financial statements and the reported amount of income and expense during the reporting period.

These estimates are determined on the basis of historical information, actuarial analysis and other analytical techniques where actual results could differ from these estimates.



## Statement of Significant Accounting Policies

### 4. Classification of insurance contracts

Contracts that are classified as insurance contracts are those under which the Company underwrites significant insurance risk from another party (the Broker or insured) by agreeing to compensate the insured or other beneficiary if a fortuitous random event (the insured event) adversely affects the policyholder or other beneficiary.

### 5. Recognition and measurement of insurance contracts

Short-term insurance contracts under General business are accounted for on an annual basis while long term insurance which comprise Life and annuity contracts are accounted for using the fund method.

The operating surpluses or losses arising from long-term insurance contracts are determined by annual actuarial valuation. These surpluses or losses are arrived at after taking into account the movement in actuarial liabilities under unexpired policies and other reserves within the policyholder liabilities. All losses are charged to the profit and loss account while a maximum of 40% of surplus is credited to the profit and loss account in line with NAICOM guidelines.

### 6. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, and short term liquid investments, all of which are available for use by the Company.

### 7. Gross premium

Gross premium written is recognized at the point of attachment of risk to a policy before deducting cost of reinsurance cover. Gross premium earned is written premium after adjusting for the unearned portion of the premium. All written premium relating to risk for period not falling within the accounting period is carried forward as unearned premium or unexpired risk.

#### (i) Short-term insurance contracts premium

Written premium on short-term insurance contracts are premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premium earned for the period includes adjustments to premiums written in respect of unearned premium.





## Statement of Significant Accounting Policies

Premium relating to the expired risk period is taken as earned and recognized as revenue for the period while premium relating to the unexpired risk period is treated as provision for unearned premium.

(ii) *Long-term insurance contracts premium*

Long-term insurance contracts premium is premium received in respect of insurance contracts with a maturity period exceeding one year.

8. **Net premium**

Net premium represents gross premium less reinsurance. It is recognized as income from the date of attachment of risk.

9. **Commission earned**

Commissions are recognized on ceding business to the reinsurer, and are credited to the profit and loss account.

10. **Claims expenses**

All claims paid and incurred are charged against revenue as expense when incurred. Claims handling expenses are also charged against revenue when incurred. Reinsurance recoveries are recognized when the Company records the liability for the claims and netted off claims expense.

(i) *Claims arising from short-term insurance contracts*

Claims incurred in respect of short-term insurance contracts consist of claims and claims handling expenses paid during the financial year as well as movements in provision for outstanding claims and claims incurred but not reported (IBNR), which is computed at a minimum rate of 10% of outstanding claims reported during the year of account as at balance sheet date. All claims paid and incurred are charged against revenue as expense when incurred. Reinsurance recoveries are recognized when the Company records the liability for the claims and are netted off claims expense.

(ii)

*Claims arising from long-term insurance contracts*

Claims incurred in respect of long-term insurance contracts especially pure life business and annuity contracts consist of claims arising during the year including provision for policyholders' liabilities. Outstanding claims on long-term insurance contracts that have occurred at the balance sheet date and have been notified by the insured are carried at the claim amounts advised.





## Statement of Significant Accounting Policies

### 11. Underwriting expenses

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses, proportion of staff cost and insurance supervision levy.

Underwriting expenses for insurance contracts and deposit administration are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

### 12. Management expenses

Management expenses are expenses other than claims and underwriting expenses. They include salaries and wages, depreciation expenses and other expenses. They are accounted for on an accrual basis.

### 13. Reinsurance

Proportional and non proportional reinsurance premiums are accounted for on an accrual basis. Reinsurance premiums are recognized as outflows in accordance with the tenor of the reinsurance contract. Unexpired reinsurance cost is determined on a time apportionment basis and is accounted for as unexpired reinsurance cost.

### 14. Technical reserves

#### a. General business:

##### (i) *Provision for unexpired risks:*

The portion of gross premium income on short-term general business insurance contracts, which is estimated to be unearned in the current period, is accounted for as unexpired risk provision. This is computed separately for each contract and individual policy as at the balance sheet date using principally the time apportionment basis for direct businesses in accordance with the provisions of Section 20(i)(a) of the Insurance Act 2003, except for marine business, which is based on 50% of the gross premium.

##### (ii) *Outstanding claims*

Outstanding claims comprise provisions for all the Company's estimated ultimate costs of settling all claims and related claim handling expenses incurred but unpaid at the balance sheet date. Outstanding claims that have occurred at the balance sheet date and have been notified to the Company by the Broker and insured are carried at their reported amounts. Adequate provisions are also made for claims incurred, but not reported (IBNR) at 10% of outstanding claims amount as at the balance sheet date.





## Statement of Significant Accounting Policies

(iii) *Contingency reserve*

The Company maintains contingency reserves in accordance with the provisions of the Insurance Act 2003 to cover fluctuations in securities and variations in statistical estimates at the rate equal to the higher of 3% of total premium or 20% of the total profit after taxation until the reserve reaches the greater of minimum paid up capital or 50% of net premium.

b. Life business

(i) *General reserve fund*

This is made up of the net liabilities on policies in force as computed by the actuaries at the time of the actuarial valuation and an additional 25% of net premium for every year between valuation dates.

(ii) *Contingency reserve*

This is credited with the higher of 1% of gross premiums and 10% of profit after taxation.

15. **Deferred acquisition cost**

Acquisition costs comprise insurance commissions, brokerage and other related expenses arising from the generation and conclusion of insurance contracts. The proportion of acquisition costs that correspond to the unearned premiums are deferred as an asset and recognized in the subsequent period.

16. **Property and equipment**

Fixed assets comprise land and buildings and other properties owned by the Company.

Land and buildings are stated at historical cost or revalued amount (based on valuation by external independent valuers) less depreciation. Revaluation is carried out at the discretion of the management as and when necessary. Surpluses arising on the revaluation of individual fixed assets are credited to the Asset Revaluation Reserve Account. When previously revalued fixed assets are disposed of, any revaluation surplus arising relating to the disposed assets is transferred to the profit and loss account.





## Statement of Significant Accounting Policies

All other fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. In the case of revalued assets, depreciation is calculated by reference to the enhanced value of the assets concerned. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred.

Capital work-in-progress is not depreciated. Depreciation is calculated on other fixed assets and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life. No depreciation is charged on fixed assets until they are brought into use.

The principal annual rates used for this purpose, which are consistent with those for the previous years, are as follows:

Land and buildings	-	2% or over the lease period
Office equipment	-	20%
Computer equipment	-	33.33%
Furniture and fittings	-	20%
Motor vehicles	-	25%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of assets are determined by comparing proceeds with their carrying amounts and are charged to the profit and loss account.

### 17. Intangible assets

This is a new policy in line with the Statement of Accounting Standard number 31: On Intangible Assets issued by the Financial Reporting Council of Nigeria (formerly Nigerian Accounting Standards Board), which is effective for annual periods beginning on or after 1 January 2011.



## Statement of Significant Accounting Policies



### (a) *Computer software*

Purchased software that is not integral to the related hardware is recognised at cost. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company, are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product
- The expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets that have finite useful lives; are amortised on the straight-line basis over 4 years and are carried at cost less accumulated amortization and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

### (b) *Other intangible assets:*

The Company expenses the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, in the profit and loss account in the period in which the costs are incurred. Prepayment assets are recognised for advertising or promotional expenditure up to the point at which the Company has the right to access the goods purchased or up to the point of receipt of services.



# Reassuring

## Statement of Significant Accounting Policies

### 18. Investments

Investments comprise equity investments and fixed and floating rate debt instruments. At the initial recognition of an investment, Management determines its classification in accordance with the Statement of Accounting Standard (SAS 13) on accounting for investments which is dependent on the purpose for which the investment was acquired, and re-evaluates that classification at every reporting date. Investments are classified as follows:

#### a. Short-term investments

An investment is classified into this category at inception if acquired principally on temporary basis for a period not more than one year. Such investments can be converted into cash when current financing needs make it desirable, or if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking. Short-term investments are valued at lower of cost and market value.

#### b. Long-term investments

Long-term investments relate to investments over a long period of time to earn income. These are investments other than short-term investments and include:

##### i. *Quoted investments*

Quoted investments are stated at valuation amount (market value) as at the balance sheet date, as provided by Section 24(13)(b) of the Insurance Act 2003. The excess of the valuation amounts over the cost at the balance sheet date is taken to an 'Equities Price Equalization Reserve Account', while unrealized diminution due to a decrease in the carrying value is recognized in the 'Equities Price Equalization Reserve Account' to the extent that a previous gain is offset, otherwise, it is recognized in the profit and loss account.

##### ii. *Unquoted investments*

These are stated at cost. Where in the opinion of the Directors the value of any unquoted investment is below its cost, an appropriate provision for the diminution in value thereof is charged against the profit and loss account of the relevant year.





## Statement of Significant Accounting Policies

### iii. *Investments in subsidiaries*

Investments in subsidiaries are carried in the Company's balance sheet at cost less provisions for impairment losses. Where, in the opinion of the Directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

### iv. *Investments in associates*

Investments in associates are carried in the Company's balance sheet at cost less impairment.

### 19. **Investment income**

Investment income comprises interest income earned on short-term deposits, rental income and income earned on trading of securities. Investment income is accounted for on an accrual basis.

### 20. **Dividend income**

Dividend is recognized as earned when the quoted price of the related security is adjusted to reflect the value of the dividend and is stated net of withholding tax. Scrip dividend is recognized on the basis of the market value of the shares on the date they are quoted.

### 21. **Debtors**

Debtors are stated at cost after writing off bad debts and deducting provision made for other specific debts considered doubtful of recovery. An allowance for specific debt is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. In line with the 2011 operational guidelines set by NAICOM, allowance for outstanding premium is made as follows:

<u>Period outstanding</u>	<u>% allowance required</u>
Up to 3 months	Nil
3 – 6 months	50%
Above 6 months	100%





## Statement of Significant Accounting Policies

When a receivable in respect of which a provision has already been made is deemed uncollectible, it is written-off against the related provision and subsequent recoveries are credited to the profit and loss account. Receivables in respect of which a previous provision is not made are written-off directly to the profit and loss account when they are deemed to be uncollectible.

### 22. Commercial loans

Commercial loans represent loans availed to customers at agreed terms. Allowances are determined as stated below:

<u>Period outstanding</u>	<u>% allowance required</u>
Up to 3 months	Nil
3 – 6 months	10%
6 – 12 months	50%
Above one (1) year	100%

When a commercial loan in respect of which an allowance has already been made is deemed not collectible, it is written off against the related provision and subsequent recoveries are credited to the profit and loss account.

Commercial loans in respect of which a previous provision was not made are written off to the profit and loss account when they are deemed to be not collectible.

### 23. Foreign currency transactions

Transactions denominated in foreign currencies are recorded in Naira at the rate of exchange ruling at the date of each transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.





## Statement of Significant Accounting Policies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at that date. Exchange gains arising from the revaluation of long term monetary assets and liabilities are taken to the Foreign Exchange Revaluation Reserve and released to profit and loss on realization of the asset or liability. Exchange losses are recognized in the revaluation reserve to the extent of gain previously recognized otherwise they are taken to the profit and loss account.

### 24. **Taxation**

Income tax expenses/credits are recognized in the profit and loss account. Current income tax is the expected tax payable on the taxable income for the year using the statutory tax rate at the balance sheet date.

### 25. **Deferred taxation**

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred taxation is provided fully on timing differences, which are expected to reverse at the rate of tax likely to be in force at the time of reversal. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 26. **Retirement benefit obligations**

#### *Pension costs*

The Company operates a defined contributory retirement benefit scheme as stipulated in the Pension Reform Act 2004. Under the defined contribution scheme, the Company pays fixed contributions of 7.5% to a separate entity – Pension Fund Administrators; employees also pay the same fixed percentage to the same entity. Once the contributions have been paid, the Company retains no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to finance benefits accruing under the retirement benefit plan. The Company's obligations are recognized in the profit and loss account.

#### *Gratuity benefits*

Prior to 31 December, 2004, the Company operated a gratuity scheme under which employees were entitled to one month basic salary, transport and housing allowance for each completed year of service.



## Statement of Significant Accounting Policies



Effective 31 December, 2004 the gratuity scheme was terminated. Under the terms of the termination, amounts payable to employees who were in the employment of the Company as at the termination date will be paid when such employees leave the service of the Company based on benefits determined as at 31 December 2004. The gratuity assets have been transferred to external trustees to manage.

### 27. Dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividend is approved by the Company's shareholders. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements.

### 28. Segment reporting

A segment is a distinguishable component of the Company that is engaged 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.

### 29. 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.

### 30. Deposit administration

Receipts for deposit administration and other business of savings nature are recognized as liabilities. Interest accruing from investment of the savings is recognized in the deposit administration revenue account in the period it is earned while interest paid and due to depositors is recognized as an expense.

### 31. Managed funds

Managed funds represent cash deposits made by customers. Customer deposits are accounted for at cost and accrued interest.



## Statement of Significant Accounting Policies



### 32. Investment property

An investment property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the enterprise. A piece of property is treated as an investment property if it is not occupied substantially for use in the operations of the Group. An occupation of more than 15% of the property is considered substantial.

Investment properties are carried in the balance sheet at their market value and revalued periodically on a systematic basis at least once in every three years. Investment properties are not subject to periodic charge for depreciation.

When there has been a decline in value of an investment property, the carrying amount of the property is written down to recognize the loss. Such a reduction is charged to the profit and loss account. Reductions in carrying amount are reversed when there is an increase, following a revaluation in accordance with the Group's policy, in the value of the investment property, or if the reasons for the reduction no longer exist.

An increase in carrying amount arising from the revaluation of investment property is credited to Asset Revaluation Reserve Account. To the extent that a decrease in carrying amount offsets a previous increase, for the same property that has been credited to revaluation surplus and not subsequently reversed or utilized, it is charged against that revaluation surplus rather than the profit and loss account.

An increase in revaluation which is directly related to a previous decrease in carrying amount for the same property that was charged to the profit and loss account is credited to profit and loss account to the extent that it offsets the previously recorded decrease.

Investment properties are disclosed separate from the property and equipment used for the purposes of the business.



## Statement of Significant Accounting Policies

### 33. Leases

The Group classifies a lease as a finance lease if the following conditions are met:

- (a) The lease is non-cancelable, and
- (b) any of the following is applicable
  - i. the lease term covers substantially (80% or more) the estimated useful life of the asset or,
  - ii. the net present value of the lease at its inception using the minimum lease payments and implicit interest rate is equal to or greater than the fair value of the leased asset or,
  - iii. the lease has a purchase option which is likely to be exercised.

A lease that does not qualify as a finance lease as specified above is classified as an operating lease.

A Group company can be a lessor or a lessee in either a finance lease

*i. Where a Group Company is the lessor*

When assets are held subject to a finance lease, the transactions are recognized in the books of the Group at the net investments in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment is the sum of the minimum lease payments plus any residual value payable on the lease. The discount on lease is defined as the difference between the gross investment and the present value of the asset under the lease.

The discount is recognized as unearned in the books of the Group and amortized to income over the life of the lease on a basis that reflects a constant rate of return on the Group's net investment in the lease.

Finance leases are treated as risk assets and the net investment in the lease are subject to a general provisioning of at least 1% of the aggregate net investment in finance leases.

When assets are held subject to an operating lease, the assets are recognized as property and equipment based on the nature of the asset and the Group's normal depreciation policy for that class of asset applies. Lease income is recognized on a straight line over the lease term.



## Statement of Significant Accounting Policies



All indirect costs associated with the operating lease are charged as incurred to the profit and loss account.

ii. *Where a Group Company is the lessee*

When the assets leased are subject to operating lease, the total payments made under operating leases are charged to profit and loss on a systematic basis in line with the time pattern of the Group's benefit.

When the assets are subject to a finance lease, the Group accounts for it by recording the lease as an acquisition of an asset and the incurrence of a liability.

At the beginning of the lease term, the Group records the initial asset and liability at amounts equal to the fair value of the leased asset less the present value of any un-guaranteed or partially guaranteed residual value which would accrue to the lessor at the end of the term of the lease. The discount factor to apply in calculating the present value of the un-guaranteed residual value accruing to the lessor is the interest rate implicit in the lease.

Where the Group cannot determine the fair value of the leased asset at the inception of the lease or is unable to make a reasonable estimate of the residual value of the lease without which the interest rate implicit in the lease could not be computed, the initial asset and liability are recorded at amounts equal to the present value.

The leased asset is depreciated or the rights under the leased asset are amortized in a manner consistent with the Group's own assets.

The minimum lease payment in respect of each accounting period is allocated between finance charge and the reduction of the outstanding lease liability. The finance charge is determined by applying the rate implicit in the lease to the outstanding liability at the beginning of the year.



## Statement of Significant Accounting Policies

34. **Other assets**

Receivables and other sundry debtors are classified as other assets and are stated at cost less allowances for doubtful amounts. Allowances and write offs are recognized when a receivable is deemed not collectable based on the original terms of the contract. Subsequent recoveries are credited to the profit and loss account. Prepayments are stated at cost net of amortization.

35. **Borrowings**

Borrowings are recorded at outstanding principal and accrued interest. Interest costs are recognized in the profit and loss account over the duration of the instrument.

36. **Earnings per share**

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Company by the number of shares outstanding during the year. Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares adjusted for the bonus shares issued

37. **Asset replacement reserve**

A 5% of the turnover of a subsidiary company, Leadway Hotel Limited is transferred to an asset replacement reserve account for the replacement of fixed assets utilized in its hotel business.

38. **Off balance sheet transactions/contingent liabilities and contingent assets**

*Contingent liabilities*

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events but is not recognised because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities comprise legal claims under arbitration or court process in respect of which a liability is not likely to eventuate and are disclosed in the financial statements.

# FINANCIALS & NOTES



## Consolidated Balance Sheet

For the year ended 31 December 2011

	Notes	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
<b>Assets</b>					
Cash and bank balances	1	1,070,325	2,514,001	968,486	2,271,785
Short term investments	2	8,431,107	7,952,076	7,439,930	7,581,198
Premium debtors	3	3,189,527	2,937,015	3,189,527	2,937,015
Reinsurance recoverables, other assets and loans	4	7,473,896	5,513,990	6,966,840	5,200,640
Investments in finance leases	5	242,069	222,183	-	-
Deferred acquisition costs	6	404,793	378,120	404,793	378,120
Long term investments	7	16,035,242	14,186,372	15,942,480	14,017,190
Investment in subsidiaries	8	-	-	585,258	342,946
Investment in associates	9	639,301	301,056	788,209	695,375
Investment properties	10	2,377,140	2,377,140	2,108,896	2,328,896
Statutory deposits	11	520,000	520,000	520,000	520,000
Property and equipment	12	4,353,745	3,406,414	3,562,526	2,589,316
Intangible assets	13	114,447	162,790	108,678	162,790
<b>Total assets</b>		<b>44,851,242</b>	<b>40,471,157</b>	<b>42,516,136</b>	<b>39,025,271</b>
<b>Liabilities</b>					
Creditors and accruals	14	4,789,880	6,342,768	4,041,630	5,604,601
Borrowings	16	538,722	60,405	-	-
Insurance funds	17	17,056,077	11,476,113	17,056,077	11,476,113
Liability for administered deposits	19	8,925,288	7,562,545	8,925,288	7,562,545
Taxation payable	20	681,269	856,126	616,177	808,464
Deferred taxation	21	688,450	537,414	590,559	472,117
		<b>32,679,686</b>	<b>26,835,371</b>	<b>31,229,731</b>	<b>25,923,840</b>
<b>Capital and reserves</b>					
Share capital	22	4,389,798	4,115,436	4,389,798	4,115,436
Share premium	23	387,826	387,826	387,826	387,826
Statutory contingency reserve	24	2,943,723	2,310,857	2,943,723	2,310,857
Asset revaluation reserve	25	1,457,828	1,457,828	1,457,828	1,457,828
Equities revaluation reserve	26	614,821	2,973,324	614,821	2,973,324
Asset replacement reserve	27	57,563	39,114	-	-
Bonus issue reserve	28	-	274,362	-	274,362
General reserve	29	1,671,141	1,481,585	1,492,409	1,581,798
<b>Shareholders funds:</b>		<b>11,522,700</b>	<b>13,040,332</b>	<b>11,286,405</b>	<b>13,101,431</b>
Non controlling interest	30	649,206	595,454	-	-
		<b>12,171,906</b>	<b>13,635,786</b>	<b>11,286,405</b>	<b>13,101,431</b>
<b>Total liabilities and reserves</b>		<b>44,851,592</b>	<b>40,471,157</b>	<b>42,516,136</b>	<b>39,025,271</b>

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Mr. Oye Hassan Odukale - Managing Director



Fehintola Obatunsi - Director

Approved by the Board of Directors on 10 May 2012

The statement of accounting policies and accompanying notes form an integral part of these financial statements.

## Consolidated Profit and Loss

Accounts For the year ended 31 December 2011

	Notes	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Gross earnings		<u>23,615,586</u>	<u>19,447,355</u>	<u>22,421,822</u>	<u>18,413,200</u>
<b>Income</b>					
Gross premium written		19,600,399	14,207,700	19,600,399	14,207,700
Less: increase in unearned premium	17.1(b)(ii)	(479,714)	1,670,967	(479,714)	1,670,967
Gross premium earned		<u>19,120,685</u>	<u>15,878,667</u>	<u>19,120,868</u>	<u>15,878,667</u>
Reinsurance cost	31	(9,093,628)	(7,180,462)	(9,093,628)	(7,180,462)
<b>Net premium earned</b>		<u>10,027,057</u>	<u>8,698,205</u>	<u>10,027,057</u>	<u>8,698,205</u>
Commission earned	32	1,473,635	940,024	1,473,635	940,024
		<u>11,500,692</u>	<u>9,638,229</u>	<u>11,500,692</u>	<u>9,638,229</u>
<b>Expenses</b>					
Net claims incurred		5,253,887	2,406,158	5,253,887	2,406,158
Acquisition expenses		2,361,955	2,415,977	2,361,955	2,415,977
Maintenance cost		343,738	472,102	343,738	472,102
		<u>7,959,580</u>	<u>5,294,237</u>	<u>7,959,580</u>	<u>5,294,237</u>
<b>Underwriting profit</b>		<u>3,541,112</u>	<u>4,343,992</u>	<u>3,541,112</u>	<u>4,343,992</u>
Shareholders share of valuation surplus		225,881	147,360	225,881	147,360
Investment and other income	33(b)	2,741,102	2,288,764	1,792,749	1,390,910
(Loss)/profit from deposit administration		(191,128)	56,239	(191,128)	56,239
Group's share of associate's profit for the year	9(f)(i)	245,411	136,301	-	-
		<u>6,562,378</u>	<u>6,972,656</u>	<u>5,368,614</u>	<u>5,938,501</u>
Management expenses	34(b)	(2,806,057)	(2,551,112)	(2,199,095)	(1,921,970)
Interest expense on borrowings		(61,925)	(68,451)	-	-
Write offs and provisions for bad and doubtful accounts	35	(1,663,809)	(1,977,693)	(1,620,446)	(1,978,092)
<b>Profit before taxation</b>		<u>2,030,587</u>	<u>2,375,400</u>	<u>1,549,073</u>	<u>2,038,439</u>
Taxation	36	(597,163)	(721,020)	(505,596)	(636,585)
<b>Profit after taxation</b>		<u>1,433,424</u>	<u>1,654,380</u>	<u>1,043,477</u>	<u>1,401,854</u>
Non controlling interest	29(b)	(92,553)	(71,857)	-	-
<b>Profit attributable to equity holders</b>		<u>1,340,871</u>	<u>1,582,523</u>	<u>1,043,477</u>	<u>1,401,854</u>
<b>Appropriations:</b>					
Transfer to statutory contingency reserve	24	632,866	451,873	632,866	451,873
Transfer to asset replacement reserve	27	18,449	18,850	-	-
Transfer to general reserve	29	689,556	1,111,800	410,611	949,981
		<u>1,340,871</u>	<u>1,582,523</u>	<u>1,043,477</u>	<u>1,401,854</u>
Earnings per share (k) - basic	37	<u>15</u>	<u>19</u>	<u>12</u>	<u>17</u>
Earnings per share (k) - adjusted	37	<u>15</u>	<u>18</u>	<u>12</u>	<u>16</u>
Declared dividend per share (k)	37	<u>6</u>	<u>7</u>	<u>6</u>	<u>7</u>

The board of directors has proposed a dividend of 6k per share (2010: 6k per share) on the issued share capital of 8,779,596,000 (2010: 8,230,872,000) ordinary shares of 50k each subject to the approval of the shareholders at the next annual general meeting.

The statement of accounting policies and accompanying notes form an integral part of these financial statements.



## Statement of Cash Flows

For the year ended 31 December 2011

	Notes	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
<b>Cashflow from operating activities</b>					
Operating profit before changes in working capital	38	8,597,007	1,845,495	8,074,238	1,999,590
<i>Changes in working capital:</i>					
Short term investments		(100,000)	(22,970)	(100,000)	(22,970)
Premium debtors		(1,400,494)	(2,121,902)	(1,400,494)	(2,121,902)
Reinsurance recoverables, other assets and loans		(2,240,564)	1,534,240	(2,006,548)	1,417,944
Investment in finance leases		(19,886)	(18,776)	-	-
Deferred acquisition costs		(26,673)	12,630	(26,673)	12,630
Creditors and accruals		(1,552,888)	1,958,625	(1,562,971)	1,877,372
Liability for administered deposits		1,362,743	1,070,548	1,362,743	1,070,548
		<u>4,619,245</u>	<u>4,257,890</u>	<u>4,340,295</u>	<u>4,233,212</u>
Tax paid	20	(642,983)	(325,248)	(601,440)	(278,605)
<b>Net cash flow from operating activities</b>		<u>3,976,262</u>	<u>3,932,642</u>	<u>3,738,855</u>	<u>3,954,607</u>
<b>Cashflow from investing activities</b>					
Purchase of fixed assets	12	(1,308,333)	(1,201,051)	(1,158,657)	(1,098,860)
Purchase of intangible assets		(7,712)	-	-	-
Proceeds from sale of fixed assets		353	14,172	353	2,582
Purchase of long term investments	7(c)	(2,532,941)	(2,408,251)	(2,507,212)	(1,827,656)
Purchase of investment properties	10(a)	-	(10,570)	-	(10,570)
Proceeds from disposal of investments		(1,407,700)	1,338,832	(1,433,429)	508,673
Additional investment in subsidiaries		-	-	(22,312)	-
Additional investment in associates	9(f)(ii)	(92,834)	-	(92,834)	-
Rent received		7,367	47,880	7,367	14,466
Dividend from investments		523,302	583,311	523,302	214,159
<b>Net cashflow from investing activities</b>		<u>(4,818,498)</u>	<u>(1,635,677)</u>	<u>(4,683,422)</u>	<u>(2,197,206)</u>
<b>Cashflow from financing activities</b>					
Cash paid to minority	30(b)	(38,801)	(34,100)	-	-
Dividend paid	15	(500,000)	(400,000)	(500,000)	(400,000)
Loan taken		478,317	-	-	-
Loan repayment		-	(354,099)	-	-
Interest paid on term loans		(61,925)	(68,451)	-	-
<b>Net cashflow from financing activities</b>		<u>(122,409)</u>	<u>(856,650)</u>	<u>(500,000)</u>	<u>(400,000)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(964,645)	1,440,315	(1,444,567)	1,357,401
Cash and bank balances, beginning of year		10,466,077	9,025,762	9,852,983	8,495,582
<b>Cash and bank balances, end of year</b>	39	<u>9,501,432</u>	<u>10,466,077</u>	<u>8,408,416</u>	<u>9,852,983</u>

The statement of accounting policies and accompanying notes form an integral part of these financial statements.

## General Business Balance Sheet

For the year ended 31 December 2011

### General Business Balance Sheets

As at 31 December 2011

	Notes	2011 ₹'000	2010 ₹'000
<b>Assets</b>			
Cash and bank balances	1.1	246,277	1,592,410
Short term investments	2.1	6,500,924	4,476,056
Premium debtors	3.1	3,013,039	2,841,907
Reinsurance recoverables, other assets and loans	4.1	5,394,108	4,159,023
Deferred acquisition costs	6	404,793	378,120
Long term investments	7.1	6,181,901	7,988,414
Investment in subsidiaries	8.2	342,946	342,946
Investment in associates	9.1	35,000	35,000
Investment properties	10.1	1,573,896	1,573,896
Statutory deposits	11	320,000	320,000
Property and equipment	12.1	2,336,701	1,591,952
Intangible assets	13.1	12,981	19,244
<b>Total assets</b>		<b>26,362,566</b>	<b>25,318,968</b>
<b>Liabilities</b>			
Creditors and accruals	14.1	3,457,998	4,907,210
Insurance funds	17.1	12,839,819	9,331,673
Taxation payable	20.1	575,342	730,610
Deferred taxation	21.1	482,712	362,413
		<b>17,355,871</b>	<b>15,331,906</b>
<b>Capital and reserves</b>			
Share capital	22.1	3,139,798	2,865,436
Share premium	23	387,826	387,826
Statutory contingency reserve	24.1	2,710,313	2,122,301
Asset revaluation reserve	25.1	1,080,227	1,080,227
Equities revaluation reserve	26.1	277,633	1,651,414
Bonus issue reserve	28.1	-	274,362
General reserve	29.1	1,410,898	1,605,496
		<b>9,006,695</b>	<b>9,987,062</b>
<b>Total liabilities and reserves</b>		<b>26,362,566</b>	<b>25,318,968</b>

The statement of accounting policies and accompanying notes form an integral part of these financial statements.



## General Profit and Loss Account

For the year ended 31 December 2011

	Notes	2011 ₦'000	2010 ₦'000
<b>Income</b>			
Gross premium written		19,600,399	14,207,700
Add: (Increase)/decrease in unearned premium		(479,714)	1,670,967
Gross premium earned		19,120,685	15,878,667
Reinsurance cost		(9,093,628)	(7,180,462)
<b>Net premium earned</b>		10,027,057	8,698,205
Commission earned		1,473,635	940,024
<b>Total income</b>		11,500,692	9,638,229
<b>Expenses</b>			
Net claims incurred		5,253,887	2,406,158
Underwriting expenses		2,705,693	2,888,079
		7,959,580	5,294,237
<b>Underwriting profit</b>		3,541,112	4,343,992
Investment income	33.1	1,322,022	1,195,036
<b>Net operating income</b>		4,863,134	5,539,028
Management expenses	34.1	(2,151,490)	(1,866,951)
Write offs and provisions for bad and doubtful accounts	35.1	(1,309,912)	(1,585,430)
<b>Profit before taxation</b>		1,401,732	2,086,647
Taxation	36.1	(508,318)	(594,821)
<b>Profit after taxation</b>		893,414	1,491,826
Transfer to statutory contingency reserve	24.1	588,012	426,231
Transfer to general reserve	29.1	305,402	1,065,595
		839,414	1,491,826

The statement of accounting policies and accompanying notes form an integral part of these financial statements.



## General Business Revenue Account

For the year ended 31 December 2011

	Notes	Motor	Fire ₦'000	General Accident ₦'000	Marine ₦'000	Bond	Engineering ₦'000	Oil & Gas ₦'000	2011 Total ₦'000	2010 Total ₦'000
<b>INCOME</b>										
Direct premium		3,708,975	2,082,498	1,882,766	1,003,682	608,933	830,080	9,482,838	19,599,772	14,191,215
Inward premium		261	-	-	366	-	-	-	627	16,485
<b>Gross premium written</b>		<u>3,709,236</u>	<u>2,082,498</u>	<u>1,882,766</u>	<u>1,004,048</u>	<u>608,933</u>	<u>830,080</u>	<u>9,482,838</u>	<u>19,600,399</u>	<u>14,207,700</u>
Less: increase/(decrease) in										
unearned premium		113,374	(209,843)	167,531	22,864	(1,598)	(86,298)	(485,744)	(479,714)	1,670,967
<b>Gross premium earned</b>		<u>3,822,610</u>	<u>1,872,655</u>	<u>2,050,297</u>	<u>1,026,912</u>	<u>607,335</u>	<u>743,782</u>	<u>8,997,094</u>	<u>19,120,685</u>	<u>15,878,667</u>
Reinsurance cost	31	(77,175)	(438,648)	(221,670)	(219,124)	(449,298)	(159,084)	(7,528,629)	(9,093,628)	(7,180,462)
<b>Net premium earned</b>		<u>3,745,435</u>	<u>1,434,007</u>	<u>1,828,627</u>	<u>807,788</u>	<u>158,037</u>	<u>584,698</u>	<u>1,468,465</u>	<u>10,027,240</u>	<u>8,698,205</u>
<b>Premiums earned</b>		<u>3,745,435</u>	<u>1,434,007</u>	<u>1,828,627</u>	<u>807,971</u>	<u>158,037</u>	<u>584,698</u>	<u>1,468,465</u>	<u>10,027,057</u>	<u>8,698,205</u>
Commissions earned	32	53,127	183,167	104,682	107,400	100,660	62,794	861,805	1,473,635	940,024
<b>Total income</b>		<u>3,798,562</u>	<u>1,617,174</u>	<u>1,933,309</u>	<u>915,188</u>	<u>258,697</u>	<u>647,492</u>	<u>2,330,270</u>	<u>11,500,692</u>	<u>9,638,229</u>
<b>EXPENSES</b>										
Gross claims paid		1,413,099	588,268	580,768	152,968	499,342	248,996	349,734	3,833,175	4,209,357
Increase/(decrease) in outstanding claims provision	16.1(b)	(81,302)	764,310	9,391	66,211	(37,299)	53,790	2,253,331	3,028,432	(391,924)
<b>Gross Claims incurred</b>		<u>1,331,797</u>	<u>1,352,578</u>	<u>590,159</u>	<u>219,179</u>	<u>462,043</u>	<u>302,786</u>	<u>2,603,065</u>	<u>6,861,607</u>	<u>3,817,433</u>
Deduct: reinsurance claims recoveries/recoverable		(123,074)	(596,285)	(149,032)	(140,451)	(260,268)	7,357	(345,967)	(1,607,720)	(1,411,275)
<b>Net claims incurred</b>		<u>1,208,723</u>	<u>756,293</u>	<u>441,127</u>	<u>78,728</u>	<u>201,775</u>	<u>310,143</u>	<u>2,257,098</u>	<u>5,253,887</u>	<u>2,406,158</u>
<b>Add underwriting expenses:</b>										
Acquisition expenses	40	871,889	459,989	434,942	224,796	29,794	154,562	185,983	2,361,955	2,415,977
Maintenance expenses	41	128,397	49,159	62,687	27,692	5,418	20,044	50,341	343,738	472,102
		<u>1,000,286</u>	<u>509,148</u>	<u>497,629</u>	<u>252,488</u>	<u>35,212</u>	<u>174,606</u>	<u>236,324</u>	<u>2,705,693</u>	<u>2,888,079</u>
<b>Total expenses and claims incurred</b>		<u>2,209,009</u>	<u>1,265,441</u>	<u>938,756</u>	<u>331,216</u>	<u>236,987</u>	<u>484,749</u>	<u>2,493,422</u>	<u>7,959,580</u>	<u>5,294,237</u>
<b>Underwriting profit</b>		<u>1,589,553</u>	<u>351,733</u>	<u>994,553</u>	<u>583,972</u>	<u>21,710</u>	<u>162,743</u>	<u>(163,152)</u>	<u>3,541,112</u>	<u>4,343,992</u>



## Life Business Balance Sheet

As at 31 December

	Notes	2011 ₹'000	2010 ₹'000
<b>Assets</b>			
Cash and bank balances	1.2	722,209	679,375
Short term investments	2.2	939,006	3,105,142
Premium debtors	3.2	176,488	95,108
Reinsurance recoverables, other assets and loans	4.2	1,635,580	1,157,154
Long term investments	7.2	9,691,092	6,028,776
Investment in subsidiaries	8.2	242,312	-
Investment in associates	9.2	753,209	660,375
Investment properties	10.2	535,000	755,000
Statutory deposits	11	200,000	200,000
Property and equipment	12.2	1,225,825	997,364
Intangible assets	13.2	95,697	143,546
<b>Total assets</b>		<b>16,216,418</b>	<b>13,821,840</b>
<b>Liabilities</b>			
Creditors and accruals	14.2	646,480	812,928
Insurance funds	17.2	4,216,258	2,144,440
Liability for administered deposits	19.2	8,925,288	7,562,545
Taxation payable	20.2	40,835	77,854
Deferred taxation	21.2	107,847	109,704
		<b>13,936,708</b>	<b>10,707,471</b>
<b>Capital and reserves</b>			
Share capital	22.2	1,250,000	1,250,000
Statutory contingency reserve	24.2	233,410	188,556
Asset revaluation reserve	25.2	377,601	377,601
Equities revaluation reserve	26.2	337,188	1,321,910
General reserve	29.2	(81,511)	(23,698)
		<b>2,279,710</b>	<b>3,114,369</b>
<b>Total liabilities and reserves</b>		<b>16,216,418</b>	<b>13,821,840</b>

The statement of accounting policies and accompanying notes form an integral part of these financial statements.



## Life Business Profit and Loss

Accounts For the year ended 31 December 2011

	Notes	2011 ₹'000	2010 ₹'000
<b>Income</b>			
Investment and other income	33(b)	470,727	195,874
Shareholders' share of valuation surplus		225,881	147,360
(Loss)/profit from deposit administration		(191,128)	56,239
<b>Net operating income</b>		<b>505,480</b>	<b>399,473</b>
Management expenses	34(b)	(47,605)	(55,019)
Write offs and provisions for bad and doubtful accounts	35.2	(310,534)	(392,662)
<b>Profit/(loss) before taxation</b>		<b>147,341</b>	<b>(48,208)</b>
Taxation	36.2	2,722	(41,764)
<b>Profit/(loss) after taxation</b>		<b>150,063</b>	<b>(89,972)</b>
Transfer to statutory contingency reserve	24.2	44,854	25,642
Transfer to general reserve	29.2	105,209	(115,614)
		<b>150,063</b>	<b>(89,972)</b>

The statement of accounting policies and accompanying notes form an integral part of these financial statements.



# Rewarding

## Life Business Revenue Accounts

For the year ended 31 December 2011

	Note	Individual Life ₦'000	Group Life ₦'000	Annuity	2011 Total ₦'000	2010 Total ₦'000
<b>Income</b>						
Direct premiums		328,629	2,164,055	1,992,689	4,485,373	2,564,240
Inward reinsurance premiums		-	-	-	-	-
<b>Gross premium</b>		<b>328,629</b>	<b>2,164,055</b>	<b>1,992,689</b>	<b>4,485,373</b>	<b>2,564,240</b>
Reinsurance cost		-	(699,961)	-	(699,961)	(583,525)
<b>Premium retained</b>		<b>328,629</b>	<b>1,464,094</b>	<b>1,992,689</b>	<b>3,785,412</b>	<b>1,980,715</b>
Commissions earned		-	209,988	-	209,988	228,559
Investment income		7,448	49,043	40,315	96,806	59,980
Other income		1,120	7,377	6,064	14,561	34,491
<b>Total income</b>		<b>337,197</b>	<b>1,730,502</b>	<b>2,039,068</b>	<b>4,106,767</b>	<b>2,303,745</b>
<b>Direct claims paid</b>						
Surrenders		18,748	1,160,343	5,024	1,184,115	963,015
Maturity claims		18	-	-	18	25
Annuity payments		100	-	-	100	1,116
Increase/(decrease) in outstanding claims	16.2(b)	(430)	118,051	-	117,621	207,789
<b>Gross claims incurred</b>		<b>18,436</b>	<b>1,278,394</b>	<b>136,355</b>	<b>1,433,185</b>	<b>1,203,711</b>
<b>Deduct:</b>						
Reinsurance claims recoveries/recoverables		-	(378,510)	-	(378,510)	(252,460)
<b>Net claims incurred</b>		<b>18,436</b>	<b>899,884</b>	<b>136,355</b>	<b>1,054,675</b>	<b>951,251</b>
Acquisition expenses	40.2	57,798	380,602	39,022	477,422	503,948
Maintenance expenses	41.2	22,387	147,423	-	169,810	87,733
Operating expenses		27,891	183,665	13,222	224,778	208,817
<b>Total expenses</b>		<b>126,512</b>	<b>1,611,574</b>	<b>188,599</b>	<b>1,926,685</b>	<b>1,751,749</b>
<b>Surplus</b>		<b>210,685</b>	<b>118,928</b>	<b>1,850,469</b>	<b>2,180,082</b>	<b>551,996</b>
Shareholders' share of valuation surplus		27,078	105,043	93,760	225,881	147,360
Accretion/increase to life fund	17.2(b)	183,607	13,885	1,756,709	1,954,201	404,636
		<b>210,685</b>	<b>118,928</b>	<b>1,850,469</b>	<b>2,180,082</b>	<b>551,996</b>



## Deposit Administration Revenue Accounts *For the year ended 31 December 2011*

	Company 2011 ₦'000	Company 2010 ₦'000
Interest income	363,812	300,424
Gains from sale of investment	88,247	98,730
Other investment income	120,020	218,732
Total income	<u>572,079</u>	<u>617,886</u>
<b>Expenses</b>		
Acquisition expenses	123,296	94,691
Maintenance cost	6,473	3,697
Guaranteed interest	606,993	438,847
Management expenses	26,445	24,412
Total expenses	<u>763,207</u>	<u>561,647</u>
<b>(Loss)/profit from deposit administration</b>	<u>(191,128)</u>	<u>56,239</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### I Cash and bank balances

Cash and bank balances comprise:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Cash in hand	850	1,774	433	1,394
Cash at bank	1,069,475	2,512,227	968,053	2,270,391
	<u>1,070,325</u>	<u>2,514,001</u>	<u>968,486</u>	<u>2,271,785</u>

#### (a) Hypothecation of cash at bank

	Company 2011 ₦'000	Company 2010 ₦'000
Shareholders funds	-	360,550
Insurance funds	371,933	1,446,646
Deposit administration	596,553	454,552
Others	-	10,037
	<u>968,486</u>	<u>2,271,785</u>

### 1.1 General business

	2011 ₦'000	2010 ₦'000
Cash in hand	383	635
Cash at bank	245,894	1,591,775
	<u>246,277</u>	<u>1,592,410</u>

#### (a) Hypothecation of cash at bank

	2011 ₦'000	2010 ₦'000
Shareholders funds	-	346,133
Insurance funds	246,277	1,246,277
	<u>246,277</u>	<u>1,592,410</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 1.2 Life business

	2011	2010
	₹'000	₹'000
Cash in hand	50	759
Cash at bank	722,159	678,616
	<u>722,209</u>	<u>679,375</u>

#### (a) Hypothecation of cash at bank

	Company 2011	Company 2010
	₹'000	₹'000
Shareholders funds	-	14,417
Insurance funds	125,656	200,369
Deposit administration	596,553	454,552
Others	-	10,037
	<u>722,209</u>	<u>679,375</u>

### 2 Short term investments

#### (a) Short term investments comprise:

	Group 2011	Group 2010	Company 2011	Company 2010
	₹'000	₹'000	₹'000	₹'000
Placements	8,331,107	7,978,246	7,339,930	7,581,198
Less: Allowance for bad placements	-	(26,170)	-	-
Lafarge fixed bond series1, 2012 (11.5%)	100,000		100,000	
	<u>8,431,107</u>	<u>7,952,076</u>	<u>7,439,930</u>	<u>7,581,198</u>

#### (b) Hypothecation of short term investments

	Company 2011	Company 2010
	₹'000	₹'000
Shareholders' funds	75,961	391,154
Insurance funds	6,752,222	3,832,870
Deposit administration	611,747	2,358,076
Others	-	999,098
	<u>7,439,930</u>	<u>7,581,198</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 2.1 General business

(a) Short term investments comprise:

	2011	2010
	₺'000	₺'000
Placements	6,500,924	4,476,056
	<u>6,500,924</u>	<u>4,476,056</u>

(b) Hypothecation of short term investments

	2011	2010
	₺'000	₺'000
Shareholders' funds	53,788	312,745
Insurance funds	6,447,136	3,164,213
Others	-	999,098
	<u>6,500,924</u>	<u>4,476,056</u>

### 2.2 Life business

(a) Short term investments comprise:

	2011	2010
	₺'000	₺'000
Placements	839,006	3,105,142
Lafarge fixed bond series1, 2012 (11.5%)	100,000	-
	<u>939,006</u>	<u>3,105,142</u>

(b) Hypothecation of short term investments

	2011	2010
	₺'000	₺'000
Shareholders' funds	22,173	78,409
Insurance funds	305,086	668,657
Deposit administration	611,747	2,358,076
	<u>939,006</u>	<u>3,105,142</u>

### 3 Premium debtors

(a) Premium debtors comprise:

	Group 2011	Group 2010	Company 2011	Company 2010
	₺'000	₺'000	₺'000	₺'000
Premium debtors	7,319,808	5,919,314	7,319,808	5,919,314
Less: allowance for doubtful accounts (see note (b) below)	(4,130,281)	(2,982,299)	(4,130,281)	(2,982,299)
	<u>3,189,527</u>	<u>2,937,015</u>	<u>3,189,527</u>	<u>2,937,015</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(b) The movement in allowance for doubtful premium debtors during the year was as follows:

	Group 2011 <u>₹'000</u>	Group 2010 <u>₹'000</u>	Company 2011 <u>₹'000</u>	Company 2010 <u>₹'000</u>
Balance, beginning of year	2,982,299	1,293,003	2,982,299	1,293,003
Addition during the year (see note 35)	1,147,982	1,689,296	1,147,982	1,689,296
Balance, end of year	<u>4,130,281</u>	<u>2,982,299</u>	<u>4,130,281</u>	<u>2,982,299</u>

(c) The age analysis of premium debtors and related provisions are as follows:

	Group 2011 <u>Gross premium</u> <u>₹'000</u>	Group 2011 <u>Provision</u> <u>₹'000</u>	Company 2010 <u>Gross premium</u> <u>₹'000</u>	Company 2010 <u>Provision</u> <u>₹'000</u>
0 - 90 days	2,306,665	-	2,054,438	-
91 - 180 days	1,765,724	882,862	1,765,156	882,579
181 days and above	3,247,419	3,247,419	2,099,720	2,099,720
	<u>7,319,808</u>	<u>4,130,281</u>	<u>5,919,314</u>	<u>2,982,299</u>

(d) Hypothecation of premium debtors

	Company 2011 <u>₹'000</u>	Company 2010 <u>₹'000</u>
Shareholders' funds	3,013,039	2,304,010
Insurance funds	-	-
Deposit administration	-	-
Others	176,488	633,005
	<u>3,189,527</u>	<u>2,937,015</u>

### 3.1 General business:

(a) Premium debtors comprise:

	2011 <u>₹'000</u>	2010 <u>₹'000</u>
Premium debtors	6,741,598	5,487,135
Less: allowance for doubtful accounts (see note (b) below)	(3,728,559)	(2,645,228)
	<u>3,013,039</u>	<u>2,841,907</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(b) The movement in allowance for doubtful premium debtors during the year was as follows:

	2011	2010
Balance, beginning of year	2,645,228	1,213,154
Addition during the year (see note 35.1)	1,083,331	1,432,074
Balance, end of year	<u>3,728,559</u>	<u>2,645,228</u>

(c) The age analysis of premium debtors and related provisions are as follows:

	2011 Gross premium ₦'000	2011 Provision ₦'000	2010 Gross premium ₦'000	2010 Provision ₦'000
0 - 90 days	2,168,812	-	1,985,554	-
91 - 180 days	1,688,454	844,227	1,712,706	856,353
181 days and above	2,884,332	2,884,332	1,788,875	1,788,875
	<u>6,741,598</u>	<u>3,728,559</u>	<u>5,487,135</u>	<u>2,645,228</u>

(d) Hypothecation of premium debtors

	2011 ₦'000	2010 ₦'000
Shareholders' funds	3,013,039	2,304,010
Insurance funds	-	-
Others	-	537,897
	<u>3,013,039</u>	<u>2,937,015</u>

### 3.2 Life business:

(a) Premium debtors comprise:

	2011 ₦'000	2010 ₦'000
Premium debtors	578,210	432,179
Less: allowance for doubtful accounts (see note (b) below)	(401,722)	(337,071)
	<u>176,488</u>	<u>95,108</u>

(b) The movement in allowance for doubtful premium debtors during the year was as follows:

	2011 ₦'000	2010 ₦'000
Balance, beginning of year	337,071	79,849
Addition during the year (see note 35.2)	64,651	257,222
Balance, end of year	<u>401,722</u>	<u>337,071</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(c) The age analysis of premium debtors and related provisions are as follows:

	2011 Gross premium ₦'000	2011 Provision ₦'000	2010 Gross premium ₦'000	2010 Provision ₦'000
0 - 90 days	137,853	-	68,884	-
91 - 180 days	77,270	38,635	52,450	26,226
181 days and above	363,087	363,087	310,845	310,845
	<u>578,210</u>	<u>401,722</u>	<u>432,179</u>	<u>337,071</u>

(d) Hypothecation of premium debtors

	2011 ₦'000	2010 ₦'000
Shareholders' funds	-	-
Insurance funds	-	-
Deposit administration	-	-
Others	176,488	95,108
	<u>176,488</u>	<u>95,108</u>

#### 4 Reinsurance recoverables, other assets and loans

(a) Reinsurance recoverables, other assets and loans comprise:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Claims recoverable from re-insurers	2,324,435	1,026,261	2,324,435	1,026,261
Commercial loans	1,519,811	745,823	1,167,246	585,884
Unexpired reinsurance cost	2,941,470	2,851,534	2,941,470	2,851,534
Loans to policy holders	362,305	298,628	362,305	298,628
Staff loans	94,787	131,007	86,560	126,799
Prepayments	150,907	80,939	79,663	80,464
Agency loans	31,947	23,470	31,947	23,470
Deposit for shares	22,000	-	22,000	-
Stock and inventory	22,110	21,609	-	-
Interest receivable	174,148	94,395	174,148	94,395
Other debtors	415,113	561,976	309,820	410,272
	<u>8,059,033</u>	<u>5,835,642</u>	<u>7,499,594</u>	<u>5,497,707</u>
Less: allowance for doubtful accounts (see note (b) below)	(585,137)	(321,652)	(532,754)	(297,067)
	<u>7,473,896</u>	<u>5,513,990</u>	<u>6,966,840</u>	<u>5,200,640</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(b) The movement in allowance for doubtful accounts during the year was as follows:

	Group 2011	Group 2010	Company 2011	Company 2010
	₦'000	₦'000	₦'000	₦'000
Balance, beginning of year	321,652	138,411	297,067	117,654
Addition during the year (see note 35)	280,658	197,637	252,860	193,679
Written-off	(12,512)	(14,396)	(12,512)	(14,266)
Recovery	(4,661)	-	(4,661)	-
Balance, end of year	<u>585,137</u>	<u>321,652</u>	<u>532,754</u>	<u>297,067</u>

(c) Hypothecation of reinsurance recoverables, other assets and loans

	Company 2011	Company 2010
	₦'000	₦'000
Shareholders' funds	1,635,395	73,904
Insurance funds	84,626	65,972
Deposit administration	948,163	232,656
Others	4,361,504	4,943,645
	<u>7,029,688</u>	<u>5,316,177</u>

### 4.1 General business

(a) Reinsurance recoverables, other assets and loans comprise:

	2011	2010
	₦'000	₦'000
Claims recoverable from re-insurers	1,978,894	897,968
Commercial loans	223,666	151,074
Due from life business	62,848	-
Unexpired reinsurance cost	2,941,470	2,851,534
Staff loans	76,668	108,158
Prepayments	38,806	41,236
Deposit for shares	22,000	-
Interest receivable	51,960	37,610
Other debtors	167,223	238,554
	<u>5,563,535</u>	<u>4,326,134</u>
Less: allowance for doubtful accounts (see note (b) below)	(169,427)	(167,111)
	<u>5,394,108</u>	<u>4,159,023</u>

(b) The movement in allowance for doubtful accounts during the year was as follows:

	2011	2010
	₦'000	₦'000
Balance, beginning of year	167,111	97,567
Addition during the year (see note 35.1)	3,111	78,809
Recovery	(795)	-
Written-off	-	(9,265)
Balance, end of year	<u>169,427</u>	<u>167,111</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(c) Hypothecation of reinsurance recoverables, other assets and loans

	2011	2010
	¥'000	¥'000
Shareholders' funds	1,282,848	73,904
Insurance funds	-	-
Others	4,111,260	4,085,119
	<u>5,394,108</u>	<u>4,159,023</u>

### 4.2 Life business

(a) Reinsurance recoverables, other assets and loans comprise:

	2011	2010
	¥'000	¥'000
Due from general business	-	115,537
Loans to policy holders	362,305	298,628
Commercial loans	943,580	434,810
Claims recoverable from reinsurers	345,541	128,293
Prepayments	40,857	39,228
Agency loans	31,947	23,470
Staff loans	9,892	18,641
Interest receivable	122,188	56,785
Other debtors	142,597	171,718
	<u>1,998,907</u>	<u>1,287,110</u>
Less: allowance for doubtful accounts (see note (b) below)	(363,327)	(129,956)
	<u>1,635,580</u>	<u>1,157,154</u>

(b) The movement in allowance for doubtful accounts during the year was as follows:

	2011	2010
	¥'000	¥'000
Balance, beginning of year	129,956	20,087
Addition during the year (see note 35.2)	249,749	114,870
Recovery	(3,866)	-
Written-off	(12,512)	(5,001)
Balance, end of year	<u>363,327</u>	<u>129,956</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(c) Hypothecation of reinsurance recoverables, other assets and loans

	2011	2010
	¥'000	¥'000
Shareholders' funds	352,547	-
Insurance funds	84,626	65,972
Deposit administration	948,163	232,656
Others	250,244	858,526
	<u>1,635,580</u>	<u>1,157,154</u>

5 Investment in finance leases

(a) Investment in finance lease comprise:

	Group 2011	Group 2010	Company 2011	Company 2010
	¥'000	¥'000	¥'000	¥'000
Gross investment in finance lease (see note (b) below)	304,368	282,154	-	-
Unearned finance income	(51,423)	(57,727)	-	-
Net investment in finance lease	<u>252,945</u>	<u>224,427</u>	<u>-</u>	<u>-</u>
Less: allowance for doubtful accounts (see note (c) below)	(10,876)	(2,244)	-	-
	<u>242,069</u>	<u>222,183</u>	<u>-</u>	<u>-</u>

(b) The analysis of net investment in finance lease is shown below:

	Group 2011	Group 2010	Company 2011	Company 2010
	¥'000	¥'000	¥'000	¥'000
Current portion	148,664	110,715	-	-
Non-current portion	104,281	113,712	-	-
Net investment in finance lease	<u>252,945</u>	<u>224,427</u>	<u>-</u>	<u>-</u>

(c) The movement in allowance for doubtful account is as follows:

	Group 2011	Group 2010	Company 2011	Company 2010
	¥'000	¥'000	¥'000	¥'000
Balance, beginning of year	2,244	-	-	-
Addition during the year (see note 35)	8,632	2,244	-	-
Addition during the year	<u>10,876</u>	<u>2,244</u>	<u>-</u>	<u>-</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(d) The analysis of provision for investment in finance lease is shown below:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Specific provision	8,347	-	-	-
General provision	2,529	2,244	-	-
<b>Total provision</b>	<b>10,876</b>	<b>2,244</b>	<b>-</b>	<b>-</b>

(d)(i) The movement in specific provision for investment under finance lease is as follows:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Balance, beginning of year	-	-	-	-
Addition during the year	8,347	-	-	-
<b>Addition during the year</b>	<b>8,347</b>	<b>-</b>	<b>-</b>	<b>-</b>

(d)(ii) The movement in general provision for investment under finance lease is as follows:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Balance, beginning of year	2,244	2,034	-	-
Addition during the year	285	210	-	-
<b>Addition during the year</b>	<b>2,529</b>	<b>2,244</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 6 Deferred acquisition costs

- (i) Deferred acquisition costs represent commissions on unearned premium relating to the unexpired period of risks and comprise:

#### General business

	Group 2011	Group 2010	Company 2011	Company 2010
	N'000	N'000	N'000	N'000
Motor	111,543	123,122	111,543	123,122
Fire	102,592	63,780	102,592	63,780
General accident	55,658	65,610	55,658	65,610
Marine and aviation	82,785	83,305	82,785	83,305
Bond	7,469	7,614	7,469	7,614
Engineering	44,746	34,689	44,746	34,689
	<u>404,793</u>	<u>378,120</u>	<u>404,793</u>	<u>378,120</u>

- (ii) The movement in the deferred acquisition costs during the year is as shown below:

	Group 2011	Group 2010	Company 2011	Company 2010
	N'000	N'000	N'000	N'000
Balance, beginning of year	378,120	390,750	378,120	390,750
(Decrease)/increase during the year	26,673	(12,630)	26,673	(12,630)
Balance, end of year	<u>404,793</u>	<u>378,120</u>	<u>404,793</u>	<u>378,120</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 7 Long term investments

Long term investments comprise:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Quoted investments (see note (b) below)	10,108,730	9,996,359	10,032,233	9,912,929
Unquoted investments (see note (c) below)	5,926,512	4,190,013	5,840,760	4,104,261
	<u>16,035,242</u>	<u>14,186,372</u>	<u>15,872,993</u>	<u>14,017,190</u>

#### (a) (i) Hypothecation of long term investment -

	Company 2011 ₦'000	Company 2010 ₦'000
Shareholders funds	3,206,063	3,549,276
Insurance funds	6,783,104	5,950,653
Deposit Administration	5,883,826	4,517,261
	<u>15,872,993</u>	<u>14,017,190</u>

#### (a)(ii) Hypothecation of long term quoted investment -

	Company 2011 ₦'000	Company 2010 ₦'000
Shareholders funds	624,158	2,930,472
Insurance funds	6,104,694	4,155,171
Deposit Administration	3,303,381	2,827,286
	<u>10,032,233</u>	<u>9,912,929</u>

#### (a)(iii) Hypothecation of long term unquoted investment -

	Company 2011 ₦'000	Company 2010 ₦'000
Shareholders funds	969,902	1,393,217
Insurance funds	2,290,413	1,021,069
Deposit Administration	2,580,445	1,689,975
	<u>5,840,760</u>	<u>4,104,261</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### (b) Quoted investments

Quoted investments comprise:

	Group				Company			
	Market value 2011 ₦'000	Cost 2011 ₦'000	Market value 2010 ₦'000	Cost 2010 ₦'000	Market value 2011 ₦'000	Cost 2011 ₦'000	Market value 2010 ₦'000	Cost 2010 ₦'000
Ordinary shares	7,920,673	7,609,025	9,974,114	7,245,699	7,844,175	7,478,545	9,890,684	7,115,219
Bonds (see note (b)(i) below)	2,185,813	2,185,813	20,000	20,000	2,185,813	2,185,813	20,000	20,000
Other quoted investments	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245
	<u>10,108,731</u>	<u>9,797,083</u>	<u>9,996,359</u>	<u>7,267,944</u>	<u>10,032,233</u>	<u>9,666,603</u>	<u>9,912,929</u>	<u>7,137,464</u>
Excess of market value over cost (see note (b)(iii) below)		311,647		2,728,415		365,630		2,775,465
		<u>10,108,730</u>		<u>9,996,359</u>		<u>10,032,233</u>		<u>9,912,929</u>

### (b)(i) The investments in bonds comprise:

Ist FGN Bonds 2010 (TB+3%)  
 Ist FGN Bonds 2013 (TB+3.75%)  
 5th FGN Bonds series 2, 2018 (10.7%)  
 5th FGN Bonds series 5, 2028 (15%)  
 6th FGN Bonds series 4, 2019 (7%)  
 7th FGN Bonds series 3, 2030 (10%)

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Ist FGN Bonds 2010 (TB+3%)	-	10,000	-	10,000
Ist FGN Bonds 2013 (TB+3.75%)	10,000	10,000	10,000	10,000
5th FGN Bonds series 2, 2018 (10.7%)	557,965	-	557,965	
5th FGN Bonds series 5, 2028 (15%)	375,763		375,763	
6th FGN Bonds series 4, 2019 (7%)	177,851		177,851	
7th FGN Bonds series 3, 2030 (10%)	1,064,234		1,064,234	
	<u>2,185,813</u>	<u>20,000</u>	<u>2,185,813</u>	<u>20,000</u>

### (b)(ii) The analysis of excess of market value over cost is shown below:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Parent company's excess of market value over cost (see note 25)	365,630	2,775,465	365,630	2,775,465
Subsidiaries' shortfall of market value over cost (see note (b)(iv) below)	(53,983)	(47,050)	-	-
	<u>311,647</u>	<u>2,728,415</u>	<u>365,630</u>	<u>2,775,465</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(b)(iii) The movement in allowance for dimution in quoted investment is shown below:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Balance, beginning of year	47,050	47,998	-	-
(Recovery)/addition during the year (see note 35)	6,933	(948)	-	-
Balance, end of year	<u>53,983</u>	<u>47,050</u>	<u>-</u>	<u>-</u>

**(c) Unquoted investments**

	Group Cost 2011 ₦'000	Group Cost 2010 ₦'000	Company Cost 2011 ₦'000	Company Cost 2010 ₦'000
Cost	5,934,466	4,050,833	5,848,714	3,965,081
Foreign exchange gain (see note 26(b)(ii))	355,988	278,857	355,988	278,857
	6,290,454	4,329,690	6,204,702	4,243,938
Less: allowance for dimution in unquoted investments (see note (c)(i) below)	(363,942)	(139,677)	(363,942)	(139,677)
Carrying value	<u>5,926,512</u>	<u>4,190,013</u>	<u>5,840,760</u>	<u>4,104,261</u>

(c)(i) The movement in allowance for dimution in unquoted investment is shown below:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Balance, beginning of year	139,677	153,937	139,677	148,285
Addition during the year (see note 35)	224,265	68,895	224,265	74,547
Write-off during the year	-	(83,155)	-	(83,155)
Balance, end of year	<u>363,942</u>	<u>139,677</u>	<u>363,942</u>	<u>139,677</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(c)(ii) Unquoted investments comprise:

	2011 ₦'000	2010 ₦'000	2011 ₦'000	2010 ₦'000
Equity investments in unquoted companies at cost	2,247,256	2,007,393	2,161,504	1,921,641
Bonds (See note(c)(iii) below)	2,576,085	932,315	2,576,085	932,315
Convertible debt notes	1,111,125	1,111,125	1,111,125	1,111,125
	<u>5,934,466</u>	<u>4,050,833</u>	<u>5,848,714</u>	<u>3,965,081</u>

(c)(iii) The investments in bonds comprise:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Lagos State Government fixed rate bond series 1, 2014 (13%)	150,000	238,280	150,000	238,280
Lagos State Government fixed rate bond series 2, 2017 (10%)	143,000	-	143,000	-
Bayelsa State fixed rate bonds, 2017 (13.75%)	141,637	150,000	141,637	150,000
UBA fixed subordinated unsecured bond, 2017 (13%)	150,000	150,000	150,000	150,000
Edo State Government fixed rate bond, 2017 (14%)	100,000	-	100,000	-
Delta State Government fixed rate bond, 2018 (14%)	200,000	-	200,000	-
Ekiti State Government fixed rate bond, 2018 (14.5%)	100,000	-	100,000	-
Benue State Government fixed rate development bonds, 2016 (14%)	135,000	-	135,000	-
Dana Group Plc Bonds 2018 (MPR+7%)	250,000	-	250,000	-
Lafarge fixed bond series 1, 2012 (11.5%)	100,000	-	100,000	-
GTB Finance B.V Fixed Rate Senior Notes, 2016, (7.5%)	785,026	-	785,026	-
GTB Finance B.V Fixed Rate Senior Unsecured Notes, 2012, (8.5%)	317,644	251,035	317,644	251,035
Lagos State Fixed rate series bond 2014	-	143,000	-	143,000
FBN secured 9.75% Eurobond 2017	103,778	-	103,778	-
	<u>2,676,085</u>	<u>932,315</u>	<u>2,676,085</u>	<u>932,315</u>

(d) The movement in long term investments during the year is as shown below:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
<b>Cost</b>				
Balance, beginning of year	11,318,777	9,525,269	11,102,545	9,173,944
Addition during the year	5,427,379	2,571,155	5,427,379	2,706,248
Disposal during the year	(1,014,607)	(777,647)	(1,014,607)	(777,647)
	<u>15,731,549</u>	<u>11,318,777</u>	<u>15,515,317</u>	<u>11,102,545</u>
Excess of market value over cost (see note 7(a) above)	311,647	2,728,415	365,630	2,775,465
Provision for diminution in value of unquoted investment (see note 7(b) above)	(363,942)	(139,677)	(363,942)	(139,677)
Foreign exchange gain on unquoted investments (see note 7(b) above)	355,988	278,857	355,988	278,857
Balance, end of year	<u>16,035,242</u>	<u>14,186,372</u>	<u>15,872,993</u>	<u>14,017,190</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 7.1 General Business

	Company 2011 ₹'000	Company 2010 ₹'000
Quoted investments (see note (b) below)	4,566,952	6,059,010
Unquoted investments (see note (c) below)	1,614,949	1,929,404
	<u>6,181,901</u>	<u>7,988,414</u>
 (a) (i) Hypothecation of long term investment -		
	Company 2011 ₹'000	Company 2010 ₹'000
Shareholders funds	2,601,883	3,247,203
Insurance funds	3,580,018	4,741,211
	<u>6,181,901</u>	<u>7,988,414</u>
 (a) (ii) Hypothecation of long term quoted investment -		
	Company 2011 ₹'000	Company 2010 ₹'000
Shareholders funds	624,158	2,628,399
Insurance funds	3,942,794	3,430,611
	<u>4,566,952</u>	<u>6,059,010</u>
 (a) (iii) Hypothecation of long term unquoted investment -		
	Company 2011 ₹'000	Company 2010 ₹'000
Shareholders funds	365,722	1,393,217
Insurance funds	1,249,227	536,187
	<u>1,614,949</u>	<u>1,929,404</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

**(b) Quoted investments**

	Market value 2011	Cost 2011	Market value 2010	Cost 2010
	₦'000	₦'000	₦'000	₦'000
Ordinary shares	4,564,707	4,382,460	6,056,765	4,480,142
Other quoted investments	2,245	2,245	2,245	2,245
	<u>4,566,952</u>	<u>4,384,705</u>	<u>6,059,010</u>	<u>4,482,387</u>
Excess of market value over cost (see note 26.1)		182,247		1,576,623
		<u>4,566,952</u>		<u>6,059,010</u>

**(c) Unquoted investments**

	2011	2010
	₦'000	₦'000
Cost	1,842,625	1,966,036
Foreign exchange gain (see note 26.1(b))	136,266	103,045
Less: allowance for diminution in unquoted investments (see note (c)(i) below)	(363,942)	(139,677)
Carrying value	<u>1,614,949</u>	<u>1,929,404</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(c)(i) The movement in allowance for diminution in unquoted investment is shown below:

	2011	2010
	₦'000	₦'000
Balance, beginning of year	139,677	148,285
Addition during the year (see note 35.1)	224,265	74,547
Write-off during the year	-	(83,155)
Balance, end of year	<u>363,942</u>	<u>139,677</u>

(c)(ii) Unquoted investments comprise:

	2011	2010
	₦'000	₦'000
Equity investments in unquoted companies at cost	1,318,842	1,151,996
Bonds (See note(c)(iii) below)	103,778	394,035
Convertible debt notes	420,005	420,005
	<u>1,842,625</u>	<u>1,966,036</u>

(c)(iii) The investment in bonds comprise

	2011	2010
	₦'000	₦'000
GTB Unsecured 8.5% Eurobond 2012	-	251,035
FBN Secured 9.75% Eurobond 2017	103,778	-
Lagos State Fixed rate series bond 2014	-	143,000
	<u>103,778</u>	<u>394,035</u>

### 7.2 Life business

	2011	2010
	₦'000	₦'000
Quoted investments (see note (b) below)	5,465,281	3,853,919
Unquoted investments (see note (c) below)	4,225,811	2,174,857
	<u>9,691,092</u>	<u>6,028,776</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(a)(i) Hypothecation of long term investment -

	2011	2010
	₹'000	₹'000
Shareholders funds	604,180	302,073
Insurance funds	3,203,086	1,209,442
Deposit administration	5,883,826	4,517,261
	<u>9,691,092</u>	<u>6,028,776</u>

(a)(ii) Hypothecation of long term quoted investment -

	2011	2010
	₹'000	₹'000
Shareholders funds	-	302,073
Insurance funds	2,161,899	724,560
Deposit administration	3,303,382	2,827,286
	<u>5,465,281</u>	<u>3,853,919</u>

(a)(iii) Hypothecation of long term unquoted investment -

	2011	2010
	₹'000	₹'000
Shareholders funds	604,180	
Insurance funds	1,041,186	484,882
Deposit administration	2,580,445	1,689,975
	<u>4,225,811</u>	<u>2,174,857</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### (b) Quoted investments

	Market value 2011 ₦'000	Cost 2011 ₦'000	Market value 2010 ₦'000	Cost 2010 ₦'000
Ordinary shares	3,279,468	3,096,085	3,833,919	2,635,077
Bonds (see note (b)(i) below)	2,185,813	2,185,813	20,000	20,000
	<u>5,465,281</u>	<u>5,281,898</u>	<u>3,853,919</u>	<u>2,655,077</u>
Excess of market value over cost (see note 26.2)		183,383		1,198,842
		<u>5,465,281</u>		<u>3,853,919</u>

### (b)(i) The investments in bonds comprise:

	2011 ₦'000	2010 ₦'000
Ist FGN Bonds 2010 (TB+3%)	-	10,000
Ist FGN Bonds 2013 (TB+3.75%)	10,000	10,000
5th FGN Bonds series 2, 2018 (10.7%)	557,965	-
5th FGN Bonds series 5, 2028 (15%)	375,763	-
6th FGN Bonds series 4, 2019 (7%)	177,851	-
7th FGN Bonds series 3, 2030 (10%)	1,064,234	-
	<u>2,185,813</u>	<u>20,000</u>

### (c) Unquoted investments

	Cost 2011 ₦'000	Cost 2010 ₦'000
Cost	4,006,089	1,999,045
Foreign exchange gain (see notes c(ii) and 26.2(b))	219,722	175,812
Carrying value	<u>4,225,811</u>	<u>2,174,857</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(c)(ii) Unquoted investments comprise

	2011 ₦'000	2010 ₦'000
Equity investments in unquoted companies at cost	842,662	769,645
Bonds (see note(c)(iii))	2,472,307	538,280
Convertible debt notes	691,120	691,120
	4,006,089	1,999,045
Foreign exchange gain on convertible debt notes	219,722	175,812
	<u>4,225,811</u>	<u>2,174,857</u>

(c)(iii) The investments in bonds comprise:

	2011 ₦'000	2010 ₦'000
Lagos State Government fixed rate bond series 1, 2014 (13%)	150,000	238,280
Lagos State Government fixed rate bond series 2, 2017 (10%)	143,000	-
Bayelsa State fixed rate bonds, 2017 (13.75%)	141,637	150,000
UBA fixed subordinated unsecured bond, 2017 (13%)	150,000	150,000
Edo State Government fixed rate bond, 2017 (14%)	100,000	-
Delta State Government fixed rate bond, 2018 (14%)	200,000	-
Ekiti State Government fixed rate bond, 2018 (14.5%)	100,000	-
Benue State Government fixed rate development bonds, 2016 (14%)	135,000	-
Dana Group Plc Bonds 2018 (MPR+7%)	250,000	-
GTB Finance B.V Fixed Rate Senior Notes, 2016, (7.5%)	785,026	-
GTB Finance B.V Fixed Rate Senior Unsecured Notes, 2012, (8.5%)	317,644	-
	<u>2,472,307</u>	<u>538,280</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 8 Investment in subsidiaries

#### General business:

Investment in subsidiaries comprises:

	Group 2011 <u>₦'000</u>	Group 2010 <u>₦'000</u>	Company 2011 <u>₦'000</u>	Company 2010 <u>₦'000</u>
Leadway Capital and Trusts Limited	-	-	47,696	47,696
Leadway Hotels Limited	-	-	293,250	293,250
Leadway Properties and Investments Limited	-	-	244,312	2,000
	<u>-</u>	<u>-</u>	<u>585,258</u>	<u>342,946</u>

(a) The details of consolidated subsidiaries are shown below

<i>Company name</i>	<i>Country of Incorporation</i>	<i>Nature of Business</i>	<i>Percentage of equity capital held 2011</i>	<i>Year end consolidated</i>
Leadway Capital and Trusts Limited (formerly Leadway Trustee Limited)	Nigeria	Trusteeship Hotel and	53%	31-Dec-2011
Leadway Hotels Limited	Nigeria	hospitality Property	51%	31-Dec-2011
Leadway Properties and Investments Limited	Nigeria	management	100%	31-Dec-2011

## Notes to the Financial Statements

For the year ended 31 December 2011

(b) Condensed results of consolidated entities

(i) The condensed financial data of the consolidated entities as at 31 December 2011, are set out below:

<i>Subsidiary companies/parent company</i>	<i>Total Assets</i> ₦'000	<i>Total liabilities</i> ₦'000	<i>Net assets</i> ₦'000	<i>Gross earnings</i> ₦'000	<i>Profit/(loss) before tax</i> ₦'000	<i>Cash and cash equivalent</i> ₦'000
Leadway Assurance Company Limited	42,516,136	31,229,731	11,286,405	22,421,822	1,549,073	8,408,416
Leadway Capital and Trusts Limited	1,667,206	1,081,718	585,488	241,060	117,412	780,156
Leadway Hotels Limited	1,257,807	494,542	763,265	738,028	166,728	306,979
Leadway Properties and Investments Limited	302,308	273,706	28,602	10,464	(6,838)	3,631
Eliminations	(891,865)	(400,011)	(491,854)	204,212	204,212	2,250
Consolidated amount	<u>44,851,592</u>	<u>32,679,686</u>	<u>12,171,906</u>	<u>23,615,586</u>	<u>2,030,587</u>	<u>9,501,432</u>

(ii) The condensed financial data of the consolidated entities as at 31 December 2010, are set out below:

<i>Subsidiary companies/parent company</i>	<i>Total Assets</i> ₦'000	<i>Total liabilities</i> ₦'000	<i>Net assets</i> ₦'000	<i>Gross earnings</i> ₦'000	<i>Profit/(loss) before tax</i> ₦'000	<i>Cash and cash equivalent</i> ₦'000
Leadway Assurance Company Limited	39,025,271	25,923,840	13,101,431	18,413,200	2,038,439	9,852,983
Leadway Capital and Trusts Limited	1,093,201	573,719	519,482	169,171	74,505	284,747
Leadway Hotels Limited	1,225,934	507,640	718,294	754,900	158,738	317,699
Leadway Properties and Investments Limited	97,096	63,252	33,844	9,682	3,316	10,648
Eliminations	(970,345)	(233,080)	(737,265)	100,402	100,402	-
Consolidated amount	<u>40,471,157</u>	<u>26,835,371</u>	<u>13,635,786</u>	<u>19,447,355</u>	<u>2,375,400</u>	<u>10,466,077</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 8.1 Investment in subsidiaries

	Company 2011 ₦'000	Company 2010 ₦'000
Leadway Capital and Trusts Limited	47,696	47,696
Leadway Hotels Limited	293,250	293,250
Leadway Properties and Investments Limited	244,312	2,000
	<u>585,258</u>	<u>342,946</u>

#### (a) Hypothecation of investment in subsidiaries

	Company 2011 ₦'000	Company 2010 ₦'000
Shareholders funds	585,258	342,946
Insurance funds	-	-
Deposit administration	-	-
	<u>585,258</u>	<u>342,946</u>

### 8.2 General business

	2011 ₦'000	2010 ₦'000
Leadway Capital and Trusts Limited	47,696	47,696
Leadway Hotels Limited	293,250	293,250
Leadway Properties and Investments Limited	2,000	2,000
	<u>342,946</u>	<u>342,946</u>

#### (a) Hypothecation of investment in subsidiaries

	2011 ₦'000	2010 ₦'000
Shareholders funds	342,946	342,946
Insurance funds	-	-
	<u>342,946</u>	<u>342,946</u>

#### (b) The details of General business investments in consolidated subsidiaries are shown below

<i>Company name</i>	<i>Country of Incorporation</i>	<i>Nature of Business</i>	<i>Percentage of equity capital held 2011</i>	<i>Year end</i>
Leadway Capital and Trusts Limited	Nigeria	Trusteeship Hotel and	53%	31 December 2011
Leadway Hotels Limited	Nigeria	hospitality Property	51%	31 December 2011
Leadway Properties and Investments Limited	Nigeria	management	100%	31 December 2011



## Notes to the Financial Statements

For the year ended 31 December 2011

### 8.3 Life business

	2011 ₦'000	2010 ₦'000
Leadway Properties and Investments Limited	242,312	-
	<u>242,312</u>	<u>-</u>
<b>(a) Hypothecation of investment in subsidiaries</b>		
	2011 ₦'000	2010 ₦'000
Shareholders funds	242,312	-
Insurance funds	-	-
Deposit administration	-	-
	<u>242,312</u>	<u>-</u>

(b) The details of Life business investments in consolidated subsidiaries are shown below

Company name <i>Subsidiary companies</i>	<i>Country of Incorporation</i>	<i>Nature of Business</i>	<i>Percentage of equity capital held 2011</i>	<i>Year end</i>
Leadway Properties and Investments Limited	Nigeria	Propety Management	99%	December 2011

### 9 Investment in associates

(a) Investment in associates comprise:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Leadway Pensure PFA Limited	471,590	216,255	753,209	660,375
Total Health Trust Limited	167,711	84,801	35,000	35,000
	<u>639,301</u>	<u>301,056</u>	<u>788,209</u>	<u>695,375</u>

(b) Hypothecation of investment in associates

	Company 2011 ₦'000	Company 2010 ₦'000
Shareholders funds	788,209	695,375
Insurance funds	-	-
Deposit administration	-	-
	<u>788,209</u>	<u>695,375</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(c) The details of associates accounted for using the equity method of accounting are shown below:

<i>Company name</i>	<i>Country of Incorporation</i>	<i>Nature of Business</i>	<i>Percentage of equity capital held 2011</i>	<i>Year end accounted for using equity method</i>
Leadway Pensure PFA Limited (see note (d) below)	Nigeria	Pension fund administration	46%	31 December 2011
Total Health Trust Limited (see note (e) below)	Nigeria	Health care provider	25%	31 December 2011

(d) The Company's holdings in the associate is as stated below:

	Percentage holding		Amount invested	
	2011	2010	2011 ₦'000	2010 ₦'000
<b>Life Business</b>	46%	46%	753,209	660,375

(d)(ii) Hypothecation of investment in associates

	2011 ₦'000	2010 ₦'000
Shareholders funds	753,209	660,375
Insurance funds	-	-
Deposit administration	-	-
	<u>753,209</u>	<u>660,375</u>

(e) The Company's holdings in the associate is as stated below:

	Percentage holding		Amount invested	
	2011	2010	2011 ₦'000	2010 ₦'000
<b>General Business</b>	25%	25%	35,000	35,000

(e)(ii) Hypothecation of investment in associates

	2011 ₦'000	2010 ₦'000
Shareholders funds	35,000	35,000
Insurance funds	-	-
	<u>35,000</u>	<u>35,000</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(f) The movement in investment in associates during the year is set out below:

(i) **Group**

	Leadway Pensure PFA 2011 N'000	Total Health Trust 2011 N'000	Group 2011 N'000	Group 2010 N'000
Balance, beginning of year	216,255	84,801	301,056	164,755
Addition during the year	92,834	-	92,834	-
	309,089	84,801	393,890	164,755
Share of profit/(loss) for the year	162,501	82,910	245,411	136,301
Balance, end of year	<u>471,590</u>	<u>167,711</u>	<u>639,301</u>	<u>301,056</u>

(ii) **Company**

	Leadway Pensure PFA 2011 N'000	Total Health Trust 2011 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	660,375	35,000	695,375	695,375
Addition due to rights issue	92,834	-	92,834	-
Balance, end of year	<u>753,209</u>	<u>35,000</u>	<u>788,209</u>	<u>695,375</u>

(g) The summarized financial information of the Group's associates is set out below:

	Leadway Pensure PFA 2011 N'000	Total Health Trust 2011 N'000	Total 2011 N'000	Total 2010 N'000
Total assets	1,239,368	1,290,838	2,530,206	1,538,655
Total liabilities	(215,985)	(619,997)	(835,982)	(729,334)
Net assets	<u>1,023,383</u>	<u>670,841</u>	<u>1,694,224</u>	<u>809,321</u>
Total revenue	<u>1,273,630</u>	<u>2,637,080</u>	<u>3,910,710</u>	<u>4,296,261</u>
Profit/(loss) for the year	<u>353,263</u>	<u>319,520</u>	<u>672,783</u>	<u>332,534</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 10 Investment properties

(a) The movement in investment properties during the year is shown below:

	Group 2011 ₦'000	Group 2010 ₦'000	Company 2011 ₦'000	Company 2010 ₦'000
Cost				
Balance, beginning of year	1,138,845	1,128,275	1,090,601	1,080,031
Addition during the year	-	10,570	-	10,570
Transfer from present company	220,000	-	-	-
Transfer to Investment in subsidiary	(180,783)	-	(180,783)	-
	1,178,062	1,138,845	909,818	1,090,601
Revaluation surplus (see note (b) below)	1,219,648	1,258,865	1,219,648	1,258,865
Less: allowance for diminution in investment properties (see note 10.2(a) below)	(20,570)	(20,570)	(20,570)	(20,570)
Balance, end of year	<u>2,377,140</u>	<u>2,377,140</u>	<u>2,108,896</u>	<u>2,328,896</u>

(b) Hypothecation of investment properties

	Company 2011 ₦'000	Company 2010 ₦'000
Shareholders funds	619,511	1,374,511
Insurance funds	954,385	954,385
Deposit administration	535,000	270,131
	<u>2,108,896</u>	<u>2,328,896</u>

(c) The Company's investment properties were revalued by Funsho Oladimeji & Co., estate surveyors and valuers on 18th and 21st December 2009 using both the Investment method and the Comparative method of valuation to arrive at the open market value.

### 10.1 General business

(a) The movement in investment properties during the year is shown below:

	2011 ₦'000	2010 ₦'000
Cost		
Balance, beginning of year	670,887	670,887
Addition during the year	-	-
	670,887	670,887
Revaluation surplus	903,009	903,009
Balance, end of year	<u>1,573,896</u>	<u>1,573,896</u>

(b) Hypothecation of investment properties

	2011 ₦'000	2010 ₦'000
Shareholders funds	619,511	619,511
Insurance funds	954,385	954,385
	<u>1,573,896</u>	<u>1,573,896</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 10.2 Life business

(a) The movement in investment properties during the year is shown below:

	2011	2010
	N'000	N'000
Cost		
Balance, beginning of year	419,714	409,144
Addition during the year	-	10,570
Transfer from/(to) General business during the year	(180,783)	-
	238,931	419,714
Revaluation surplus	316,639	355,856
	555,570	775,570
Less: allowance for diminution in investment properties (see note (c) below)	(20,570)	(20,570)
Balance, end of year	535,000	755,000

(b) Hypothecation of investment properties

	2011	2010
	N'000	N'000
Shareholders funds	-	755,000
Insurance funds	-	-
Deposit administration	535,000	-
	535,000	755,000

(c) The movement in allowance for diminution in investment properties is shown below:

	2011	2010
	N'000	N'000
Balance, beginning of year	(20,570)	-
Addition during the year	-	(20,570)
Balance, end of year	(20,570)	(20,570)

### 11 Statutory deposits

This represents the Company's deposit with the Central Bank of Nigeria as at 31 December 2011, in compliance with the Insurance Act, CAP 117 LFN 2004 and comprise:

	Group 2011	Group 2010	Company 2011	Company 2010
	N'000	N'000	N'000	N'000
General Business	320,000	320,000	320,000	320,000
Life Business	200,000	200,000	200,000	200,000
	520,000	520,000	520,000	520,000



## Notes to the Financial Statements

For the year ended 31 December 2011

**(b)(i) Hypothecation of statutory deposits**

Shareholders funds  
Insurance funds  
Deposit administration

Company 2011 ₹'000	Company 2010 ₹'000
520,000	520,000
-	-
-	-
<u>520,000</u>	<u>520,000</u>

**(b)(ii) General Business**

Hypothecation of statutory deposits

Shareholders funds  
Insurance funds

2011 ₹'000	2010 ₹'000
320,000	320,000
-	-
<u>320,000</u>	<u>320,000</u>

**(b)(iii) Life Business**

Hypothecation of long term quoted investment -

Shareholders funds  
Insurance funds  
Deposit administration

2011 ₹'000	2010 ₹'000
200,000	200,000
-	-
-	-
<u>200,000</u>	<u>200,000</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 12 Property and equipment

#### (a) Group

	Land	Buildings	Office equipment	Computer equipment	Furniture & fittings	Motor vehicles	Capital Work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>Cost/valuation</b>								
Balance, beginning of year	-	1,515,745	497,085	415,114	322,431	572,534	1,650,200	4,973,109
Additions	-	651,356	58,405	109,853	16,088	62,490	410,141	1,308,333
Transfer from / (to) work in progress	359,700	181,310	108,233	37,636	192,581	-	(879,459)	0
Disposals	-	(75,000)	-	-	-	(31,771)	-	(106,771)
Balance, end of year	<u>359,700</u>	<u>2,273,411</u>	<u>663,723</u>	<u>562,603</u>	<u>531,100</u>	<u>603,253</u>	<u>1,180,882</u>	<u>6,174,671</u>
<b>Accumulated depreciation</b>								
Balance, beginning of year	-	116,429	380,797	370,120	225,916	473,433	-	1,566,695
Charge for the year	-	29,993	72,572	66,693	54,953	56,963	-	281,174
Disposals	-	-	-	-	-	(26,943)	-	(26,943)
Balance, end of year	<u>-</u>	<u>146,422</u>	<u>453,369</u>	<u>436,813</u>	<u>280,869</u>	<u>503,453</u>	<u>-</u>	<u>1,820,926</u>
<b>Net book value</b>								
End of year	<u>359,700</u>	<u>2,126,989</u>	<u>210,354</u>	<u>125,790</u>	<u>250,231</u>	<u>99,800</u>	<u>1,180,882</u>	<u>4,353,745</u>
Beginning of year	<u>-</u>	<u>1,399,316</u>	<u>116,288</u>	<u>44,994</u>	<u>96,515</u>	<u>99,101</u>	<u>1,650,200</u>	<u>3,406,414</u>

(i) The Company's land and buildings were revalued by Funsho Oladimeji & Co., estate surveyor and valuers in December 2009 using both Investment method and Comparative method of valuation to arrive at the open market value.

(ii) The Group has capital commitments of ₦264,936,021 (31 December 2010: ₦745,516,000) as at the balance sheet date.

(iii) Capital work in progress represents construction costs in respect of new offices in Lagos and Abuja. On completion of construction, the related amounts will be transferred to other categories of fixed assets.

(iv) No leased assets are included in the fixed assets (2010:Nil).

(v) The next book values of revalued assets included in Note (a) above are as follows:

	2011	2010
	₦'000	₦'000
Land	359,700	244,597
Building	363,246	548,925
	<u>722,946</u>	<u>793,522</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### (b) Company

	Land ₦'000	Buildings ₦'000	Office equipment ₦'000	Computer equipment ₦'000	Furniture & fittings ₦'000	Motor vehicles ₦'000	Capital Work in progress ₦'000	Total ₦'000
<b>Cost/valuation</b>								
Balance, beginning of year	-	872,667	220,803	413,937	191,705	556,166	1,573,419	3,828,697
Additions	-	651,050	57,401	109,853	9,409	59,415	271,529	1,158,657
Transfer from work in progress	359,700	181,310	108,233	37,636	192,581	-	(879,459)	-
Disposals	-	-	-	-	-	(34,271)	-	(34,271)
Balance, end of year	<u>359,700</u>	<u>1,705,027</u>	<u>386,437</u>	<u>561,426</u>	<u>393,695</u>	<u>581,310</u>	<u>965,489</u>	<u>4,953,083</u>
<b>Accumulated depreciation</b>								
Balance, beginning of year	-	76,510	176,156	368,814	154,798	463,103	-	1,239,381
Charge for the year	-	18,626	22,758	66,822	19,600	52,813	-	180,619
Disposals	-	-	-	-	-	(29,443)	-	(29,443)
Balance, end of year	<u>-</u>	<u>95,136</u>	<u>198,914</u>	<u>435,636</u>	<u>174,398</u>	<u>486,473</u>	<u>-</u>	<u>1,390,557</u>
<b>Net book value</b>								
End of year	<u>359,700</u>	<u>1,609,891</u>	<u>187,523</u>	<u>125,790</u>	<u>219,297</u>	<u>94,837</u>	<u>965,489</u>	<u>3,562,526</u>
Beginning of year	<u>-</u>	<u>796,157</u>	<u>44,647</u>	<u>45,123</u>	<u>36,907</u>	<u>93,063</u>	<u>1,573,419</u>	<u>2,589,316</u>

- (i) The Company's land and buildings were revalued by Funsho Oladimeji & Co., estate surveyor and valuers in December 2009 using both Investment method and Comparative method of valuation to arrive at the open market value.
- (ii) The Company has capital commitments of ₦260,000,000 (31 December 2010: ₦740,580,000) as at the balance sheet date.
- (iii) Capital work in progress represents construction costs in respect of new offices in Lagos and Abuja. On completion of construction, the related amounts will be transferred to other categories of fixed assets.
- (iv) No leased assets are included in the fixed assets (31 December 2010: till Nil).
- (v) The next book values of revalued assets included in Note (b) above are as follows:

	2011 ₦'000	2010 ₦'000
Land	359,700	244,597
Building	363,246	548,925
	<u>722,946</u>	<u>793,522</u>

### (vi) Hypothecation of property and equipment

	2011 ₦'000	2010 ₦'000
Shareholders funds	2,441,990	2,589,316
Insurance funds	497,803	-
Deposit administration	350,000	-
Others	272,733	-
	<u>3,562,526</u>	<u>2,589,316</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 12.1 General business

	Land	Buildings	Office equipment	Computer equipment	Furniture & fittings	Motor vehicles	Capital Work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>Cost/valuation</b>								
Balance, beginning of year		615,541	159,270	358,469	155,502	486,012	879,459	2,654,253
Additions	-	636,898	56,684	84,579	8,672	55,865	-	842,698
Transfer from work in progress	295,000	246,010	108,233	37,636	192,581	-	(879,459)	-
Transfer from life business	-	61,965	-	-	-	-	-	61,965
Disposals	-	-	-	-	-	(34,271)	-	(34,271)
Balance, end of year	<u>295,000</u>	<u>1,560,414</u>	<u>324,187</u>	<u>480,684</u>	<u>356,755</u>	<u>507,606</u>	<u>-</u>	<u>3,524,645</u>
<b>Accumulated depreciation</b>								
Balance, beginning of year	-	64,275	138,872	323,383	128,497	407,274	-	1,062,301
Charge for the year	-	18,565	15,168	63,024	16,317	42,012	-	155,086
Disposals	-	-	-	-	-	(29,443)	-	(29,443)
Balance, end of year	<u>-</u>	<u>82,840</u>	<u>154,040</u>	<u>386,407</u>	<u>144,814</u>	<u>419,843</u>	<u>-</u>	<u>1,187,944</u>
<b>Net book value</b>								
End of year	<u>295,000</u>	<u>1,477,574</u>	<u>170,147</u>	<u>94,277</u>	<u>211,941</u>	<u>87,763</u>	<u>-</u>	<u>2,336,701</u>
Beginning of year	<u>-</u>	<u>551,266</u>	<u>20,398</u>	<u>35,086</u>	<u>27,005</u>	<u>78,738</u>	<u>879,459</u>	<u>1,591,952</u>

- (i) The General business' land and buildings were revalued by Funsho Oladimeji & Co., estate surveyor and valuers in December 2009 using both Investment method and Comparative method of valuation to arrive at the open market value.
- (ii) The business has capital commitments of ₦60,000,000 (31 December 2010: ₦164,280,000) as at the balance sheet date.
- (iii) Capital work in progress represents construction costs in respect of new office in Lagos. On completion of construction, the related amounts will be transferred to other categories of fixed assets.
- (iv) No leased assets are included in the fixed assets (31 December 2010: Nil)
- (v) Hypothecation of property and equipment

	2011	2010
	₦'000	₦'000
Shareholders funds	2,336,701	1,591,952
Insurance funds	-	-
	<u>2,336,701</u>	<u>1,591,952</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 12.2 Life business

	Land	Buildings	Office equipment	Computer equipment	Furniture & fittings	Motor vehicles	Capital Work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>Cost/valuation</b>								
Balance, beginning of year		257,126	61,533	55,468	36,203	70,154	693,960	1,174,444
Additions	-	14,152	717	25,274	737	3,550	271,529	315,959
Reclassification	64,700	(64,700)	-	-	-	-	-	-
Transfer to General business	-	-	-	-	-	-	(61,965)	(61,965)
Balance, end of year	<u>64,700</u>	<u>206,578</u>	<u>62,250</u>	<u>80,742</u>	<u>36,940</u>	<u>73,704</u>	<u>903,524</u>	<u>1,428,438</u>
<b>Accumulated depreciation</b>								
Balance, beginning of year		12,235	37,284	45,431	26,301	55,829	-	177,080
Charge for the year	-	61	7,590	3,798	3,283	10,801	-	25,533
Balance, end of year	<u>-</u>	<u>12,296</u>	<u>44,874</u>	<u>49,229</u>	<u>29,584</u>	<u>66,630</u>	<u>-</u>	<u>202,613</u>
<b>Net book value</b>								
End of year	<u>64,700</u>	<u>194,282</u>	<u>17,376</u>	<u>31,513</u>	<u>7,356</u>	<u>7,074</u>	<u>903,524</u>	<u>1,225,825</u>
Beginning of year	<u>-</u>	<u>244,891</u>	<u>24,249</u>	<u>10,037</u>	<u>9,902</u>	<u>14,325</u>	<u>693,960</u>	<u>997,364</u>

- (i) The Life business' land and buildings were revalued by Funsho Oladimeji & Co., estate surveyor and valuers in December 2009 using Investment method and Comparative method of valuation to arrive at the open market value.
- (ii) The business has capital commitments of ₦200,000,000 (31 December 2010: ₦576,300,000) as at the balance sheet date.
- (iii) Capital work in progress represents construction costs in respect of new office in Abuja. On completion of construction, the related amounts will be transferred to other categories of fixed assets.
- (iv) No leased assets are included in the fixed assets (31 December 2010: Nil)
- (vi) Hypothecation of property and equipment

	2011	2010
	₦'000	₦'000
Shareholders funds	105,289	997,364
Insurance funds	497,803	-
Deposit administration	350,000	-
Others	272,733	-
	<u>1,225,825</u>	<u>997,364</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 13 Intangible assets

(a)(i) This represents the cost of computer software less accumulated amortisation. The intangible assets are bought off-the-shelve and have a definite useful life of four years which are amortised using the straight line method.

	<b>Group 2011</b>	<b>Company 2011</b>
	N'000	N'000
<b>Cost:</b>		
Balance, beginning of year	281,389	281,389
Additions	7,712	-
Transfer from fixed assets	-	-
	<b>289,101</b>	<b>281,389</b>
<b>Amortisation</b>		
Balance, beginning of year	118,599	118,599
Transfer from fixed assets	-	-
Amortisation for the year	56,055	54,112
Disposals	-	-
	<b>174,654</b>	<b>172,711</b>
<b>Net book value:</b>		
End of year	<b>114,447</b>	<b>108,678</b>
Beginning of year	<b>162,790</b>	<b>162,790</b>

(a)(ii) Hypothecation of Intangible assets

	<b>Group 2011</b>	<b>Company 2010</b>
	N'000	N'000
Shareholders funds	12,981	-
Insurance funds	-	-
Deposit administration	-	-
Others	95,697	-
	<b>108,678</b>	<b>-</b>

### 13.1 General business

	2011
	N'000
<b>Cost:</b>	
Balance, beginning of year	137,843
Additions	-
Transfer from fixed assets	-
Disposals	-
	<b>137,843</b>
<b>Amortisation</b>	
Balance, beginning of year	118,599
Transfer from fixed assets	-
Amortisation for the year	6,263
Disposals	-
	<b>124,862</b>
<b>Net book value:</b>	
End of year	<b>12,981</b>
Beginning of year	<b>19,244</b>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 13.1(b) Hypothecation of Intangible assets

2011	2010
₦'000	₦'000
Shareholders funds	19,244
Insurance funds	-
<b>12,981</b>	<b>19,244</b>

### 13.2 Life business

#### Cost:

Balance, beginning of year  
Additions  
Transfer from fixed assets  
Disposals

2011
₦'000
143,546
-
-
-
<b>143,546</b>

#### Amortisation

Balance, beginning of year  
Transfer from fixed assets  
Amortisation for the year  
Disposals

-
-
47,849
-
<b>47,849</b>

#### Net book value:

End of year

95,697

Beginning of year

143,546

### (b) Hypothecation of Intangible assets

Shareholders funds  
Insurance funds  
Deposit administration  
Others

Group	Company
2011	2010
₦'000	₦'000
-	143,546
-	-
-	-
95,697	-
<b>108,678</b>	<b>143,546</b>

- (c) Balances of computer software were reclassified from property, plant and equipment to intangible assets in line with the new accounting standard (SAS 31) on intangible assets issued by the Financial Reporting Council of Nigeria in 2010 which became operative during the 2011 financial year.

## Notes to the Financial Statements

For the year ended 31 December 2011

### 14 Creditors and accruals

(a) Creditors and accruals comprise:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Due to reinsurers	1,438,755	1,444,013	1,438,755	1,444,013
Due to brokers and co-insurers	1,448,060	2,130,572	1,448,060	2,130,572
Premium deposits	130,516	160,128	130,516	160,128
Gratuity provision	10,745	10,745	10,745	10,745
Unearned income	82,994	96,412	81,972	89,222
Accruals	190,809	278,924	144,555	237,354
Other credit balances	1,125,408	1,827,408	787,027	1,532,567
Managed funds	362,593	394,566	-	-
	-			
	<u>4,789,880</u>	<u>6,342,768</u>	<u>4,041,630</u>	<u>5,604,601</u>

(b) The movement on gratuity provision account during the year was as follows:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	10,745	10,745	10,745	10,745
Transfer to external trustees	-	-	-	-
Balance, end of year	<u>10,745</u>	<u>10,745</u>	<u>10,745</u>	<u>10,745</u>

### 14.1 General business

(a) Creditors and accruals comprise:

	2011 N'000	2010 N'000
Due to reinsurers	1,438,755	1,444,013
Due to brokers and co-insurers	1,448,060	2,130,572
Due to life business	-	115,537
Gratuity provision	4,596	4,596
Unearned income	81,972	89,222
Accruals	84,555	184,583
Other credit balances	400,060	938,687
	<u>3,457,998</u>	<u>4,907,210</u>

### 14.2 Life business

(a) Creditors and accruals comprise:

	2011 N'000	2010 N'000
Premium deposits	130,516	160,128
Gratuity provision	6,149	6,149
Due to general business	62,848	-
Accruals	60,000	52,771
Other credit balances	386,967	593,880
	<u>646,480</u>	<u>812,928</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 15 Dividend payable

The movement on the dividend payable account during the year is as shown below:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of the year	-	-	-	-
Dividend declared during the year	500,000	400,000	500,000	400,000
Payment during the year	(500,000)	(400,000)	(500,000)	(400,000)
Balance, end of year	-	-	-	-

### 16 Borrowings

(a) Borrowings comprise:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Term loans (see note (b)(i) below)	36,009	60,405	-	-
Other borrowings (see note (b)(ii) below)	502,713	-	-	-
	538,722	60,405	-	-

(b)(i) This represents the outstanding balance on a facility granted to Leadway Hotels Limited, a subsidiary, by First Bank of Nigeria Plc, taken over by Leadway Assurance Plc and Prestige Assurance Plc with effect from April 2010 for a three year tenor at an interest rate of 25% per annum (up to September 2010) and 15% per annum from October 2010.

(b)(ii) This represents the outstanding balance on a Commercial paper/Deposit Investment facility granted to Leadway Capital and Trusts Limited by First Registrars Limited at 16.5% interest per annum with a tenor of 91 days. The facility was rolled over at maturity.

### 17 Insurance funds

Insurance funds comprise

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Unearned premium	6,034,975	5,555,261	6,034,975	5,555,261
Outstanding claim - General business	6,804,844	3,776,412	6,804,844	3,776,412
Outstanding claim - Life business	799,611	681,990	799,611	681,990
Life funds	3,416,647	1,462,450	3,416,647	1,462,450
	17,056,077	11,476,113	17,056,077	11,476,113

#### 17.1 General business

Insurance funds comprise

	2011 N'000	2010 N'000
Unearned premium (see note (a) below)	6,034,975	5,555,261
Outstanding claim (see note (b) below)	6,804,844	3,776,412
	12,839,819	9,331,673

## Notes to the Financial Statements

For the year ended 31 December 2011

(a) Unearned premium comprises:

	Company 2011 N'000	Company 2010 N'000
Motor	869,880	983,254
Fire	551,863	342,020
General accident	388,175	555,706
Marine and aviation	502,024	524,888
Bond	40,967	39,369
Engineering	287,922	201,624
Oil and gas	3,394,144	2,908,400
	<u>6,034,975</u>	<u>5,555,261</u>

(a)(ii) The movement in the unearned premium account during the year was as follows:

	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	5,555,261	7,226,228
Addition during the year	479,714	(1,670,967)
Balance, end of year	<u>6,034,975</u>	<u>5,555,261</u>

(b) Outstanding claims

The provision for outstanding claims is inclusive of 10% Incurred But Not Reported (IBNR) provision as required under section 20(1)(b) of the Insurance Act 2003 and it comprises:

	Gross claims Outstanding 2011 N'000	Provision for IBNR 2011 N'000	Outstanding Claims 2011 N'000	Outstanding Claims 2010 N'000
Motor	572,542	57,254	629,796	711,098
Fire	1,138,800	113,880	1,252,680	488,370
General accident	481,612	48,161	529,773	520,382
Marine and aviation	296,722	29,672	326,394	260,183
Bond	38,552	3,855	42,408	79,707
Engineering	253,266	25,327	278,592	224,802
Oil and gas	3,404,728	340,473	3,745,201	1,491,870
	<u>6,186,222</u>	<u>618,622</u>	<u>6,804,844</u>	<u>3,776,412</u>

(b)(ii) The movement on the provision for outstanding claims during the year was as follows:

	2011 N'000	2010 N'000
Gross provision for outstanding claims	6,186,222	3,433,102
Provision for IBNR	618,622	343,310
Provision for outstanding claims - Closing	6,804,844	3,776,412
Less: provision for outstanding claims - Opening	(3,776,412)	(4,168,336)
Increase/(decrease) in provision for outstanding claims	<u>3,028,432</u>	<u>(391,924)</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

(c) The age analysis of outstanding claims is shown below:

(c)(i) 2011

Outstanding claims per claimant

Total outstanding claims

	0 - 90days	90 - 180days	180 - 270days	271 - 360days	361 days +	Total
	N'000	N'000	N'000	N'000	N'000	N'000
0 - 250,000	61,780	37,198	30,110	20,872	117,730	267,691
250,001 - 500,000	54,223	31,879	29,117	20,071	92,006	227,296
500,001 - 1,000,000	92,547	57,408	39,050	27,685	111,845	328,535
1,000,001 - 1,500,000	49,501	31,213	29,379	16,459	53,938	180,491
1,500,001 - 2,500,000	104,617	65,520	21,517	13,145	106,923	311,722
2,500,001 - Above	190,116	622,284	233,230	1,906,160	2,537,318	5,489,109
	<u>552,785</u>	<u>845,502</u>	<u>382,404</u>	<u>2,004,393</u>	<u>3,019,760</u>	<u>6,804,844</u>

(c)(ii) 2010

Outstanding claims per claimant

Total outstanding claims

	0 - 90days	90 - 180days	180 - 270days	271 - 360days	361 days +	Total
	N'000	N'000	N'000	N'000	N'000	N'000
0 - 250,000	390,037	11,293	99,282	52,863	126,279	679,754
250,001 - 500,000	302,267	82,753	79,897	53,188	86,120	604,226
500,001 - 1,000,000	237,632	69,870	58,124	46,983	40,560	453,169
1,000,001 - 1,500,000	207,712	61,296	41,686	35,159	69,552	415,405
1,500,001 - 2,500,000	441,192	81,070	82,616	45,058	105,347	755,282
2,500,001 - Above	318,385	155,256	175,769	70,951	148,214	868,575
	<u>1,897,224</u>	<u>461,538</u>	<u>537,374</u>	<u>304,202</u>	<u>576,074</u>	<u>3,776,412</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 17.2 Life business

Insurance funds comprise

Life funds (see note (a) below)  
Outstanding claims (see note (d) below)

Company 2011 N'000	Company 2010 N'000
3,416,647	1,462,450
799,611	681,990
<u>4,216,258</u>	<u>2,144,440</u>

#### (a) Life funds comprise

Group life  
Individual life  
Annuity (see note (c) below)

Company 2011 N'000	Company 2010 N'000
793,721	779,836
639,514	455,912
1,983,412	226,702
<u>3,416,647</u>	<u>1,462,450</u>

(a)(ii) The movement on the life funds account during the year was as follows:

Balance, beginning of year  
Addition during the year

Balance, end of year

Company 2011 N'000	Company 2010 N'000
1,462,450	1,057,814
1,954,201	404,636
<u>3,416,651</u>	<u>1,462,450</u>

(a)(iii) The movement in the group life fund during the year was as follows:

Balance, beginning of year  
Addition during the year

Balance, end of year

Company 2011 N'000	Company 2010 N'000
779,836	766,125
13,885	13,711
<u>793,721</u>	<u>779,836</u>

(a)(iv) The movement in the individual life fund during the year was as follows:

Balance, beginning of year  
Addition during the year

Balance, end of year

Company 2011 N'000	Company 2010 N'000
455,912	291,689
183,602	164,223
<u>639,514</u>	<u>455,912</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

(a)(v) The movement in the annuity fund during the year was as follows:

	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	226,702	-
Addition during the year	1,756,710	226,702
Balance, end of year	<u>1,983,412</u>	<u>226,702</u>

**(b) Actuarial valuation**

The valuation of the life business funds was as at 31 December 2011. The actuarial value of the net liability of the fund was ₦2,922,146,000 (2010: ₦1,178,960,000) which has been provided for. The valuation of the Company's life business funds as at 31 December 2011 was carried out by HR Nigeria Limited (Consultants and Actuaries). The valuation was done based on the following principles:

- (i) For all individual and group life policies, the gross premium method of valuation was adopted. Reserves were calculated via a monthly cashflow projection approach, taking into account future office premiums, expenses and benefit payments. Future cashflows were discounted back to the valuation date at the valuation rate of interest. The reserve for the individual deposit based policies were taken as the amount standing to the credit of the policyholder at the valuation date plus the estimated value of the mortality risk;
- (ii) For group life policies, the net liabilities for annual premium contracts were calculated in the same way as individual business. An unearned premium reserve was included for group life policies allowing for 10% expenses. An allowance was made for IBNR (Incurred But Not Reported) claims.  
  
For Group Deposit administration contracts, the reserve was taken as the amount standing to the credit of the policyholders at valuation date;
- (iii) For individual policies, the valuation age was taken as the nearest age at the valuation date. The outstanding premium paying term has been calculated as the full term of the policy less the expired term. In all cases, a full allowance has been made for premiums due between the valuation date and the next policy anniversary.
- (iv) The valuation of the liabilities was made on the assumptions that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment. No specific adjustment has been made for immediate payment of claims or for expenses after premiums have ceased in the case of limited payment policies. An additional reserve is provided in the valuation against adverse mortality experience, future expense overrun and any other contingencies. No allowance has been made for lapses or surrenders.
- (v) The Mortality of Assured Lives A1967-70 (A6770) table was used in the valuation and the valuation assumed an interest rate of 10% pa. The exception to this was the annuity business which was valued using PA90 mortality table and an assumed interest rate of 12% pa.

(c) Annuity liabilities is a new product by the Company in line with the Pension Reform Act 2004 and is represented by the following assets:

	Company 2011 N'000	Company 2010 N'000
Quoted investments	1,708,477	114,707
Short term investments	200,061	107,098
Cash and bank balances	74,874	4,897
	<u>1,983,412</u>	<u>226,702</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

## (d) Outstanding claims

The movement in the provision for outstanding claims during the year was as follows:

	Group life 2011 N'000	Individual life 2011 N'000	Company 2011 N'000	Company 2010 N'000
Opening balance	681,560	430	681,990	474,201
Increase/(decrease) in provision for outstanding claims	118,051	(430)	117,621	207,789
Closing balance	799,611	-	799,611	681,990

## (c) The age analysis of outstanding claims is shown below:

## (c)(i) 2011

Outstanding claims per claimant	Total outstanding claims					Total N'000
	0 - 90days N'000	90 - 180days N'000	180 - 270days N'000	271 - 360days N'000	361 days + N'000	
0 - 250,000	2,202	1,247	700	226	3,304	7,680
250,001 - 500,000	5,834	5,817	1,423	1,216	10,636	24,926
500,001 - 1,000,000	11,294	15,039	5,122	6,784	25,869	64,109
1,000,001 - 1,500,000	9,475	19,741	3,715	1,975	15,062	49,968
1,500,001 - 2,500,000	13,309	7,400	51,553	48,502	26,000	146,764
2,500,001 - Above	82,229	42,988	91,647	194,418	94,882	506,164
	<u>124,343</u>	<u>92,232</u>	<u>154,161</u>	<u>253,121</u>	<u>175,754</u>	<u>799,611</u>

## (c)(ii) 2010

Outstanding claims per claimant	Total outstanding claims					Total N'000
	0 - 90days N'000	90 - 180days N'000	180 - 270days N'000	271 - 360days N'000	361 days + N'000	
0 - 250,000	10,070	11,467	1,449	7,486	9,653	40,125
250,001 - 500,000	11,778	12,798	6,616	7,489	21,017	59,697
500,001 - 1,000,000	24,141	15,821	6,928	9,987	19,150	76,027
1,000,001 - 1,500,000	98,202	7,571	-	3,780	5,271	114,823
1,500,001 - 2,500,000	52,492	10,405	9,269	-	5,465	77,630
2,500,001 - Above	251,707	21,195	11,577	10,541	18,667	313,688
	<u>448,389</u>	<u>79,256</u>	<u>35,840</u>	<u>39,282</u>	<u>79,222</u>	<u>681,990</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

**18 Assets representing insurance funds:**

The following investments have been designated as assets representing insurance funds in accordance with section 19 of the Insurance Act and the 2011 operational guidelines for insurers and reinsurers:

(a) Company	2011 N'000	2010 N'000
Bank and cash balances (see note 1 (a))	371,933	1,446,646
Short term investments (see note 2(b))	6,752,222	3,832,870
Quoted Equities (see note 7(a)(ii))	6,104,694	4,155,171
Bonds (see note 7(a)(ii))	701,332	123,334
Unquoted Equities (see note 7(a)(iii))	1,589,081	897,735
Investment properties (see note 10(b))	954,385	954,385
Reinsurance recoverables, other assets and loans (see note 4c))	84,626	65,972
Property and Equipment (see note 12.2(v))	497,803	-
	<u>17,056,077</u>	<u>11,476,113</u>
(b) General Business	2011 N'000	2010 N'000
Bank and cash balances (see note 1.1(a))	246,277	1,246,277
Short term investments (see note 2.1(b))	6,447,136	3,164,213
Quoted Equities (see note 7.1(a)(ii))	3,942,794	3,430,611
Unquoted Equities (see note 7.1(a)(iii))	1,249,227	536,187
Investment properties (see note 10.1(b))	954,385	954,385
	<u>12,839,819</u>	<u>9,331,673</u>
(c) Life business	2011 N'000	2010 N'000
(i) Insurance fund		
Bank and cash balances (see note 1.2(a))	125,656	200,369
Short term investments (see note 2.2(b))	305,086	668,657
Quoted Equities (see note 7.2(a)(ii))	2,161,900	724,560
Bonds (see note 7.2(a)(iii))	701,332	123,334
Unquoted Equities (see note 7.2(a)(iii))	339,854	361,548
Reinsurance recoverables, other assets and loans (see note 4.2c))	84,626	65,972
Property and Equipment (see note 12.2(iv))	497,803	-
	<u>4,216,258</u>	<u>2,144,440</u>
(ii) Deposit administration		
Bank and cash balances (see note 1.2(a))	596,553	454,552
Short term investments (see note 2.2(b))	611,747	2,358,076
Quoted Equities (see note 7.2(a)(ii))	3,303,381	2,827,286
Bonds (see note 7.2(a)(iii))	1,780,977	414,946
Unquoted Equities (see note 7.2(a)(iii))	799,468	1,275,029
Reinsurance recoverables, other assets and loans (see note 4.2c))	948,162	232,656
Investment properties (see note 10.2(b))	535,000	-
Property and Equipment (see note 12.2(v))	350,000	-
	<u>8,925,288</u>	<u>7,562,545</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 19 Liability for administered deposits

#### Life business

The movement on liability for administered deposit during the year was as follows:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	7,562,545	6,491,997	7,562,545	6,491,997
Deposits received	2,366,905	1,995,891	2,366,905	1,995,891
Guaranteed interest	606,993	438,847	606,993	438,847
	<u>10,536,443</u>	<u>8,926,735</u>	<u>10,536,443</u>	<u>8,926,735</u>
Less: withdrawals	(1,611,155)	(1,364,190)	(1,611,155)	(1,364,190)
Balance, end of year	<u>8,925,288</u>	<u>7,562,545</u>	<u>8,925,288</u>	<u>7,562,545</u>

### 20 Taxation payable

The movement on taxation payable account during the year was as follows:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	856,126	533,092	808,464	485,822
Payment during the year	(642,983)	(325,248)	(601,440)	(278,605)
Charge for the year (see note 36)	468,126	648,282	409,153	601,247
Balance, end of year	<u>681,269</u>	<u>856,126</u>	<u>616,177</u>	<u>808,464</u>

#### 20.1 General business

	2011 N'000	2010 N'000
Balance, beginning of year	730,610	420,875
Payment during the year	(552,114)	(229,855)
Charge for the year (see note 36.1)	396,846	539,590
Balance, end of year	<u>575,342</u>	<u>730,610</u>

#### 20.2 Life business

	2011 N'000	2010 N'000
Balance, beginning of year	77,854	64,947
Payment during the year	(49,326)	(48,750)
Charge for the year (see note 36.2)	12,307	61,657
Balance, end of year	<u>40,835</u>	<u>77,854</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 21 Deferred taxation

The movement on deferred taxation account during the year was as follows:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	537,414	379,879	472,117	351,982
Charge to asset revaluation reserve	21,999	84,797	21,999	84,797
Charge/(credit) to profit and loss account for the year (see note 36)	129,037	72,738	96,443	35,338
Balance, end of year	<u>688,450</u>	<u>537,414</u>	<u>590,559</u>	<u>472,117</u>
<b>21.1 General business</b>				
			<u>2011 N'000</u>	<u>2010 N'000</u>
Balance, beginning of year			362,413	275,129
Charge to asset revaluation reserve			8,827	32,053
Charge/(credit) to profit and loss account for the year (see note 36.1)			111,472	55,231
Balance, end of year			<u>482,712</u>	<u>362,413</u>
<b>21.2 Life business</b>				
			<u>2011 N'000</u>	<u>2010 N'000</u>
Balance, beginning of year (see note 28.1 below)			109,704	76,853
Charge to asset revaluation reserve			13,172	52,744
Charge/(credit) to profit and loss account for the year (see note 36.2)			(15,029)	(19,893)
Balance, end of year			<u>107,847</u>	<u>109,704</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 22 Share capital

Share capital comprises:

#### (a) Authorised:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Ordinary shares of 50k each				
General business 7,000,000,000 units (2010: 7,000,000,000 units)	3,500,000	3,500,000	3,500,000	3,500,000
Life business 3,000,000,000 units (2010: 3,000,000,000 units)	1,500,000	1,500,000	1,500,000	1,500,000
	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>

#### (b) Issued and fully paid

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Ordinary shares of 50k each				
General business 6,279,596,000 units (2010: 5,730,872,000 units)	3,139,798	2,865,436	3,139,798	2,865,436
Life business 2,500,000,000 units (2010: 2,500,000,000 units)	1,250,000	1,250,000	1,250,000	1,250,000
	<u>4,389,798</u>	<u>4,115,436</u>	<u>4,389,798</u>	<u>4,115,436</u>

#### (c) The movement on the share capital account during the year was as follows:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	4,115,436	2,743,624	4,115,436	2,743,624
Bonus issue capitalised (see note 28 below)	274,362	1,371,812	274,362	1,371,812
Balance, end of year	<u>4,389,798</u>	<u>4,115,436</u>	<u>4,389,798</u>	<u>4,115,436</u>

#### 22.1 General business

	2011 N'000	2010 N'000
Balance, beginning of year (see note 28.1 below)	2,865,436	1,794,395
Bonus issue capitalised (see note 28 below)	274,362	1,071,041
Balance, end of year	<u>3,139,798</u>	<u>2,865,436</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 22.2 Life business

	2011 N'000	2010 N'000
Balance, beginning of year	1,250,000	949,229
Bonus issue capitalised (see note 28.2 below)	-	300,771
Balance, end of year	<u>1,250,000</u>	<u>1,250,000</u>

### 23 Share premium

General business:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, end of year	<u>387,826</u>	<u>387,826</u>	<u>387,826</u>	<u>387,826</u>

### 24 Statutory contingency reserve

The movement on statutory contingency reserve account during the year was as follows:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	2,310,857	1,858,984	2,310,857	1,858,984
Transfer during the year	632,866	451,873	632,866	451,873
Balance, end of year	<u>2,943,723</u>	<u>2,310,857</u>	<u>2,943,723</u>	<u>2,310,857</u>

#### 24.1 General business

	2011 N'000	2010 N'000
Balance, beginning of year	2,122,301	1,696,070
Transfer during the year	588,012	426,231
Balance, end of year	<u>2,710,313</u>	<u>2,122,301</u>

#### 24.2 Life business

	2011 N'000	2010 N'000
Balance, beginning of year	188,556	162,914
Transfer during the year	44,854	25,642
Balance, end of year	<u>233,410</u>	<u>188,556</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

## 25 Asset revaluation reserve

(a) The movement in the asset revaluation reserve account during the year is shown below:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	1,722,936	1,767,590	1,722,936	1,722,936
Realised during the year	-	(44,654)	-	-
	<u>1,722,936</u>	<u>1,722,936</u>	<u>1,722,936</u>	<u>1,722,936</u>
Deferred taxation on asset revaluation	(265,108)	(265,108)	(265,108)	(265,108)
Balance, end of year	<u>1,457,828</u>	<u>1,457,828</u>	<u>1,457,828</u>	<u>1,457,828</u>

## 25.1 General business

The movement in the asset revaluation reserve account during the year is shown below:

	2011 N'000	2010 N'000
Balance, beginning of year	1,285,179	1,285,179
Deferred taxation on asset revaluation	(204,952)	(204,952)
Balance, end of year	<u>1,080,227</u>	<u>1,080,227</u>

## 25.2 Life business

The movement in the asset revaluation reserve account during the year is shown below:

	2011 N'000	2010 N'000
Balance, beginning of year	437,757	437,757
Deferred taxation on asset revaluation	(60,156)	(60,156)
Balance, end of year	<u>377,601</u>	<u>377,601</u>

## 26 Equities revaluation reserve

Equities revaluation reserve comprise:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Equities price equalisation reserve (see note (a) below and 7(b) above)	365,630	2,775,465	365,630	2,775,465
Foreign exchange revaluation reserve (see note (b) below)	249,191	197,859	249,191	197,859
	<u>614,821</u>	<u>2,973,324</u>	<u>614,821</u>	<u>2,973,324</u>

(a) Equities price equalisation reserve represents the excess of market value over the cost of quoted investments

## Notes to the Financial Statements

For the year ended 31 December 2011

(ii) The movement in equities price equalisation reserve during the year was as follows:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	2,775,465	5,377,115	2,775,465	5,377,115
Diminution during the year	(2,409,835)	(2,601,650)	(2,409,835)	(2,601,650)
Balance, end of year	<u>365,630</u>	<u>2,775,465</u>	<u>365,630</u>	<u>2,775,465</u>

(b) Foreign exchange revaluation reserve represents the translation gain on the Company's dollar denominated monetary assets.

(b)(ii) Foreign exchange reserve is analysed as follows;

	2011 N'000	2010 N'000	2011 N'000	2010 N'000
Foreign exchange gain on convertible debt notes (see note (b)(iii) below)	353,251	282,656	353,251	282,656
Foreign exchange gain on FBN Euro bond	2,737	-	2,737	-
Deferred tax on foreign exchange gain at 30%	(106,797)	(84,797)	(106,797)	(84,797)
	<u>249,191</u>	<u>197,859</u>	<u>249,191</u>	<u>197,859</u>

(b)(iii) The movement in foreign exchange gain during the year was as follows:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	282,656	272,608	282,656	272,608
Addition during the year from unquoted investments	73,332	10,048	73,332	10,048
Balance, end of year	<u>355,988</u>	<u>282,656</u>	<u>355,988</u>	<u>282,656</u>

### 26.1 General business

	2011 N'000	2010 N'000
Equities price equalisation reserve (see note (a)(ii) below and note 7.1(b))	182,247	1,576,623
Foreign exchange revaluation reserve (see note (b)(ii))	95,386	74,791
	<u>277,633</u>	<u>1,651,414</u>

(a) Equities price equalisation reserve represents the excess of market value over the cost of quoted investments

(a)(ii) The movement in equities price revaluation reserve during the year was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	1,576,623	1,837,578
Diminution during the year	(1,394,376)	(260,955)
Balance, end of year	<u>182,247</u>	<u>1,576,623</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

(b)(i) Foreign exchange reserve is analysed as follows:

Foreign exchange gain on convertible debt notes  
 Foreign exchange gain on FBN Euro bond  
 Deferred tax on foreign exchange gain at 30%

2011	2010
N'000	N'000
133,529	106,844
2,737	-
(40,880)	(32,053)
<u>95,386</u>	<u>74,791</u>

(b)(ii) The movement in foreign exchange gain during the year was as follows:

Balance, beginning of year  
 Addition during the year from unquoted  
 investments

Company 2011	Company 2010
N'000	N'000
106,844	103,045
29,422	3,799
<u>136,266</u>	<u>106,844</u>

### 26.2 Life business

Equities price equalisation reserve (see note (a)  
 below and note 7.2(b))  
 Foreign exchange revaluation reserve (see note  
 (b) and note (c) below)

Company 2011	Company 2010
N'000	N'000
183,383	1,198,842
153,805	123,068
<u>337,188</u>	<u>1,321,910</u>

(a)(i) Equities price equalisation reserve represents the excess of market value over the cost of quoted investments

(a)(ii) The movement in equities price revaluation reserve during the year was as follows:

Balance, beginning of year  
 Diminution during the year

Balance, end of year

2011	2010
N'000	N'000
1,198,842	3,539,537
(1,015,459)	(2,340,695)
<u>183,383</u>	<u>1,198,842</u>

(b)(i) Foreign exchange reserve is analysed as follows;

Foreign exchange gain on convertible debt notes  
 Deferred tax on foreign exchange gain at 30%

2011	2010
N'000	N'000
219,722	175,812
(65,917)	(52,744)
<u>153,805</u>	<u>123,068</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

(b)(ii) The movement in foreign exchange gain during the year was as follows:

	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	175,812	169,563
Addition during the year from unquoted investments	43,910	6,249
Balance, end of year	<u>219,722</u>	<u>175,812</u>

### 27 Assets replacement reserve

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	39,114	20,264	-	-
Transfer from profit and loss account	18,449	18,850	-	-
Balance, end of year	<u>57,563</u>	<u>39,114</u>	<u>-</u>	<u>-</u>

(a)(i)

In line with the standard set by Protea Hotels International, brand owners of the hotel operated by Leadway Hotels Limited, a subsidiary, the Group set aside this fund for replacement of the hotel property, plant and equipment from the distributable profit

### 28 Bonus issue reserve

The movement on the bonus issue reserve during the year is shown below:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	274,362	1,371,812	274,362	1,371,812
Bonus capitalised (see note 22 above)	(274,362)	(1,371,812)	(274,362)	(1,371,812)
Transfer from general reserve account (see note 29(a) below)	-	274,362	-	274,362
Balance, end of year	<u>-</u>	<u>274,362</u>	<u>-</u>	<u>274,362</u>

#### 28.1 General business

The movement on the bonus issue reserve during the year is shown below:

	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	274,362	1,071,041
Bonus capitalised (see note 22 above)	(274,362)	(1,071,041)
Transfer from the general reserve account (see note 29.1 below)	-	274,362
Balance, end of year	<u>-</u>	<u>274,362</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 28.2 Life business

The movement on the bonus issue reserve during the year is shown below:

	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	-	300,771
Bonus capitalised (see note 22 above)	-	(300,771)
Balance, end of year	-	-

### 29 General reserve

(a) The movement on the general reserve account during the year is shown below:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	1,481,585	1,003,959	1,581,798	1,306,179
Adjustment to opening balance	-	40,188	-	-
	1,481,585	1,044,147	1,581,798	1,306,179
Transfer from profit and loss account	689,556	1,111,800	410,611	949,981
Transfer to bonus issue reserve account (see note 28)	-	(274,362)	-	(274,362)
Dividends declared	(500,000)	(400,000)	(500,000)	(400,000)
General reserve, end of year	1,671,141	1,481,585	1,414,277	1,581,798

#### 29.1 General business

	2011 N'000	2010 N'000
Balance, beginning of year	1,605,496	1,214,263
Transfer from profit and loss account	305,402	1,065,595
Transfer to bonus issue reserve account (see note 28.1)	-	(274,362)
Dividends declared	(500,000)	(400,000)
General reserve, end of year	1,410,898	1,605,496

#### 29.2 Life business

	2011 N'000	2010 N'000
Balance, beginning of year	(23,698)	91,916
Transfer from profit and loss account	105,209	(115,614)
General reserve, end of year	81,511	(23,698)

## Notes to the Financial Statements

For the year ended 31 December 2011

### 30 Non controlling interest

(a) Non controlling interest comprises:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Leadway Capital and Trust Limited	275,206	243,131	-	-
Leadway Hotels Limited	374,000	352,323	-	-
	<u>649,206</u>	<u>595,454</u>	<u>-</u>	<u>-</u>

(b) The movement in non controlling interest account during the year is shown below:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Balance, beginning of year	595,454	557,697	-	-
Cash paid to minority as dividend	(38,801)	(34,100)	-	-
Minority's share of profit for the year	92,553	71,857	-	-
Balance, end of year	<u>649,206</u>	<u>595,454</u>	<u>-</u>	<u>-</u>

### 31 Reinsurance cost

General business

Reinsurance cost comprises:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Reinsurance premium paid	9,183,564	8,631,867	9,183,564	8,631,867
Less: unexpired reinsurance cost	(89,936)	(1,451,405)	(89,936)	(1,451,405)
<b>Reinsurance cost</b>	<u>9,093,628</u>	<u>7,180,462</u>	<u>9,093,628</u>	<u>7,180,462</u>

### 32 Commission earned

General business

Commission earned comprises:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Commission earned	<u>1,473,635</u>	<u>940,024</u>	<u>1,473,635</u>	<u>940,024</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 33 Investment and other income

(a) Investment and other income comprises:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Gain on sale of investment	375,933	462,455	375,933	462,819
Dividend income	516,757	344,739	523,302	345,418
Interest income	1,147,220	782,857	1,026,769	713,566
Hotel management income	723,497	736,937	-	-
Rental income	7,367	69,262	7,367	69,262
Profit on sale of fixed assets	353	-	353	-
Foreign exchange gain	181,095	208,256	176,076	206,848
Other income	472,326	396,615	366,395	305,354
	<u>3,424,548</u>	<u>3,001,121</u>	<u>2,476,195</u>	<u>2,103,267</u>

(b) Investment and other income is analysed below:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Profit and loss accounts:				
-General business	1,322,022	1,195,036	1,322,022	1,195,036
-Life business	470,727	195,874	470,727	195,874
	<u>1,792,749</u>	<u>1,390,910</u>	<u>1,792,749</u>	<u>1,390,910</u>
Subsidiaries	948,353	897,854	-	-
	<u>2,741,102</u>	<u>2,288,764</u>	<u>1,792,749</u>	<u>1,390,910</u>
Group				
Directly allocated to funds:				
Life fund (see life revenue account)	111,367	94,471	111,367	94,471
Deposit administration (see deposit administration account)	572,079	617,886	572,079	617,886
	<u>3,424,548</u>	<u>3,001,121</u>	<u>2,476,195</u>	<u>2,103,267</u>

#### 33.1 General business

	2011 N'000	2010 N'000
(Loss)/gain on sale of investment	287,686	341,878
Dividend income	380,534	236,250
Interest income	441,026	246,855
Rental income	2,094	53,001
Profit/(loss) on sale of fixed assets	353	-
Foreign exchange gain	176,076	206,848
Other income	34,253	110,204
	<u>1,322,022</u>	<u>1,195,036</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 33.2 Life business

	2011	2010
	N'000	N'000
Gain on sale of investment	88,247	120,941
Dividend income	142,768	109,168
Interest income	585,743	466,711
Rental income	5,273	16,261
Other income	332,142	195,150
	<u>1,154,173</u>	<u>908,231</u>

### 34 Management expenses

Management expenses comprise:

	Group 2011	Group 2010	Company 2011	Company 2010
	N'000	N'000	N'000	N'000
Staff and directors' costs (see note 41(c)(ii))	838,666	1,089,809	743,573	988,762
Depreciation	281,176	318,852	180,621	218,378
Amortisation of intangible assets	56,055	-	54,112	-
Finance charges	48,861	38,480	20,698	17,154
Maintenance expenses	310,956	165,367	256,068	111,093
Travelling and tours	95,436	60,458	95,436	60,458
Training expenses	42,252	19,538	41,344	19,412
Professional fees	47,187	34,310	38,135	25,000
Advertisement	74,139	111,407	69,002	111,407
Telecommunication	85,034	24,620	85,034	24,620
Other management expenses	1,036,673	739,390	866,295	578,915
	<u>3,057,280</u>	<u>2,784,341</u>	<u>2,450,318</u>	<u>2,155,199</u>

(b) Management expenses is analysed below:

	Group 2011	Group 2010	Company 2011	Company 2010
	N'000	N'000	N'000	N'000
Profit and loss accounts:				
-General business	2,151,490	1,866,951	2,151,490	1,866,951
-Life business	47,605	55,019	47,605	55,019
	<u>2,199,095</u>	<u>1,921,970</u>	<u>2,199,095</u>	<u>1,921,970</u>
Subsidiaries	606,962	629,142	-	-
Group	<u>2,806,057</u>	<u>2,551,112</u>	<u>2,199,095</u>	<u>1,921,970</u>
Directly allocated to funds:				
Life fund (see life revenue account)	224,778	208,817	224,778	208,817
Deposit administration (see deposit administration account)	26,445	24,412	26,445	24,412
	<u>3,057,280</u>	<u>2,784,341</u>	<u>2,450,318</u>	<u>2,155,199</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 34.1 General business

	2011	2010
	N'000	N'000
Staff and directors' costs	689,687	854,770
Depreciation	155,088	184,569
Amortisation of intangible assets	6,263	-
Finance charges	16,478	11,925
Maintenance expenses	228,182	78,280
Travelling and tours	82,809	44,868
Training expenses	41,344	19,412
Professional fees	28,135	15,000
Advertisement	55,233	97,102
Telecommunication	80,564	19,610
Other management expenses	767,707	541,415
	<u>2,152,490</u>	<u>1,866,951</u>

### 34.2 Life business

	2011	2010
	N'000	N'000
Staff and directors' costs	53,886	133,992
Depreciation	25,533	33,809
Amortisation of intangible assets	47,849	-
Finance charges	4,220	5,229
Maintenance expenses	27,886	32,813
Travelling and tours	12,627	15,590
Professional fees	10,000	10,000
Advertisement	13,769	14,305
Telecommunication	4,470	5,010
Other management expenses	98,588	37,500
	<u>298,828</u>	<u>288,248</u>

### 35 Write offs and provisions for bad and doubtful accounts

Write offs and allowances for bad and doubtful accounts comprise:

	Group 2011	Group 2010	Company 2011	Company 2010
	N'000	N'000	N'000	N'000
Allowance for doubtful premium debtors (see note 3(b))	1,147,982	1,689,296	1,147,982	1,689,296
Allowances for doubtful other assets (see note 4(b))	280,658	197,637	252,860	193,679
Allowances for investment in associate (see note 9(f)(ii))	-	-	-	-
Allowance for diminution in investment property (see note 10)	-	20,570	-	20,570
Allowance no longer required on assets (see note 4(b))	(4,661)	-	(4,661)	-
(Recovery)/allowance for doubtful quoted investments (see note 7(b)(iv))	6,933	(949)	-	-
Allowance for doubtful unquoted investments (see note 7(c)(i))	224,265	68,895	224,265	74,547
Allowance for doubtful investment on lease (see note 5(c))	8,632	2,244	-	-
	<u>1,633,809</u>	<u>1,977,693</u>	<u>1,620,446</u>	<u>1,978,092</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 35.1 General business

	2011	2010
	N'000	N'000
Allowance for doubtful premium debtors (see note 3.1(b))	1,083,331	1,432,074
Allowances for doubtful other assets (see note 4.1(b))	3,111	78,809
Allowances no longer required on other assets (see note 4.1b)	(795)	-
Allowance for doubtful unquoted investments (see note 7.1(c)(i))	224,265	74,547
	<u>1,309,912</u>	<u>1,585,430</u>

### 35.2 Life business

	2011	2010
	N'000	N'000
Allowance for doubtful premium debtors (see note 3.2(b))	64,651	257,222
Allowances for doubtful other assets (see note 4.2(b))	249,749	114,870
Allowances no longer required on assets (see note 2.2c)	(3,866)	-
Allowance for diminution in investment property (see note 10.2(b))	-	20,570
	<u>310,534</u>	<u>392,662</u>

### 36 Taxation charge

Taxation charge comprises:

	Group 2011	Group 2010	Company 2011	Company 2010
	N'000	N'000	N'000	N'000
Company income tax	424,854	605,234	373,278	564,685
Education tax	43,272	43,048	35,875	36,562
	<u>468,126</u>	<u>648,282</u>	<u>409,153</u>	<u>601,247</u>
Deferred tax charge (see note 21)	129,037	72,738	96,443	35,338
	<u>597,163</u>	<u>721,020</u>	<u>505,596</u>	<u>636,585</u>

(b) The company income tax for the general business was calculated at 30% while that of the life business was calculated based on the minimum tax rule. Education tax levy was computed for the general business at a rate of 2% (2010:2%). While that of the life business was computed at the rate of 2% (2010:Nil).



## Notes to the Financial Statements

For the year ended 31 December 2011

### 36.1 General business

	2011	2010
	N'000	N'000
Company income tax	360,971	503,028
Education tax	35,875	36,562
	<u>396,846</u>	<u>539,590</u>
Deferred tax charge (see note 21.1)	111,472	55,231
	<u>508,318</u>	<u>594,821</u>

### 36.2 Life business

	2011	2010
	N'000	N'000
Company income tax	12,307	61,657
Education tax	-	-
	<u>12,307</u>	<u>61,657</u>
Deferred tax charge (see note 21.2)	(15,029)	(19,893)
	<u>(2,722)</u>	<u>41,764</u>

### 37 Earnings and dividend per share

Basic earnings per share have been computed based on the profit after taxation attributable to equity holders and the weighted average number of ordinary shares outstanding during the year of 8,779,596,000 (2010: 8,230,872,000). Adjusted earnings per share have been computed based on profit after taxation and the ordinary shares of 8,779,596,000 as at year end.

Dividend per share has been computed based on the profit after taxation and the number of ordinary shares outstanding during the year of 8,779,596,000 (2010: 8,230,872,000) qualifying for dividend.

	Group 2011	Group 2010	Company 2011	Company 2010
	N'000	N'000	N'000	N'000
Profit attributable to equity holders	1,340,871	1,582,523	1,043,477	1,401,854
Dividend declared	500,000	400,000	500,000	400,000
Weighted average number of shares	<u>8,779,596</u>	<u>8,230,872</u>	<u>8,779,596</u>	<u>8,230,872</u>
Earnings per share - Basic (k)	<u>15</u>	<u>19</u>	<u>12</u>	<u>17</u>
Earnings per share - Adjusted (k)	<u>15</u>	<u>18</u>	<u>12</u>	<u>16</u>
Dividend per share (k)	<u>6</u>	<u>7</u>	<u>6</u>	<u>7</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

38 Net cash flow from operating activities before changes in operating assets comprises:

	<b>Group 2011</b>	<b>Group 2010</b>	<b>Company 2011</b>	<b>Company 2010</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Profit after taxation	1,433,424	1,654,380	1,043,477	1,401,854
Add: Taxation	597,163	721,020	505,596	636,585
Profit before taxation	2,030,587	2,375,400	1,549,073	2,038,439
Share of (profit)/loss of associate	(245,411)	(136,301)	-	-
Depreciation	281,176	309,063	180,621	208,589
Amortisation of intangible assets	56,055	-	54,112	-
Increase in provision for unearned premium	479,714	(1,670,967)	479,714	(1,670,967)
Increase in life fund	1,954,197	404,636	1,954,197	404,636
Provision for outstanding claims	3,146,053	(184,135)	3,146,053	(184,135)
Other assets written off	-	-	(12,512)	-
Allowance for doubtful premium debtors	1,147,982	1,689,296	1,147,982	1,689,296
Allowances for bad and doubtful accounts	280,658	197,637	252,860	193,679
Allowance for doubtful un-quoted investments	154,265	68,895	224,265	74,547
Allowance for doubtful quoted investments	6,933	(949)	-	-
Diminution investment properties	-	-	-	20,570
(Profit)/loss on sale of fixed assets	79,475	-	4,475	(465)
Unquoted investments written-off	-	(83,155)	-	(83,155)
Loss/(gain) on disposal of investments	(375,933)	(561,185)	(375,933)	(462,819)
Interest expense on borrowings	61,925	68,451	-	-
Rent received	(7,367)	(47,880)	(7,367)	(14,466)
Dividend received	(523,302)	(583,311)	(523,302)	(214,159)
	<u>8,597,007</u>	<u>1,845,495</u>	<u>8,074,238</u>	<u>1,999,590</u>

39 Analysis of cash and cash equivalents

Cash and cash equivalents comprise

	<b>Group 2011</b>	<b>Group 2010</b>	<b>Company 2011</b>	<b>Company 2010</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Cash and bank balances (see note 1)	1,070,325	2,514,001	968,486	2,271,785
Short term placements (see note 2(a))	8,431,107	7,952,076	7,439,930	7,581,198
	<u>9,501,432</u>	<u>10,466,077</u>	<u>8,408,416</u>	<u>9,852,983</u>

40 Acquisition expenses

Acquisition expenses comprise:

	<b>Group 2011</b>	<b>Group 2010</b>	<b>Company 2011</b>	<b>Company 2010</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
General business	2,361,955	2,415,977	2,361,956	2,415,977
Life business	477,422	503,948	477,422	503,948
	<u>2,839,377</u>	<u>2,919,925</u>	<u>2,839,377</u>	<u>2,919,925</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 40.1 General business

	2011	2010
	N'000	N'000
Commissions	1,553,973	1,341,393
Staff costs	295,580	366,330
Other acquisition expenses	512,402	708,254
	<u>2,361,955</u>	<u>2,415,977</u>

### 40.2 Life business

	2011	2010
	N'000	N'000
Commissions	380,432	399,268
Staff costs	26,982	32,602
Other acquisition expenses	70,008	72,078
	<u>477,422</u>	<u>503,948</u>

### 41 Maintenance expenses

Maintenance expenses comprise

	Group 2011	Group 2010	Company 2011	Company 2010
	N'000	N'000	N'000	N'000
General business	343,738	472,102	343,738	472,102
Life business	169,810	87,733	169,810	87,733
	<u>513,548</u>	<u>559,835</u>	<u>513,548</u>	<u>559,835</u>

### 41.1 General business

	2011	2010
	N'000	N'000
Insurance supervision levy	171,040	144,543
Other maintenance expenses	172,698	327,559
	<u>343,738</u>	<u>472,102</u>

### 41.2 Life business

	2011	2010
	N'000	N'000
Insurance supervision levy	46,829	17,416
Other maintenance expenses	122,981	70,317
	<u>169,810</u>	<u>87,733</u>



## Notes to the Financial Statements

For the year ended 31 December 2011

### 42 Supplementary profit and loss information

#### (a) General information

The Company's profit before taxation for the year is stated after charging/(crediting) the following:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Depreciation of fixed assets	281,176	318,852	180,621	208,589
Amortisation of intangible assets	56,055	-	54,112	-
Loss on disposal of fixed assets	353	-	353	-
Auditor's remuneration	35,211	28,711	30,000	23,500

#### (b) Staff and directors' information

The average number of full time employees employed by the Company during the year was as follows:

	Group 2011 Number	Group 2010 Number	Company 2011 Number	Company 2010 Number
Management staff	48	52	30	34
Non-management staff	410	455	322	367
	458	507	352	401

#### (c) Staff and directors' costs:

##### i Employee costs, including executive directors during the year comprises:

	Group 2011 N'000	Group 2010 N'000	Company 2011 N'000	Company 2010 N'000
Wages and salaries	1,123,176	1,380,779	1,016,480	1,274,131
Pension costs	81,772	94,990	72,548	86,401
Other benefits	59,454	67,225	32,153	39,224
	1,264,402	1,542,994	1,121,181	1,399,756

##### ii Staff and directors' costs comprise:

	2011 N'000	2010 N'000	2011 N'000	2010 N'000
Charged to management expenses	928,048	1,038,262	784,827	895,024
Charged to underwriting expenses	336,354	504,732	336,354	504,732
	1,264,402	1,542,994	1,121,181	1,399,756



## Notes to the Financial Statements

For the year ended 31 December 2011

iii Employees earning more than ₦100,000 per annum received salaries in the following range:

	Group 2011 Number	Group 2010 Number	Company 2011 Number	Company 2010 Number
₦101,001 - ₦500,000	72	72	-	-
₦500,001 - ₦750,000	14	14	-	-
₦750,000 - ₦1,000,000	58	111	38	91
₦1,000,000 - ₦2,000,000	30	37	30	37
₦2,000,000 - ₦3,000,000	174	188	174	188
Over ₦3,000,000	110	85	110	85
	<u>458</u>	<u>507</u>	<u>352</u>	<u>401</u>

iv Directors' remuneration, excluding pension and other benefits was as follows:

	2011 N'000	2010 N'000
Directors' fees	9,050	9,050
Other emoluments	16,560	16,560
	<u>25,610</u>	<u>25,610</u>

v The directors' remuneration shown above includes

	2011 N'000	2010 N'000
Chairman	4,210	4,210
Highest paid director	5,455	5,455
	<u>9,665</u>	<u>9,665</u>

The emoluments of all other directors fell within the following range:

	2011	2010
₦2,300,000 - ₦4,800,000	2	2
₦1,750,000 - ₦2,300,000	5	5
	<u>7</u>	<u>7</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

### 43 Related party transactions

Related parties to the Company are as follows:

Name of related party	Relationship	Nature of related party transactions	Outstanding balance	
			2011 N'000	2010 N'000
Leadway Capital and Trusts Limited	Subsidiary	Commercial loan	41,919	27,826
Leadway Hotels Limited	Subsidiary	Commercial loan and Technical service agreement	122,278	161,081
Leadway Properties and Investments Limited	Subsidiary Associated	Nil	-	22,312
Leadway Pensure PFA	company	Technical service agreement	31,560	43,400

Business transactions with these related parties were done at arm's length.

### 44 Contingent liabilities, litigations and claims

There are litigation claims against the Company as at 31 December 2011 amounting to ₦ 5.8 billion (2010: ₦ 4.1 billion). These litigation claims arose in the normal course of business and are being contested by the Company. The directors, having sought advice of professional counsel, are of the opinion that no significant liability will crystallise from these claims. No provisions have been made in these financial statements.

### 45 Subsequent events

The board of directors proposed a dividend of 6k per share (2010: 6k per share) from the retained earnings as at 31 December 2011 on the issued share capital of 8,779,596,000 (2010: 8,230,872,000) ordinary shares of 50k each subject to the approval of the shareholders at the next annual general meeting.

### 46 Prior year comparative figures

Certain prior year corresponding balances have been reclassified to achieve consistent presentation with current year's figures. The significant reclassifications include:

#### a Adoption of new accounting policies - Intangible asset

This is the first set of financial statements after the implementation of the statement of Accounting Standards number 31 on Intangible assets, which became effective for annual periods beginning on or after 1 January 2011. The implementation of the accounting policy resulted to a reclassification of computer software from property and equipment (Note 13). The impact is shown as follows:

	Group 2011 N'000	Company 2011 N'000
<b>Property and Equipment</b>		
<b>Cost</b>		
Opening balance as previously stated	6,463,772	5,234,472
Reclassification to intangible assets	(289,101)	(281,389)
Balance as re-stated	<u>6,174,671</u>	<u>4,953,083</u>

## Notes to the Financial Statements

For the year ended 31 December 2011

	<b>Group 2011</b>	<b>Company 2011</b>
	<b>₦'000</b>	<b>₦'000</b>
<b>Accumulated depreciation</b>		
Balance as previously stated	1,995,580	1,563,268
Reclassification to intangible assets	(174,654)	(172,711)
Balance as re-stated	<u>1,820,926</u>	<u>1,390,557</u>
<b>Net book value</b>		
Balance as previously stated	<u>4,468,192</u>	<u>3,671,204</u>
Balance as re-stated	<u>4,353,745</u>	<u>3,562,526</u>

### 47 IFRS Roadmap

The International Financial Reporting Standards (IFRS) Roadmap issued by the Nigerian Accounting Standards Board, following a decision by the Federal Executive Council, requires all publicly listed and other significant public interest entities to adopt IFRS by the year starting 1 January 2012. Other non-significant public interest entities are required to adopt IFRS in 2013. With this decision, Nigeria has finally joined the global community with the adoption of IFRS as a single globally accepted financial reporting standard.

The Company, being a public interest entity, would therefore be required to begin issuing IFRS compliant financial statements by 2012. In order to ensure that it meets the deadline of 2012, the Company has embarked on a full conversion project ahead of the stated deadline.

IFRS full conversion involves the development of processes and systems which are capable of producing IFRS compliant numbers. IFRS involves much more than the straight-forward implementation of another set of accounting standards. It involves a change of systems, processes, technology, people and other aspects of the business. The Company is currently addressing this need via a project management process which addresses the following areas:

- Business impacts.
- Accounting and reporting.
- Systems and processes.
- People and change management.

### Overall project status

The Company has completed the Assess and Design Phases by the end of December 2011 and has commenced the Implementation Phase. It is on schedule on the completion of the conversion project and is fully committed to the timely completion of the project

### Status of conversion of the opening Statement of Financial Position and Comparative Financial Statements

The conversion of the opening/transition date balances are expected to be completed by end of May 2012. The conversion of the 31 December 2011 comparative figures is dependent on the completion of the 31 December 2011 statutory financial statements which is expected to be available by end of April 2012. Consequently, the conversion of the 31 December 2011 comparative figures is expected to commence in the first week of May with a completion date of mid June 2012.

### IFRS First-time Adoption Accounting Policy Options

Considering the first-time adoption optional exemptions prescribed by IFRS 1, Leadway Assurance, has made its decisions on which of the policies to adopt.

## Notes to the Financial Statements

For the year ended 31 December 2011

### 48 Segment information

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

No geographical segment information has been provided in these financial statements as there is only one geographical segment.

#### Business Segments

The Company operates the following main business segments:

General Business	Includes general insurance transactions with individual and corporate customers
Life Business	Includes life insurance policies with individual and corporate customers
Trusteeship	Includes the provision of trusteeship and investment management services
Hospitality	Includes the provision of hotels and hospitality services
Property Management	Includes the provision of real estate development and estate management services

#### Business reporting

	General Business		Life Business		Trusteeship		Hospitality		Property management		Inter-segment income		Total	
	2011 N'000	2010 N'000	2011 N'000	2010 N'000	2011 N'000	2010 N'000	2011 N'000	2010 N'000	2011 N'000	2010 N'000	2011 N'000	2010 N'000	2011 N'000	2010 N'000
<b>(a) Revenue from external customers</b>														
Gross premium	19,120,685	15,878,667	-	-	-	-	-	-	-	-	-	-	19,120,685	15,878,667
Commission received	1,473,635	940,024	-	-	-	-	-	-	-	-	-	-	1,473,635	940,024
Investment and other income	1,322,022	1,195,036	470,727	195,874	241,060	125,834	738,028	803,302	10,464	10,238	(41,199)	(41,520)	2,741,102	2,288,764
Shareholders' share of valuation surplus	-	-	225,881	147,360	-	-	-	-	-	-	-	-	225,881	147,360
(Loss)/profit from deposit administration	-	-	(191,128)	56,239	-	-	-	-	-	-	-	-	(191,128)	56,239
Group's share of associate's profit for the year	245,411	136,301	-	-	-	-	-	-	-	-	-	-	245,411	136,301
<b>Total segment income</b>	<b>22,161,753</b>	<b>18,150,028</b>	<b>505,480</b>	<b>399,473</b>	<b>241,060</b>	<b>125,834</b>	<b>738,028</b>	<b>803,302</b>	<b>10,464</b>	<b>10,238</b>	<b>(41,199)</b>	<b>(41,520)</b>	<b>23,615,586</b>	<b>19,447,355</b>
Reinsurance cost	(9,093,628)	(7,180,462)	-	-	-	-	-	-	-	-	-	-	(9,093,628)	(7,180,462)
	13,068,125	10,969,566	505,480	399,473	241,060	125,834	738,028	803,302	10,464	10,238	(41,199)	(41,520)	14,521,958	12,266,893
<b>Expenses</b>														
Net claims incurred	5,253,887	2,406,158	-	-	-	-	-	-	-	-	-	-	5,253,887	2,406,158
Underwriting expenses	2,705,693	2,888,079	-	-	-	-	-	-	-	-	-	-	2,705,693	2,888,079
Management expenses	2,151,490	1,668,673	47,605	288,248	91,012	57,227	510,085	529,895	5,865	7,069	-	-	2,806,057	2,551,112
Interest expenses	-	-	-	-	33,534	37,336	28,391	31,115	-	-	-	-	61,925	68,451
Bad debt expenses	1,309,912	1,585,430	310,534	362,423	(898)	11,371	32,824	18,008	11,437	461	-	-	1,663,809	1,977,693
<b>Total segment expenses</b>	<b>11,420,982</b>	<b>8,548,340</b>	<b>358,139</b>	<b>650,671</b>	<b>123,648</b>	<b>105,934</b>	<b>571,300</b>	<b>579,018</b>	<b>17,302</b>	<b>7,530</b>	<b>-</b>	<b>-</b>	<b>12,491,371</b>	<b>9,891,493</b>
<b>Profit on ordinary activities before taxation</b>	<b>1,647,143</b>	<b>2,421,226</b>	<b>147,341</b>	<b>(251,198)</b>	<b>117,412</b>	<b>19,900</b>	<b>166,728</b>	<b>224,284</b>	<b>(6,838)</b>	<b>2,708</b>	<b>-</b>	<b>-</b>	<b>2,030,587</b>	<b>2,375,400</b>
Taxation	(508,318)	(594,821)	2,722	(41,764)	(29,175)	(18,557)	(62,488)	(61,295)	96	(3,163)	-	-	(597,163)	(721,020)
<b>Profit after taxation</b>	<b>1,138,825</b>	<b>1,826,405</b>	<b>150,063</b>	<b>(292,962)</b>	<b>88,237</b>	<b>1,343</b>	<b>104,240</b>	<b>162,989</b>	<b>(6,742)</b>	<b>(455)</b>	<b>-</b>	<b>-</b>	<b>1,433,424</b>	<b>1,654,380</b>
<b>Assets and liabilities</b>														
Tangible segment assets	26,362,566	25,318,968	16,216,418	13,821,840	1,667,206	1,183,340	1,257,807	1,136,744	302,308	96,147	-	-	45,806,305	41,557,039
Charged to other segments	-	-	-	-	-	-	-	-	-	-	-	-	(954,713)	(1,085,882)
<b>Total assets</b>	<b>26,362,566</b>	<b>25,318,968</b>	<b>16,216,418</b>	<b>13,821,840</b>	<b>1,667,206</b>	<b>1,183,340</b>	<b>1,257,807</b>	<b>1,136,744</b>	<b>302,308</b>	<b>96,147</b>	<b>-</b>	<b>-</b>	<b>44,851,592</b>	<b>40,471,157</b>
Segment liabilities	17,355,871	15,331,906	13,936,708	10,707,471	1,081,718	715,704	494,542	324,865	273,706	104,042	-	-	33,142,545	27,183,988
Charged to other segments	-	-	-	-	-	-	-	-	-	-	-	-	(462,859)	(348,617)
<b>Total liabilities</b>	<b>17,355,871</b>	<b>15,331,906</b>	<b>13,936,708</b>	<b>10,707,471</b>	<b>1,081,718</b>	<b>715,704</b>	<b>494,542</b>	<b>324,865</b>	<b>273,706</b>	<b>104,042</b>	<b>-</b>	<b>-</b>	<b>32,679,686</b>	<b>26,835,371</b>
Net assets	9,006,695	9,987,062	2,279,710	3,114,369	585,488	467,636	763,265	811,879	28,602	(7,895)	-	-	12,171,906	13,635,786
Depreciation/Amortisation	161,351	184,569	73,382	33,809	5,574	4,126	95,725	95,170	1,199	1,178	-	-	337,231	318,852



## Value Added Statements

For the year ended 31 December 2011

	Group 2 0 1 1		Group 2 0 1 0		Company 2 0 1 1		Company 2 0 1 0	
	₦000	%	₦000	%	₦000	%	₦000	%
Gross premium (Local)	19,600,399		14,207,700		19,600,399		14,207,700	
Other income								
- Local	2,566,958		3,408,850		1,416,557		2,374,695	
- Foreign	38,253		12,478		38,253		12,478	
	<u>22,205,610</u>		<u>17,629,028</u>		<u>21,055,209</u>		<u>16,594,873</u>	
Less:								
Provisions for bad and doubtful accounts	(1,663,809)		(1,977,693)		(1,620,446)		(1,978,092)	
	20,541,801		15,651,335		19,434,763		14,616,781	
Bought in materials and services								
- Local	(9,319,027)		(6,540,807)		(9,001,147)		(6,155,377)	
- Foreign	(7,528,629)		(4,804,831)		(7,528,629)		(4,804,831)	
Value added	<u>3,694,145</u>	<u>100%</u>	<u>4,305,697</u>	<u>100%</u>	<u>2,973,908</u>	<u>100%</u>	<u>3,656,573</u>	<u>100%</u>
<b>Distribution of value added</b>								
<b>To government</b>								
Government as taxes	597,163	16%	721,020	17%	505,596	17%	636,585	17%
<b>To employees</b>								
Employee cost	1,264,402	34%	1,542,994	36%	1,121,181	39%	1,399,756	38%
<b>To providers of finance</b>								
To lenders	61,925	2%	68,451	2%	-	0%	-	0%
<b>Retained in the business</b>								
To replace fixed/intangible assets	337,231	9%	318,852	7%	234,733	8%	218,378	6%
To augment reserves	933,424	25%	1,154,380	27%	543,477	19%	901,854	25%
To pay proposed dividend	500,000	14%	500,000	12%	500,000	17%	500,000	14%
Value added	<u>3,694,145</u>	<u>100%</u>	<u>4,305,697</u>	<u>100%</u>	<u>2,904,987</u>	<u>100%</u>	<u>3,656,573</u>	<u>100%</u>

## Five Years Financial Summary Group For the year ended 31 December 2011

	2011	2010	2009	2008	2007
	N'000	N'000	N'000	N'000	N'000
<b>Results</b>					
Gross premium written	19,600,399	14,207,700	24,817,360	19,782,934	15,114,579
Premium earned	10,027,057	8,698,205	8,963,306	6,080,456	7,132,784
Profit before taxation	2,030,587	2,375,400	1,774,111	1,257,508	1,414,584
Taxation	(597,163)	(721,020)	(551,294)	(255,430)	(200,193)
Profit after taxation	1,433,424	1,654,380	1,222,817	1,002,078	1,214,391
Dividends	500,000	400,000	292,651	500,000	100,222
Earnings per share (k)	15	19	20	21	27
Dividend per share (k)	6	7	6	10	2
<b>Balance sheet</b>					
<b>Assets</b>					
Current assets	12,380,610	11,565,309	13,391,732	6,052,024	4,160,695
Investments	27,482,790	24,816,644	20,501,611	19,889,511	22,604,184
Statutory depositss	520,000	520,000	520,000	520,000	520,000
Fixed assets	4,353,745	3,406,414	2,691,388	2,102,616	1,787,492
Intangible assets	114,447	162,790			
<b>Total assets</b>	<b>44,851,592</b>	<b>40,471,157</b>	<b>37,104,731</b>	<b>28,564,151</b>	<b>29,072,371</b>
<b>Liabilities and capital</b>					
Insurance funds	17,056,077	11,476,113	8,284,042	3,375,274	3,798,793
Other liabilities	15,623,609	15,359,258	16,846,152	12,791,988	6,808,479
Share capital	4,389,798	4,115,436	2,743,624	2,438,777	2,438,777
Share premium	387,826	387,826	387,826	1,458,867	1,458,867
Reserves	7,394,282	9,132,524	8,843,087	8,499,245	14,567,455
<b>Total liabilities and reserves</b>	<b>44,851,592</b>	<b>40,471,157</b>	<b>37,104,731</b>	<b>28,564,151</b>	<b>29,072,371</b>

## Five Years Financial Summary

Company For the year ended 31 December 2011

	2011	2010	2009	2008	2007
	N'000	N'000	N'000	N'000	N'000
<b>Results</b>					
Gross premium written	19,600,399	14,207,700	24,817,360	21,714,605	15,114,579
Net Premium written	10,027,057	8,698,205	8,963,306	9,000,175	7,413,630
Premium earned	10,027,057	8,698,205	8,963,306	7,602,386	7,132,784
Profit before taxation	1,549,073	2,038,439	1,470,749	1,332,397	1,208,561
Taxation	(505,596)	(636,585)	(468,279)	(225,151)	(181,315)
Profit after taxation	1,043,477	1,401,854	1,002,470	1,107,246	1,027,246
Dividend declared	500,000	400,000	292,651	500,000	100,222
Earnings per share (k)	12	17	18	23	23
Dividend per share (k)	6	7	6	10	2
<b>Balance sheet</b>					
<b>Assets</b>					
Current assets	11,529,646	10,787,560	12,599,760	5,270,610	5,659,956
Investments	26,795,286	24,965,605	20,654,039	20,372,960	20,372,960
Statutory depositss	520,000	520,000	520,000	520,000	520,000
Fixed assets	3,562,526	2,589,316	1,863,952	1,207,022	798,282
Intangible assets	108,678	162,790	-	-	-
<b>Total assets</b>	<b>42,516,136</b>	<b>39,025,271</b>	<b>35,637,751</b>	<b>27,370,592</b>	<b>27,351,198</b>
<b>Liabilities and capital</b>					
Insurance funds	17,056,077	11,476,113	8,284,042	3,375,274	3,798,793
Other liabilities	14,173,654	14,447,727	15,699,567	11,656,320	5,296,518
Share capital	4,389,798	4,115,436	2,743,624	2,438,777	2,438,777
Share premium	387,826	387,826	387,826	1,458,867	1,458,867
Reserves	6,508,781	8,598,169	8,522,692	8,441,354	14,358,243
<b>Total liabilities and reserves</b>	<b>42,516,136</b>	<b>39,025,271</b>	<b>35,637,751</b>	<b>27,370,592</b>	<b>27,351,198</b>



## Leadway at a Glance

YEAR OF INCORPORATION	1970
COMMENCEMENT OF OPERATIONS	1971
FINANCIAL YEAR END	31 <sup>st</sup> December
SHAREHOLDERS' FUNDS	₦ 11.2 Billion (as at 31 December 2011)
TOTAL ASSET BASE	₦ 42.5 Billion (as at 31 December 2011)
CLASSIFICATION	All classes of Insurance, Managed Funds & Trusteeship
NUMBER OF BRANCHES	19 (excluding Registered office & Corporate office)
SUBSIDIARIES	Leadway Capital & Trusts Limited Leadway Properties & Investments Ltd. Leadway Hotels Limited
ASSOCIATE	Leadway Pensure PFA Limited
NUMBER OF EMPLOYEES	352 (as at December 31, 2011)
FOUNDER	Sir Hassan O. Odukale (1926-1999)
DIRECTORS	Alhaji Hassan Hadejia (Shettiman Hadejia) (Chairman) Mr. Oye Hassan-Odukale, mfr (MD/CEO) Mr. Tunde Hassan-Odukale (Exec. Director) Mr. Olawale O. Oyedele (Director) (Rtd. w.e.f 16/2/12) Mallam Umar Yahaya (Director) Dr. A. B. C. Orjiako (Director) Dr. Konyinsola Ajayi (Director) Mrs. Fehintola Obatusin (Director) Mr. Jeremy Rowse (Director)
SECRETARY	Ms. Adetola Adegbayi (GM)
MANAGEMENT	Mr. Oye Hassan-Odukale, mfr (MD/CEO) Mr. Tunde Hassan-Odukale, (ED) Mr. Muftau O. Oyegunle (GM) Ms. Adetola Adegbayi (GM) Mr. Abiodun Foluso (GM) Mr. Adebayo O. Okuwobi (DGM) Mr. David Onilado (DGM) Mr. Adetayo Adekunle (AGM) Deacon Clement O. Atere (AGM) Mr. Okegbemi Owoseje (AGM) Mr. Temilolu Aduloju (AGM) Mr. Stephen Chiazor (AGM)



## Branch Directory

<b>Abuja</b>	<b>Abeokuta</b>	<b>Akure</b>	<b>Benin</b>
Plot 48 Aguiyi Ironsi Street (After British High Commission) Maitama P.M.B 275 Abuja. 08022235873, 09-4819339	13, Lalubu Street, Oke'lewo, P.M.B 2176, Abeokuta. 039-774207, 07051389291, 08083448878, 07039736775	NACRDB Building Ado Owo Road, Alagbaka P.O.Box 790, Akure 08024170777 08030803700, 08054878006 034-217082	84 Akpakpava Street Benin City 08023369990 08037545100 052-881162
<b>Calabar</b>	<b>Enugu</b>	<b>Ilorin</b>	<b>Ibadan</b>
141 Ndidem Usang Iso Road/Marian Road, Calabar. 08023246228, 08033218684 08052295330, 087-823027	Akalaka House( 2 <sup>nd</sup> floor) 127/129 Chime Avenue New Haven, Enugu 08033214990	163 Ajase-Ipo Rd Gaa-Akanbi junction PMB 1538, Ilorin 08055454207, 08066919841	25B Mogaji Are Rd Iyaganku GRA Off Moshood Abiola Way Ibadan P.O.Box 872, Ibadan 08023324284
<b>Jos</b>	<b>Kano</b>	<b>Makurdi</b>	<b>Osogbo</b>
2A Ibrahim Taiwo Rd GRA, P.O.Box 766, Jos 08022235815 08037011980	Fustan House 25 Zaria Road Gyadi-Gyadi Round About P.O.Box 1005, Kano 08022238654 07038775284	Last Floor, 8 Railway bye pass, High Level, near Zenith Bank P.O.Box 828, Makurdi 08025523737 08063081478	Moye House, 2nd Floor Km2, Gbogan-Oshogbo Rd. Osogbo. 08022238018 08055415302 03-5207975
<b>Port Harcourt</b>	<b>Sagamu</b>	<b>Sokoto</b>	<b>Uyo</b>
8 Igbodo Street, Old GRA P.O.Box 1969, Port Harcourt 08023043667 08036669140 084-465757-8 084-465754	136 Akarigbo Street Opposite Mobil Filling Station Ijokun, Sagamu 08056111398 08083448878, 037-781651 Fax: 037-781651	7 Kano Road Opp. Central Bank of Nigeria P.O.Box 140, Sokoto 08021146587 08036791860	164 Ikot Ekpene Road (3 <sup>rd</sup> Floor), Uyo 08055054266
<b>Warri</b>	<b>Yenagoa</b>	<b>Zaria</b>	<b>Agency Offices</b>
Ecobank Building 60 Effurun/Sapele Road P.O.Box 4188, Warri 08033915245, 07029548056 053-321172, Fax: 053-321172	Imgbi Road Opp. Spring Bank, Amarata 08029081977 08039195954	Last floor, UBA building By PZ Kaduna Road P.O.Box 400, Zaria. 08029003787 08037003774	Bida, Gboko, Gombe, Kafanchan, Yola, Katsina, Maiduguri, Minna, Okene, Ikare, Ado-Ekiti



# Rewarding

## Protea Hotel Leadway

Ikeja

Protea Hotel Leadway Ikeja is conveniently located in Maryland, Ikeja, Lagos, approximately 15 minutes drive from Muritala Muhammed International Airport.

Privately owned by Nigerian investors and managed and marketed by Protea Hotels, the largest hotel operating company in Africa, the hotel offers 47 deluxe ensuite rooms and 2 suites each equipped with DSTV, central air conditioning, in-room tea and coffee making facilities, direct internet access, a mini bar refrigerator and digital safe. Other facilities and services include a Restaurant, a 24-hour cocktail bar, fitness centre, swimming pool, business centre and 24-hour room service. One facility that clearly separates this Hotel from the rest is an Audio/Sound Room, where guests can get away from the hustle and bustle from Lagos and relax in a private lounge with surround sound stereo audio and video facilities or have a private meeting.

The Hotel offers State of the art conference facilities with one conference room, seating up to 50 delegates and two boardrooms seating up to 12 delegates each.

Architecturally, the Hotel is different from the other Protea-managed Hotels in Lagos. The facade, interior and layout of the rooms are refreshingly different. Rustic oranges, reds and yellows have been used throughout as the predominant colour scheme. The furniture is a mixture of dark wood, cane and modern desk chairs in the rooms. There is good light flow in the Hotel and it has an airy feel about it.

The management and staff pride themselves on offering hospitality and service of world class standard and living up to their 'Leading the Way' creed under the leadership of General Manager, Ankia Geldart and Deputy General Manager, Tunde Oduyoye; while the chef brigade under the leadership of South African Executive Chef Chris Geldart will be offering excellent local and international cuisine. The menu selection is varied enough to cater for all tastes and will be able to accommodate those guest that will be staying more than one day.

Protea Hotel Leadway will offer superior appointments, personalised service and individuality of character.

When next in Lagos it may be well worth your while to pay this truly superb hotel a visit, whether to stay, have a conference, and enjoy a snack, dinner or ...to simply relax.

Where Elegance And Service Is A Priority!

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E-mail: [reservations@leadway-protea.com](mailto:reservations@leadway-protea.com), Website: [www.proteahotels.com/leadway](http://www.proteahotels.com/leadway)

## LEADWAY CAPITAL & TRUSTS LIMITED

RC268,275

Leadway Capital & trust was incorporated as Leadway Trustees Limited in 1995 but its services became commercial in 1999. To operate within the capital market, the company registered with the Securities and Exchange Commission in year 2000 and has maintained its registration since then.

Leadway Capital & Trusts Limited is a subsidiary of Leadway Assurance Company Limited, one of the foremost insurance service providers in Nigeria. The reputation enjoyed by the Leadway Group has been attained and sustained by the pursuit of improvements to maintain competitive advantage. All aspects of the business are approached with discipline - the recruitment of staff, development of products, use of advanced technology to final service delivery.

Since incorporation, the company has provided and is still providing corporate and personal trusteeship services in diverse arrangements. Specifically, Leadway Capital & Trusts Limited provides professional services in the following areas:

- » Trust of Consortium Lending
- » Debenture Trusts
- » Unit Trusts and Mutual Funds
- » Mortgage Trusts
- » Investment Trusts
- » Leasing Trusts
- » Management of other Trusts as Endowments, Foundations, Co-operatives
- » Employee Share Ownership Trusts
- » Custodian Trusteeship
- » Nominee Shareholding
- » Living Trusts
- » Education Trusts
- » Vehicle Leases to select Corporate Bodies
- » Investment in varied transactions where management finds it expedient

Although a relatively young company, it is able to tap into the resources and over 40years experience of its parent company, Leadway Assurance Company Ltd.

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