

Aiico Insurance Plc
RC 7340

A/C Number: 68940

KINLE SECURITIES LIMITED - HOU
8TH FLOOR
47 MARINA
LAGOS STATE

2004 ANNUAL REPORT AND ACCOUNTS

We build our world around you

All over the world today, special companies are adding
distinct value to life. No wonder, At *Aiico* we make it our business to care,
protect, support and serve you a total insurance package coupled with other financial services.



Aiico Insurance Plc 901-7340
Firm for the future

■ LIFE INSURANCE ■ NON LIFE INSURANCE ■ FINANCIAL SERVICES

Aiico Plaza, Plot PC 12 Anthony Street, Victoria Island, F. O. Box 2577 Lagos, Nigeria
Tel: 234-01-2614860, 2616481, 4753380-3, 2614049, 2617693, 2610031, 08022921804, 08022921805, Fax: 234-01-2617433
E-mail: info@aiicoopl.com, Website: <http://www.aiicoopl.com>

STABILITY ■ SECURITY ■ STRENGTH ■ TRUST



Aiico Insurance Plc

RC 7340

Lagos, Nigeria.

Report Of The Directors & Audited Financial Statements
For The Year Ended, December 31, 2004.

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Notice of The Annual General Meeting

NOTICE IS HEREBY GIVEN that the 35th Annual General Meeting of Alico Insurance Plc will be held at the AGIP RECITAL HALL, MUSON CENTRE, 8/9 Marina, Lagos on Wednesday, 17th August 2005 at 11.00 a.m to transact the following business:-

Ordinary Business:-

- (1) To receive the report of the Directors, the Balance Sheet as at 31st December, 2004, together with the Profit and Loss Account for the period ended on that date and the Reports thereon of the Auditors.
- (2) To receive the report of the Audit Committee.
- (3) To re-elect Directors.
- (4) To approve Directors' Remuneration.
- (5) To re-appoint the Auditors and authorize the Directors to fix their Remuneration.
- (6) To elect Shareholders as members of the Statutory Audit Committee.

Special Business:

To consider and if thought fit, to pass the following resolutions as Special Resolutions:

- (7) "That the Authorised Share Capital of the Company be and is hereby increased from N1,000,000,000.00 to N2,500,000,000.00 by the creation of 3,000,000,000 Ordinary Shares of fifty kobo each, ranking pari passu in all respect with the existing ordinary shares of the company.
- (8) "That the Directors be authorized to increase the Company's paid-up Capital to the sum of N2,000,000,000.00 or any fraction thereof, by way of Bonus Issue and/or fresh Public Issue in such proportions and timing as they deem fit".
- (9) "That following the recommendation of the Directors, pursuant to Article 45 and 46 of the Company's Article of Association, the Sum of N350,000,000.00 being part of the amount standing to the credit of the Company's Bonus Issue Reserve Account, be and is hereby capitalized into 700,000,000 Ordinary shares of fifty kobo each and appropriated to the Members whose names appear in the Register of Members at the close of business on August 2, 2005 in the Proportion of ONE new share for every ONE share registered in such members' names on that date, subject to the approval of the appropriate regulatory authorities, the shares so distributed being treated for all purposes as capital and not income, ranking pari-passu with the existing shares of the Company".
- (10) "That, subject to the approval of the regulatory authorities, the Directors be and are hereby authorized to take such steps as may be necessary to give effect to these Resolutions".



Notice of The Annual General Meeting

(Continued)

- (11) "That the Memorandum and Article of Association of the Company be amended to reflect the above resolutions".

NOTES:

1. Proxy:

- (i) A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself or herself. A proxy need not be a member of the Company. A form of proxy is enclosed in this report.
- (ii) If the proxy form is to be valid for the purpose of this meeting, it must be completed, detached and deposited at the Office of the Registrar, United Securities Limited, 1-5 Odunlami Street, P.M.8 12753, Lagos not later than 48 hours before the time of holding the meeting.

2. Closure of Register of Members.

The Register of Members and Transfer Books will be closed from 2nd August, 2005 to 4th August, 2005 both dates inclusive for the purpose of updating the Register.

3. Appointment of Members of Audit Committee.

Any member may nominate a shareholder as a member of the Audit Committee by giving notice of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

By Order of the Board

O. S. OYEDOKUN
27th July, 2005

Company Secretary/Legal Adviser
Alico Plaza
Afribank Street
Victoria Island,
Lagos.

Directory

ABUJA (B/A)

Reinsurance Plaza,
Plot 784A, Herbert Macaulay Way,
Central Business District, Abuja.
Tel.: 09-5237613, 08056174975

ABIA STATE (A)

7, Factory Road, Aba,
P.M.B. 7249, Aba
Tel.: 082-221134, 08036665695

2A, Library Avenue, Umuahia, (A)
Tel.: 082-221134, 08036665695

AKWA IBOM STATE (A)

234 Ikot Ekpeni Road, Uyo.

ANAMBRA STATE (A)

NIPOST Building, Old Market Road, Onitsha.
Tel.: 046-212830

CROSS RIVER STATE (A)

22, Chamley Street, Calabar.
Tel.: 087-238223

DELTA STATE (A)

60, Effurun-Sapele Road, Warri.
Tel.: 053-254987

EDO STATE (B/A)

40, Uselu-Lagos Road,
P.O. Box 795, Akpakpava Street,
Benin City.
Tel.: 052-253019, 252680,
08035027683

ENUGU STATE (A)

55-59, Chime Avenue,
New Haven, Enugu
Tel.: 042-254443

IMO STATE (A)

65/67, Douglas Road, Owerri.
082-221134, 08036665695

KANO STATE (A)

8, Post Office Road, Kano
Tel.: 08028338804

KADUNA STATE (A)

1, Constitution Road,
Kaduna

LAGOS STATE (A)

Alico Plaza, Plot PC 12, Afrilbank Street,
Victoria Island, P.O. Box 2577, Lagos.
Tel.: 01-2614699, 2617593, 4753360-3
08022921804

143/146, Broad Street, Lagos (A)

Tel.: 01-2664232

Alico House (A)

36/38 Industrial Avenue, Ilupeju
Tel.: 01-4963890, 4976589
4960427, 4931993.

Alico House (B/A)

Plot 2, Oba Akran Avenue,
Opposite Dunlop, Ikeja, Lagos.
Tel.: 01-4970537-8

OYO STATE (A)

59, Oyo Road, Sango, Ibadan
Tel.: 02-8105080-1

PLATEAU STATE (A)

4, Beach Road, Jos.
Tel.: 073-453997, 459529-30
Fax: 073-459531

RIVERS STATE (B/A)

No. 4, Hospital Road, Port Harcourt
084-231251-2, 579572, 08023235371

NOTE: (A) Agency Office
(B) Branch Office

Directors, Secretary and Professional Advisers, etc.

For the year ended December 31, 2004

DIRECTORS

Chief (Dr.) O. Fajemirokun
Jon M. C. Quirk
Prince (DR.) O. Akenzua JP
Asiwaju A. Asalu
Chief R. A Gbadamosi OFR
Dr. Rilwanu Lukman KBE, CFR
Chief P.S. Salawe

Chairman
MD/CEO (British)

SECRETARY/LEGAL ADVISER:

O.S. Oyedokun

AUDITORS:

Ernst & Young
(Chartered Accountants)
Ebani House,
62, Marina,
Lagos.

REGISTERED OFFICE:

Alico Plaza
Plot PC12 Afribank Street
Victoria Island,
Lagos.

REGISTRARS:

United Securities Ltd.
Niger House (5th Floor)
1-5 Odunlami Street
P.M.B 12753
Lagos.



Result at a Glance

For the year ended December 31, 2004

	2004 N'000	2003 N'000	Increase/ (Decrease)
FOR THE YEAR			
Premium	2,356,794	1,723,200	37
Deposit	1,301,025	1,216,641	7
Investment and Other Income	1,041,230	1,054,729	(1)
Profit before Taxation	74,789	204,221	(63)
Profit after Taxation	72,519	183,221	(60)

AT YEAR END

Investments	7,012,481	5,262,480	33
Fixed Assets	1,541,446	1,468,990	5
Share Capital	350,000	350,000	-
Contingency Reserve	248,185	206,457	20
Insurance Funds	5,343,271	4,782,510	12
Shareholders Funds	2,962,860	2,651,465	12
Total Assets	9,666,922	8,536,489	13

PER 50K SHARE DATA

Earnings per Share (kobo)	10.68	26.17
Dividend (Kobo)	-	10
Dividend Cover	-	2.9
Bonus Issue (Kobo)	50.00	-
Net Assets (Kobo)	424	379
Total Assets (Kobo)	1,381	1,220

STOCK EXCHANGE QUOTATION

At 31 December	162k	248k
Number of Shareholders	11,274	11,053
Number of Employees	327	311



Chairman's Statement

Fellow Shareholders, invited Guests, Ladies and Gentlemen. You are all warmly welcomed to the 35th Annual General Meeting of our Company.

Let me start by saying that the interest you have shown in the affairs of the Company through attendances over the years has been a source of great encouragement to your Directors.

In presenting the Report and Accounts for the year ended 31st December, 2004, I would like to first make a brief review of the Business environment in which your Company operates and the attendant effects on its performance during the year under review.

BUSINESS ENVIRONMENT

During the year, the political situation and economic environment stabilized somewhat.

The economy has continued to show marginal improvements in some sectors with the telecommunication industry in particular recording a significant growth which has impacted greatly on the economy and led to the creation of employment opportunities and increased service delivery in both this sector and more broadly across the economy.

Generally, the business environment both in the private sector and public sector was characterized by low capacity utilization, declining purchasing power, infrastructural breakdown, high domestic production costs, recurring communal clashes and high level of corruption, all of which has impacted greatly on business operations.

However, the present administration, during the year under review has shown greater interest in revitalizing the productive sector, putting emphasis on agriculture and rural development and vigorously pursuing privatization policies, stability of the economy, and the rooting out of corrupt practices, all of which bode well for a brighter future.

Comment must be made on the impact of bank re-capitalization which has distorted the financial services sector, absorbed liquidity and had a negative impact on both stock market and general liquidity to the detriment of other sectors of the economy. Whilst this pain can be viewed as a necessary process in taking the economy forward, it has not been without cost to general business, including the insurance sector.

The efforts by the present administration to stamp out corruption and to generally improve the image of the Country, and thus to ensure foreign investors are more favourably disposed towards Nigeria will bear dividend in the future and must be applauded and supported.

INSURANCE INDUSTRY

The enactment of the Pension Reform Act 2004 posited a great challenge to the industry. The promulgation of the new Act has led to pension deposit drought and



Chairman's Statement

(Continued)

massive pension withdrawal being experienced by the Company unabated.

I am pleased to inform this gathering that the regulatory authorities, having carefully considered many applications, deemed it appropriate to grant our company one of the "approvals in principle" to form a PFA company. Efforts of management to secure this are to be applauded, and your board believes this will present your company with significant opportunities.

The Insurance Industry is still over-traded and the sector greatly affected by Industry's related problems with stiff competition amongst operators. Moreover rate-cutting became the order of the day with insurers charging less than that which more properly should be commensurate with such risks covered and also granting too generous discounts on policies and as such pressure on premiums to cover claims loss ratios, operating costs and re-insurance protection has come under increasing pressure.

Despite this present scenario, your Board is confident of a brighter future, and as such are taking steps to significantly strengthen your company's capital base to best position our company to maximize the opportunities as the economy improves and changes.

Your company, Alico Insurance Plc, being a major player in the insurance industry is thus poised to take advantage of such government policies to propel it to greater heights and at the same time holding firmly to its unwavering attributes of trust, strength, stability, security and unimpeachable ethical standards.

OPERATING RESULTS

Our business is a service industry which is responsive to various government policies and highly dependent on the performance of the national economy. Amidst the turbulent economy climate and highly competitive market place, your Board and Management were able to wade through the storming year with impressive growth in premium income and assets.

Premium income rose to almost N2.4 billion, an increase of 37% over the previous year, while Group Pension deposits marginally increased by 7%.

The drop in income from investments by about 1% was due to the decision of the Board and Management not to recognize the income of some non-performing assets in the accounts. This has also impacted on the profit declared for the year.

That notwithstanding the shareholders funds rose by 12% to =N=2.96 billion as compared to N2.65 billion in 2003.

The total assets of the company rose to N9.66 billion, an increase of 13.5%

INCREASE IN AUTHORISED SHARE CAPITAL, PAID CAPITAL AND SCRIP ISSUE

With the recent re-capitalization in the banking sector and the likelihood of such policies being extended to the Insurance Industry, and more particularly our desire to

Chairman's Statement

2004 ANNUAL REPORT & ACCOUNTS

(Continued)

position. Allico to best position itself for the future, your Board has decided to significantly increase our capital base.

Your Board is therefore proposing, with your approval an increase in the Company's paid-up capital to the sum of N2,000,000,000 or any fraction thereof, by way of Bonus Issue and/or Rights Issue and/or fresh issue in such proportion and timing as may be deemed fit. To this end, the Board of Directors is also proposing for your approval an increase in authorized Share Capital of N1,000,000,000 to N2,500,000,000 by the creation of additional 3,000,000,000 Ordinary Shares of 50k each ranking pari-pasu in all respect with the existing ordinary shares of the Company.

Further your Board is recommending the capitalization of N350 million out of the share premium account created during the right issue of year 2003, which if approved at this meeting will increase the company's paid-up capital to N700 million. The resulting scrip issue to be distributed to members in the proportion of ONE new share for every ONE share held by members at the close of register, after approval and on receipt of the necessary permission from the appropriate authorities.

BOARD OF DIRECTORS

It is my pleasure to report once again that my colleagues on the Board continue to show commitment to the overall development of the company by assisting the management as the need arises.

During the year under review, the company recorded the unfortunate death of Mr Frank J. Hagerty. His contribution to the company during the period of his service to the company is acknowledged. In his stead Mr H.L.E. Omoragbon the Executive Director Financial Services was appointed the Acting Managing Director. He also retired from the Company. We wish him success in his future endeavours.

The Company has appointed Mr Jon M.C. Quirk, a Chartered Accountant, Economist and an Insurance Specialist as its new Managing Director/Chief Executive with effect from 23rd March, 2005. Please join me in welcoming him to the Board. I am most confident that he will bring to bear to the benefit of our company his varied experiences. His significant impact is already being greatly felt.

In accordance with the company's Articles of Association, Prince (Dr) O. Akenzua, Chief R.A. Gbadamosi and Asiwaju A. Asalu retire by rotation and, being eligible, offer themselves for re-election, while Chief P.S. Salawe having attained the age of 70 years since the last Annual General meeting retires. I take this opportunity to sincerely thank Chief Salawe for his stalwart support of Allico, and I am sure you all join me in wishing him well in his retirement.

MANAGEMENT AND STAFF

I am pleased to report that our employees demonstrated good understanding in the face of the prevailing, harsh economic conditions. The cordial industrial relations based on mutual understanding between the management and the unions also sustained a conducive working atmosphere.

Chairman's Statement

(Continued)

Your Company continues to value staff training and development and will continue to ensure that staff is best able to cope with the challenges of our business environment. In addition, staff welfare and improved competitive remuneration continued to receive management attention for higher productivity and retention of our staff.

SUSTAINABLE GROWTH AND EXCELLENCE

The business environment continues to present enormous challenges in the years ahead particularly in view of the Pension Reforms and the imposition of compulsory retirement savings for all companies; the mobilization of such savings will act as a major engine of growth for the future economy and stimulate business opportunities.

Your Board and Management are taking the appropriate steps to enable our company take advantage of these opportunities as they arise.

The Board is not unmindful of the various sharp practices in the industry. It is envisaged that if the operators in the industry co-operate with one another, by resisting the cut-throat competition and rate cutting, the industry will be better for all of us.

Finally, I will on your behalf express my sincere appreciation to my colleagues on the Board, the Management and staff for their selfless service, and my gratitude to all our numerous clients, agents and brokers for their unflinching continued support for our Company and the industry.

Chief (Dr) O. Fajemirokun
Chairman

Report of the Directors

For the year ended December 31, 2004

The Directors have pleasure in submitting to the members of the Company their report together with the audited financial statements of the Company for the year ended December 31, 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company include: Life Insurance, General Insurance, Special Risk Insurance, Pensions and Financial Services.

RESULTS FOR THE YEAR

	N'000
The profit for the year after taxation was	72,519
Less: appropriations:	
Transfer to contingency reserve	(41,728)
Transfer to general reserve	(30,791)
	<u> </u>

BONUS ISSUE

The Directors recommended that the bonus issue of N350 million out of the share premium account be distributed amongst members in the proportion of one new share for every one share held.

FIXED ASSETS

Information relating to fixed assets is contained in note 5 to the financial statements.

DONATIONS

Donations during the year amounted to N638,742 (2003 - N610,000) as follows:

	N
Chartered Insurance Institute of Nigeria	35,000
The Nigerian Corporation of Insurance Brokers	25,000
Women's Federation for World Peace - HIV Awareness	100,000
Actuarial Science and Insurance Students Associations	30,000
International Federation of Women Lawyers	100,000
The Salvation Army	20,000
Wesley School - Deaf Children	10,000
ASSBIFI	60,000
Police Community Relations Committee	20,000
Professional Insurance Ladies Association	55,000
National Association of Insurance Correspondence	50,000
Lagos State Association of the Deaf	20,000
Nigerian Society of Anaesthetists	12,000
Nigerian Insurers Association	101,742
	<u>638,742</u>

Report of the Directors

For the year ended December 31, 2004

(Continued)

DIRECTORS AND DIRECTORS' INTEREST

Indirect

None of the Directors has notified the company for the purpose of section 277 of the Companies and Allied Matters Act 1990 of any disclosable interest in contracts in which the company was involved during the year ended December 31, 2004.

The names of the Directors as at the date of this report and of those who have held office including their shareholdings during the year are as follows:

Directors	Number Of Shares	
	Dec. 31 2004	Dec. 31 2003
Chief (Dr) O. Fajemirokun - Chairman	33,155,871	33,155,871
Jon M.C. Quirk - M.D. UK Citizen (Appointed - 23/3/2005)	-	-
F.J. Hagerty - M.D. US Citizen (Deceased - 2/7/2004)	1,464,125	2,964,125
H.I.E. Omoragbon - Executive Director (Retired - 22/3/2005)	3,002,636	2,509,486
Prince O. Akerzua JP	2,002,132	2,002,132
Chief A. Asalu	7,724,284	7,724,284
Chief R. A. Gbadamosi OFR	359,393	359,393
Dr. R. Lukman KBE, CFR	3,332	3,332
Chief P. S. Salawe	-	-

RESPONSIBILITIES OF DIRECTORS

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, 1990, the Company's Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit and cash flows for the year and comply with the provisions of the Act. These responsibilities include ensuring that:

- i) Adequate internal control procedures are instituted to safeguard the assets and prevent and detect fraud and other irregularities;
- ii) Proper accounting records are maintained;
- iii) Applicable accounting standards are followed;
- iv) Suitable accounting policies are used and consistently applied;
- v) The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Report of the Directors

For the year ended December 31, 2004

(Continued)

SHAREHOLDINGS

1. Substantial interest in shares
The shares of the company are beneficially held as follows:

	2004		2003	
	Number of Shares held	%	Number of Shares held	%
Alico Bahamas Limited	280,000,000	40	280,000,000	40
Others	420,000,000	60	420,000,000	60
	<u>700,000,000</u>	<u>100</u>	<u>700,000,000</u>	<u>100</u>

No individual, except as disclosed above, held more than 10% of the issued share capital of the Company as at December 31, 2004.

2. Range analysis of shareholdings at December 31, 2004

	Number of Holders	Number of Shares	%
1 - 1,000	1,588	907,933	0.13
1,001 - 10,000	7,039	29,498,969	4.21
10,001 - 100,000	2,321	68,236,492	9.75
100,001 - 500,000	265	56,042,485	8.01
500,001 - 1,000,000	22	16,264,863	2.32
1,000,001 - 700,000,000	39	529,049,258	75.58
	<u>11,274</u>	<u>700,000,000</u>	<u>100.00</u>

TECHNICAL MANAGEMENT AGREEMENT

The company has technical assistance agreement with AILCO Bahamas Limited. The terms of the technical agreement include retainership to act as technical adviser in insurance and training.

Report of the Directors

For the year ended December 31, 2004

(Continued)

POST BALANCE SHEET EVENT

There are no material post balance sheet events which could have had a material effect on the state of affairs of the company as at December 31, 2004 and the profit for the year ended on that date, which have not been adequately provided for or disclosed.

EMPLOYMENT OF DISABLED PERSONS

The Company had 4 (four) disabled persons in its employment at December 31, 2004. It is the Company's policy to consider disabled persons for employment if academically and medically qualified. All employees are given equal opportunities to develop.

HEALTH, SAFETY AT WORK AND WELFARE OF EMPLOYEES

Health and safety regulations are in force within the premises of the Company. The Company provides subsidy towards transportation, housing, lunch and medical expenses to all employees.

EMPLOYEES' INVOLVEMENT AND TRAINING

The Company is committed to keeping employees fully informed as much as possible regarding its performance and progress and in seeking their view whenever practicable on matters which particularly affect them as employees.

The Company's skill-base has been expanded by a range of courses provided to its employees, whose opportunities for career development within the Company have thus been enhanced.

AUDITORS

The Auditors, Messrs. Ernst & Young, having expressed their willingness, will continue in office in accordance with section 357 (2) of the Companies and Allied Matter Act, 1990.

BY ORDER OF THE BOARD

O.S. OYEDOKUN
COMPANY SECRETARY/LEGAL ADVISER

Lagos, Nigeria
June 8, 2005

Report Of The Audit Committee

For the year ended December 31, 2004

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act, Cap. 59 Laws of the Federation of Nigeria, 1990, we the members of the Audit Committee of Alico Insurance Plc, having carried out our statutory functions under the Act, hereby report as follows:-

- (a) We confirm that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
- (b) That the scope and planning of both the External and Internal Audit Programmes for the year ended 31st December 2004, are satisfactory and adequate to reinforce the Company's internal control system.
- (c) That having reviewed the External Auditor's findings and recommendations on management matters, we are satisfied with Management responses thereon.

Finally, we acknowledge and appreciate the co-operation of Management and Staff in the conduct of their duties.



Ambassador B. A. Oki

Chairman Audit Committee
22nd day of June 2005.

MEMBERS OF THE COMMITTEE ARE:

Ambassador B. A. Oki - Chairman
Prince O. Akenzija JP
Chief Rasheed Gbadamosi OFR
Mr. C. A. Ezennadili
Mrs. Folake Ogunwo
Mr. O. S. Oyedokun the Company Secretary / Legal Adviser, acted as the Secretary to the Committee.

Report Of The Auditors

To the Members of Aiico Insurance Plc

We have audited the financial statements of Aiico Insurance Plc on pages 9 to 34 which have been prepared on the basis of the significant accounting policies set out on pages 9 to 11.

Respective Responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

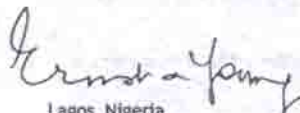
Basis of Opinion

We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant accounting estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide sufficient evidence to give reasonable assurance that the financial statements are free of material mis-statements in the context of the overall financial statements. In forming our opinion, we also evaluated the overall adequacy of the presentation and information in the financial statements.

Opinion

In our opinion, proper books of accounts have been kept and the financial statements which are in agreement therewith, give a true and fair view of the state of affairs of the Company at December 31, 2004 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies and Allied Matters Acts, 1990, Insurance Act 2003, as well as relevant statements of accounting standards issued by the Nigeria Accounting Standards Board.



Lagos, Nigeria
June 8, 2005



Statement Of Significant Accounting Policies

For the year ended December 31, 2004

The following is a summary of the significant accounting policies adopted by the Company in the preparation of these financial statements.

a) Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of land and buildings.

b) Depreciation

Depreciation of fixed assets is provided on a straight-line basis at such rates that will amortize cost over the period of the estimated useful lives as follows:

	%
Leasehold land and building	2 or over the unexpired period of the lease
Furniture, fixture and equipment	20
Motor Vehicles	20
Assets in progress	Not depreciated.

c) Fixed Assets

Fixed assets are stated at cost or valuations less accumulated depreciation.

d) Long term investments

- Quoted investment - These are stated at market value. Differences between the cost and the market value are transferred to a quoted investment revaluation reserve account.
- Unquoted investments - These are stated at cost less provisions for doubtful investment.
- Investment in associated company - Investment in the associated company is stated at cost.
- The accounts of the associated company are not consolidated in view of the insignificant amount involved.

e) Income from investments

Interest income is shown gross and is recognized on an accrual basis. Dividends are accounted for on the basis of the amounts actually received during the year.

f) Debtors

Debtors are stated after deductions of specific provisions for debts considered doubtful of collection.

g) Premium

Premium represents total amount invoiced to policy holders. The annual bases of accounting for non-life business was adopted.

Statement Of Significant Accounting Policies

For the year ended December 31, 2004

(Continued)

- h) **Provisions for unexpired risks**
Provisions for unexpired risks are based on time apportionment in accordance with the new Insurance Act Section 20(1)(b) for 2004.
- i) **Claims incurred but not reported**
Provisions are made for claims incurred but not reported to the Company at the balance sheet date in accordance with Section 20(1)(b) of the Insurance Act, 2003 on the basis of 10% of net outstanding claims.
- j) **Contingency reserve**
Contingency reserves is calculated, in the case of Non-Life business at the rate of the higher of 3% of total premium receivable during the year or 20% of net profits Section 21(2) of Insurance Act, 2003 and in respect of Life Insurance business, at the rate of the higher of 1% of the gross premium or 10% of net profits, in accordance with Section 22(1)(b) of the Insurance Acts, 2003.
- k) **Retirement benefit scheme**
The company has a non-contributory Pension Scheme for the benefit of its employees. These benefits are based on the employees' years of service. The pension department of the company administers the scheme internally.
- l) **Deferred taxation**
Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purpose. Current tax rates are used to determine deferred tax income. The principal temporary difference arises from depreciation on fixed assets.
- m) **Foreign currencies**
Transactions in foreign currencies are recorded at the rates of exchange ruling at the respective dates of the transactions. Assets and liabilities in foreign currencies are translated to Naira at rates of exchange ruling at the balance sheet date. Profits or losses arising from the translation are included in the profit and loss account.
- n) **Management expenses**
Except for the expenses directly related to life and general businesses all other management expenses are shared between life and non-life business in the proportion of their contribution to the overall retained premium.

Company Balance Sheet

For the year ended December 31, 2004

	Notes	2004 N'000	2003 N'000
ASSETS			
Cash and bank		150,111	275,703
Short-term investments	1	2,037,130	2,266,223
Debtors and prepayments	2	686,262	1,309,112
Loans to policy holders		241,622	206,704
Long-term investments	3	4,975,351	2,996,257
Statutory deposit	4	35,000	13,500
Fixed assets	5	1,541,446	1,468,990
Total assets		9,666,922	8,536,489
Less: Current Liabilities:			
Creditors and accruals	6	1,146,298	838,854
Outstanding claims	7	200,213	167,223
Taxation	8	3,931	22,451
Dividend	9	10,349	73,986
Insurance funds	10	5,343,271	4,782,510
		<u>6,704,062</u>	<u>5,885,024</u>
		<u>2,962,860</u>	<u>2,651,465</u>
CAPITAL AND RESERVES:			
Called-up share capital	11	350,000	350,000
Contingency reserve	12	248,185	206,457
Fixed assets revaluations reserve	13	731,912	731,912
Quoted investment			
Revaluation reserve	14	1,011,974	773,098
Bonus issue reserve	15	350,000	
General reserve	16	212,286	181,495
Share premium	17	58,503	408,503
Shareholders' funds		2,962,860	2,651,465




) Directors

see notes to the financial statements.

Balance Sheet for Life Business

For the year ended December 31, 2004

	Notes	2004 N'000	2003 N'000
ASSETS			
Cash and bank		150,111	189,817
Short-term investments	1	1,834,689	2,170,966
Debtors and prepayments	2	475,847	1,079,266
Loans to policy holders		241,622	206,704
Long-term investments	3	4,516,050	2,736,574
Statutory deposit	4	13,000	3,000
Fixed assets	5	1,247,792	1,161,249
Total assets		8,479,111	7,547,576
Less: Current Liabilities:			
Creditors and accruals	6	862,351	715,518
Outstanding claims	7	86,877	56,193
Taxation	8	3,931	22,451
Dividend	9	10,349	73,986
Insurance funds	10	5,226,726	4,592,700
		<u>6,190,234</u>	<u>5,460,848</u>
		<u>2,288,877</u>	<u>2,086,728</u>
CAPITAL AND RESERVES:			
Called-up Share Capital	11	150,000	150,000
Contingency Reserve	12	56,000	43,943
Fixed Assets Revaluations Reserve	13	573,677	573,677
Quoted Investment Revaluation Reserve	14	958,183	732,742
General Reserve	16	496,550	531,899
Share Premium	17	54,467	54,467
Shareholders' Funds		2,288,877	2,086,728


Directors

see notes to the financial statements.

Company Profit & Loss Account

For the year ended december 31, 2004

	Notes	2004 N'000	2003 N'000
Premium		2,356,794	1,723,200
Deposits	18	<u>1,301,025</u>	<u>1,216,641</u>
		3,657,819	2,939,841
Investments and other income	21	<u>1,041,230</u>	<u>1,054,729</u>
		4,699,049	3,994,570
Reinsurance		512,591	431,356
Maturities, surrenders and bonuses		1,607,818	896,633
Claims paid and admitted		252,145	196,881
Net commission		321,450	277,030
Guaranteed interest on group pension		448,313	341,224
Other direct expenses		234,622	208,230
Overhead expenses		1,101,806	807,122
Increase in insurance funds		112,447	581,890
Increase/(decrease) in claims reserve		<u>33,068</u>	<u>49,983</u>
		(4,624,260)	(3,790,349)
Profit before taxation	18	74,789	204,221
Taxation	8	<u>(2,270)</u>	<u>(21,000)</u>
Profit after taxation		72,519	183,221
Appropriation:			
Dividend		-	(70,000)
Transfer to contingency reserve	12	(41,728)	(31,321)
Transfer to general reserve	16	<u>(30,791)</u>	<u>(81,900)</u>
		(72,519)	(183,221)
		<u><u>-</u></u>	<u><u>-</u></u>

Life Revenue Account

For the year ended december 31, 2004

	2004 N'000	N'000	2003 N'000	N'000
Premium				
Life reinsurance ceded	1,367,740 (105,518)		950,620 (93,514)	
		1,262,222		857,106
Less Direct expenses:				
Claims paid	15,017		54,409	
Maturity surrendered and bonuses	216,160		155,560	
Commissions	325,098		239,443	
Other direct expenses	103,077		95,003	
Increase in insurance funds	234,108		65,232	
Increase in outstanding claims	30,763		12,493	
		(924,223)		(622,140)
Transfer to profit and loss		337,999		234,966

Non-Life Revenue Account

For the year ended december 31, 2004

	Fire	Motor	Workmen Compensation	Energy & Casualty	Marine	Personal Accident	2004	2003
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Gross Premium	182,974	217,002	23,776	262,895	205,770	96,637	989,054	772,580
Outward Reinsurance	(113,579)	(19,344)	(14,352)	(113,599)	(121,457)	(24,742)	(407,073)	(337,842)
Net Premium	69,395	197,658	9,424	149,296	84,313	71,895	581,981	434,738
Commission Received	39,336	5,657	5,008	24,152	41,816	7,356	123,325	96,127
	108,731	203,315	14,432	173,448	126,129	79,251	705,306	530,865
Direct Expenses								
Claim paid Less Reinsurance	51,365	42,547	8,035	86,880	916	47,385	237,128	142,471
Increase / (Decrease) in Unexpired Premium	(21,789)	(18,991)	(2,429)	(116,793)	11,517	(24,781)	(73,266)	42,101
Increase / (Decrease) in Outstanding claims reserve	(7,816)	(3,448)	189	16,141	4,137	(6,898)	2,305	37,490
Commission paid	37,037	22,133	2,814	(18,307)	9,392	16,521	69,590	91,770
Other direct expenses	29,160	25,752	1,909	10,618	35,912	5,190	108,741	83,668
	87,957	67,993	10,518	78,739	61,874	37,417	344,498	397,500
Transfer to Profit and loss	20,774	135,322	3,914	94,709	64,255	41,834	360,808	133,365

Statement of Cash Flows

For the year ended december 31, 2004

	2004		2003	
	N'000	N'000	N'000	N'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation		74,789		204,221
Adjustments for:				
Depreciation	119,190		97,849	
Increase in Insurance funds	560,761		923,114	
Profit on disposal of investments	(263,982)		(262,430)	
Profit on sale of fixed assets	(1,903)		(714)	
Provision for investment	200,000		-	
		<u>614,066</u>		<u>757,819</u>
CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL		<u>688,855</u>		<u>962,040</u>
Working Capital changes:				
Decrease (increase) in debtors	622,850		(764,904)	
Increase (decrease) in policy loans	(34,918)		4,992	
Increase in Creditors and accrual	239,184		207,442	
Increase in outstanding claims	32,990		49,983	
		<u>860,106</u>		<u>(502,487)</u>
Cash generated from operations		1,548,961		459,553
Taxation paid		<u>(20,790)</u>		<u>(9,597)</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES		<u>1,528,171</u>		<u>449,956</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Statutory Deposits	21,500		-	
Proceeds from disposal of investments	859,590		753,690	
Proceeds from sales of fixed assets	10,197		1,532	
Purchase of investments	(2,578,818)		(689,500)	
Purchase of fixed assets	(199,948)		(360,283)	
Net cash used in investing activities		<u>(1,887,479)</u>		<u>(294,561)</u>
		<u>(359,308)</u>		<u>155,395</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceed from right issues			600,000	
Right issues expenses			(41,497)	
Dividend paid	(63,637)		(26,860)	
Net cash used in financing activities		<u>(63,637)</u>		<u>531,643</u>
Net increase in cash and bank equivalent		(422,945)		687,038
Cash and bank equivalent at Jan. 1		2,520,881		1,833,843
Cash and bank equivalent at Dec. 31, (Note 20)		<u>2,097,936</u>		<u>2,520,881</u>

See notes to the financial statements.

Notes to the Financial Statements

For the year ended December 31, 2004

1. SHORT-TERM INVESTMENTS

	Life N'000	Non-Life N'000	2004 N'000	2003 N'000
Treasury bills - OBB Note 6	250,000	200,141	450,141	290,531
Term deposits	191,957	2,300	194,257	263,938
Commercial paper and bankers acceptances	1,410,969	-	1,410,969	1,720,610
	<u>1,852,926</u>	<u>202,441</u>	<u>2,055,367</u>	<u>2,275,079</u>
Less Provision	(18,237)	-	(18,237)	(8,856)
	<u>1,834,689</u>	<u>202,441</u>	<u>2,037,130</u>	<u>2,266,223</u>

2. DEBTORS AND PREPAYMENTS

Outstanding premiums	220,172	-	220,172	145,572
Other debtors and prepayments	255,675	210,415	466,090	1,163,540
	<u>475,847</u>	<u>210,415</u>	<u>686,262</u>	<u>1,309,112</u>

Outstanding Premium represents Net Premium Due as advised by Hymans Robertson (HR) Limited (Actuary and Consultants) during an evaluation of the company's life policies as at December 31, 2004.

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

	2004 N'000	2003 N'000
B. Non-Life		
i) Quoted investments at market value		
Debenture stocks (cost: N1,250,094; 2003: N3,778,847)	1,250	3,779
Ordinary shares (cost: N49,424,492 2003: N30,081,300)	103,205	70,447
	<u>104,455</u>	<u>74,226</u>
ii) Unquoted Investments, at cost		
Debenture stocks	74	74
Ordinary shares	118,850	113,597
Preference shares	86,955	62,655
Mortgage loans	4,494	7,127
Lease or guarantee stock	144,473	2,004
	<u>354,846</u>	<u>185,457</u>
	<u>459,301</u>	<u>259,683</u>
Life	4,516,050	2,736,574
Non-Life	459,301	259,683
	<u>4,975,351</u>	<u>2,996,257</u>

4. STATUTORY DEPOSITS

	Life N'000	Non-Life N'000	2004 N'000	2003 N'000
At December 31	<u>13,000</u>	<u>22,000</u>	<u>35,000</u>	<u>13,500</u>

This represents 10% of the minimum paid-up share capital deposited with the Central Bank of Nigeria in accordance with Section 10 (3) of the Insurance Act 2003.

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

5. FIXED ASSETS

SUMMARY OF MOVEMENT SCHEDULE

	Leasehold & Building N'000	Furniture & Equipment N'000	Motor Vehicles N'000	Total N'000
COST/VALUATION				
As at Jan 1	1,366,456	449,720	105,797	1,921,973
Additions	60,971	87,827	51,150	199,948
Disposals	(8,890)	(292)	(7,222)	(16,404)
As at Dec. 31	<u>1,418,537</u>	<u>537,255</u>	<u>149,725</u>	<u>2,105,517</u>
DEPRECIATION				
As at Jan. 1	107,220	285,685	60,078	452,983
Charge for the year	59,334	38,695	21,161	119,190
Disposals	(665)	(227)	(7,210)	(8,102)
As at Dec. 31	<u>165,889</u>	<u>324,153</u>	<u>74,029</u>	<u>564,071</u>
NET BOOK VALUE				
As at Dec. 31, 2004	<u>1,252,648</u>	<u>213,102</u>	<u>75,696</u>	<u>1,541,446</u>
As at Dec. 31, 2003	<u>1,259,236</u>	<u>164,035</u>	<u>45,719</u>	<u>1,468,990</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

5a. MOVEMENT SCHEDULE (NON-LIFE)

	Leasehold & Building N'000	Furniture & Equipment N'000	Motor Vehicles N'000	Total N'000
COST/VALUATION				
As at Jan 1	303,106	48,119	28,498	379,723
Additions	2,625	6,144	-	8,769
Disposals	(8,890)	-	(289)	(9,179)
As at Dec. 31	<u>296,841</u>	<u>54,263</u>	<u>28,209</u>	<u>379,313</u>
DEPRECIATION				
As at Jan. 1	21,353	33,030	17,599	71,982
Charge for the year	9,599	1,408	3,612	14,619
Disposals	(665)	-	(277)	(942)
As at Dec. 31	<u>30,287</u>	<u>34,438</u>	<u>20,934</u>	<u>85,659</u>
NET BOOK VALUE				
As at Dec. 31, 2004	<u>266,554</u>	<u>19,825</u>	<u>7,275</u>	<u>293,654</u>
As at Dec. 31, 2003	<u>281,753</u>	<u>15,089</u>	<u>10,899</u>	<u>307,741</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

5b. MOVEMENT SCHEDULE (LIFE)

	Leasehold & Building N'000	Furniture & Equipment N'000	Motor Vehicles N'000	Total N'000
COST/VALUATION				
As at Jan 1	1,063,350	401,601	77,299	1,542,250
Additions	58,346	81,683	51,150	191,179
Disposals	-	(292)	(6,933)	(7,225)
As at Dec. 31	<u>1,121,696</u>	<u>482,992</u>	<u>121,516</u>	<u>1,726,204</u>
DEPRECIATION				
As at Jan. 1	85,867	252,655	42,479	381,001
Charge for the year	49,735	37,287	17,549	104,571
Disposals	-	(227)	(6,933)	(7,160)
As at Dec. 31	<u>135,602</u>	<u>289,715</u>	<u>53,095</u>	<u>478,412</u>
NET BOOK VALUE				
As at Dec. 31, 2004	<u>986,094</u>	<u>193,277</u>	<u>68,421</u>	<u>1,247,792</u>
As at Dec. 31, 2003	<u>977,483</u>	<u>148,946</u>	<u>34,820</u>	<u>1,161,249</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

	2004 N'000	2003 N'000
Net book value		
Life	1,247,792	1,161,249
Non-life	293,654	307,741
	<u>1,541,446</u>	<u>1,468,990</u>

The Company's leasehold properties were professionally valued on November 25, 2002 by Adewale Fatokun & Co., Chartered Surveyors & Valuers, based on the open market value of the properties. The revaluation surplus arising therefrom was taken to the revaluation reserve.

	2004 N'000	2003 N'000
Included in leasehold land and building are leasehold properties as follows:		
Long leases (over 50 years)	1,229,949	1,235,711
Short leases (under 50 years)	22,287	31,177
	<u>1,252,236</u>	<u>1,266,888</u>

The depreciation charge for the year included
in overhead expenses is derived as follows:

Historical cost	113,545	92,204
Revaluation	5,645	5,645
	<u>119,190</u>	<u>97,849</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

6. CREDITORS AND ACCRUALS

	Life N'000	Non-Life N'000	2004 N'000	2003 N'000
Due to reinsurers abroad	-	66,212	66,212	55,429
Due to policy holders	172,516	-	172,516	135,612
Sundry creditors and accruals	333,020	235,245	568,265	626,768
Current account	34,139	(34,139)	-	-
Bank overdraft	72,676	16,629	89,305	21,045
Treasury bill - QBB (Note 1)	250,000	-	250,000	-
	<u>862,351</u>	<u>283,947</u>	<u>1,146,298</u>	<u>838,854</u>

7. OUTSTANDING CLAIMS

	2004 N'000	2003 N'000
(a) Life		
Whole life and endowment	76,291	45,607
Group life	10,586	10,586
	<u>86,877</u>	<u>56,193</u>
(b) Non-Life		
Fire	21,414	29,230
Motor	13,543	16,991
Workmen compensation	1,995	1,805
Marine	5,787	1,650
Personal accident	14,123	21,020
Casualty accident	56,474	40,334
	<u>113,336</u>	<u>111,030</u>
	<u>200,213</u>	<u>167,223</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

8. TAXATION

	Life N'000	Non-Life N'000	2004 N'000	2003 N'000
1. Per profit and loss account				
Income tax for the year	-	-	-	21,000
Education tax for the year	2,270	-	2,270	-
	<u>2,270</u>	<u>-</u>	<u>2,270</u>	<u>21,000</u>
2. Per balance sheet				
Balance as at January 1:	22,451	-	22,451	11,048
Income tax for the year	-	-	-	21,000
Education tax for the year	2,270	-	2,270	-
Tax paid	(20,790)	-	(20,790)	(9,597)
	<u>3,931</u>	<u>-</u>	<u>3,931</u>	<u>22,451</u>

- The charge for taxation has been computed in accordance with the provision of the Companies Income Tax Act (LFN Cap 60) as amended to date.
- Income tax deferred as at December 31, 2004 as a result of reversible timing differences between the net book value of asset qualifying for capital allowances and their corresponding income tax written down value amounting to Nil (2003 - Nil)

9. DIVIDEND

	Life N'000	Non-Life N'000	2004 N'000	2003 N'000
Unclaimed in respect of previous years	10,349	-	10,349	3,986
Proposed for the year	-	-	-	70,000
	<u>10,349</u>	<u>-</u>	<u>10,349</u>	<u>73,986</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

10. INSURANCE FUNDS	2004 N'000	2003 N'000
a. Non-Life	5,993	27,781
Fire	50,538	69,528
Motor	2,187	4,616
Workmen compensation	16,229	4,713
Marine	9,558	34,339
Personal accident	32,040	48,833
Casualty accident	116,545	189,810
Total	<u>116,545</u>	<u>189,810</u>
b. Life		
Whole life and endowment and group life	970,382	736,274
Group pension	3,474,815	3,162,853
Ailco Managed Investment Fund (AMIF)	781,529	693,573
	<u>5,226,726</u>	<u>4,592,700</u>
	<u>5,343,271</u>	<u>4,782,510</u>

The life fund was actuarially valued by Hymans Robertson (Nigeria) Limited at December 31, 2003. The valuation recorded a surplus of N6.1m. Another valuation is not due until 2006.

11. SHARE CAPITAL	Life N'000	Non-Life N'000	2004 N'000	2003 N'000
Authorised:				
2,000,000,000 (2003:1,000,000,000) ordinary shares of 50 kobo each	<u>300,000</u>	<u>700,000</u>	<u>1,000,000</u>	<u>500,000</u>
Issued and fully paid:				
700,000,000 ordinary shares of 50 kobo each	<u>150,000</u>	<u>200,000</u>	<u>350,000</u>	<u>350,000</u>
12. CONTINGENCY RESERVE				
At January 1,	43,943	162,514	206,457	175,136
Transfer from profit & loss account	12,057	29,671	41,728	31,321
Balance at Dec. 31,	<u>56,000</u>	<u>192,185</u>	<u>248,185</u>	<u>206,457</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

	Life N'000	Non-Life N'000	2004 N'000	2003 N'000
13. FIXED ASSETS REVALUATION RESERVE				
As at Jan 1 & Dec. 31,	<u>573,677</u>	<u>158,235</u>	<u>731,912</u>	<u>731,912</u>
14. QUOTED INVESTMENTS REVALUATION RESERVE				
At January 1,	732,742	40,356	773,098	317,541
Increase during the year	<u>225,441</u>	<u>13,435</u>	<u>238,876</u>	<u>455,557</u>
At December 31,	<u>958,183</u>	<u>53,791</u>	<u>1,011,974</u>	<u>773,098</u>
15. BONUS ISSUE RESERVE				
Transfer from Share Premium Account		<u>350,000</u>	<u>350,000</u>	
16. GENERAL RESERVE				
At January 1,	531,899	(350,404)	181,495	99,595
Transfer from profit and loss account	<u>(35,349)</u>	<u>66,140</u>	<u>30,791</u>	<u>81,900</u>
At December 31,	<u>496,550</u>	<u>(284,264)</u>	<u>212,286</u>	<u>181,495</u>
17. SHARE PREMIUM				
Right issues: 300,000 ordinary Share of N0.50 each at a premium				
At January 1,	54,467	354,036	408,503	408,503
Transfer to bonus issue reserve	-	<u>(350,000)</u>	<u>(350,000)</u>	
At December 31,	<u>54,467</u>	<u>4,036</u>	<u>58,503</u>	<u>408,503</u>
18. ANALYSIS OF INCOME				
The analysis of premium and profit by business class are as follows:				
	Premium		Profit/(loss)	
	2004 N'000	2003 N'000	2004 N'000	2003 N'000
Classes of business are:				
Life	1,367,740	950,620	(36,367)	(67,364)
Non-Life	989,054	772,580	95,809	(43,204)
Group pension (deposits)	1,301,025	1,216,641	15,347	314,789
	<u>3,657,819</u>	<u>2,939,841</u>	<u>74,789</u>	<u>204,221</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

	2004 N'000	2003 N'000
19. PROFITS BEFORE TAXATION		
This is stated after charging/(crediting):		
Depreciation of fixed assets	119,190	97,849
Auditors' remuneration	7,500	5,500
Directors' emoluments	8,750	7,377
Profit on sale of investments	(263,982)	(262,430)
Profit on sale of fixed assets	(1,903)	(714)
Income from quoted investment	(22,866)	(48,352)
Staff Pension contribution	34,351	27,425
	<u>2,097,936</u>	<u>2,520,881</u>
20. CASH EQUIVALENT		
Cash and bank balances	150,111	275,703
Short-term investments	2,037,130	2,266,223
Bank overdraft	(89,305)	(21,045)
	<u>2,097,936</u>	<u>2,520,881</u>
21. INVESTMENTS AND OTHER INCOME		
Investments	759,920	756,048
Profit on sale of investments	263,982	262,430
Others	17,328	36,251
	<u>1,041,230</u>	<u>1,054,729</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

		2004	2003
22. CHAIRMAN'S AND DIRECTORS' EMOLUMENTS		N'000	N'000
1. Emolument Fees		7,903	6,257
		<u>847</u>	<u>1,120</u>
As executive		<u>8,750</u>	<u>7,377</u>
Chairman		<u>190</u>	<u>190</u>
The highest paid Director		<u>7,903</u>	<u>6,257</u>
The least paid Director		<u>155</u>	<u>155</u>
2. The number of directors (including the Chairman) emoluments in the following ranges was:			
		2004	2003
		Number	Number
	N' N'		
	50,001 - 90,000	7	9
	1,990,001 - 2,000,000	-	-
	4,790,001 - 4,800,000	-	-
	5,370,001 - 9,700,000	<u>1</u>	<u>1</u>
23. STAFF			
The average number of persons employed by the Company during the year was:			
Managerial and senior staff		246	223
Junior staff		<u>81</u>	<u>88</u>
		<u>327</u>	<u>311</u>
The staff costs for the above persons were:			
		N'000	N'000
Wages, salaries, medical and Trainings		180,990	200,923
Other staff costs		50,299	39,375
		<u>231,289</u>	<u>240,298</u>

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

The number of employees of the company in receipt of emoluments (excluding pensions and allowances) above N60,000 in the year were:

		2004 Number	2003 Number
N'	N'		
60,001	70,000	-	6
70,001	80,000	-	28
80,001	90,000	12	40
90,001	100,000	22	61
100,001	110,000	46	24
110,001	120,000	34	31
120,001	130,000	55	21
130,001	140,000	21	15
140,001	150,000	22	13
150,001	160,000	17	10
170,001	180,000	15	12
190,001	200,000	19	11
200,001	210,000	13	2
220,001	230,000	2	8
230,001	240,000	8	2
250,001	260,000	3	-
260,001	270,000	1	-
270,001	280,000	9	2
290,001	300,000	2	4
320,001	330,000	2	-
370,001	380,000	3	-
400,001	410,000	1	8
410,001	above	20	9

24. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

1. Contingent liabilities

Contingent liabilities in respect of pending litigations involving the company amounted to N122,994,927 (2003 - N172,242,151). The Directors have been advised by counsel that the liability arising therefrom will not exceed N8,157,706 (2003-N11,085,500) and this had been provided for in outstanding claims reserve. The actions are being defended and the directors are of the opinion that no material liability would arise therefrom.

Notes to the Financial Statements

For the year ended December 31, 2004

(Continued)

2. Amif Liability.

The Life Fund was actuarially valued by Hymans Robertson (Nigeria) Limited at December 31, 2003. The valuation recorded a surplus of ₦6,140,032 (2000-Deficit of ₦903,253,456). Another valuation is not due until 2006. There is however, a shortfall of ₦2.7 billion (2003 - ₦2.4 billion) between the Amif liability valuation in the books at the bid price of ₦0.98 (2003 - ₦0.84) when compared with the bid price of ₦4.41 (2003 - ₦3.81) used to compute withdrawal benefits at the year-end.

It is the opinion of the Directors that the reserve made in respect of Amif Liability in the account is more than adequate to meet liabilities falling due within the year.

3. Financial Commitments

The directors are of the opinion that all known liabilities and commitments relevant in assessing the company's state of affairs have been taken into account in the preparation of these financial statements.

25. CAPITAL COMMITMENTS

There were no capital commitments at December 31, 2004 (2003 - Nil)

26. RELATED PARTY TRANSACTION

AllCO Insurance Plc has a Technical Service Agreement with AllCO Bahamas Limited who owns 40% of the Company's equity.

27. RECLASSIFICATION

Certain prior year balances have been reclassified to conform with the current year's presentation.

28. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors of the Company approved these financial statements on June 8, 2005

Statement of Value Added

For the year ended December 31, 2004

	2004 N'000	%	2003 N'000	%
Premium earned	2,356,794		1,723,200	
Deposits	1,301,025		1,216,641	
Investment and other income	1,041,230		1,054,729	
	<u>4,699,049</u>		<u>3,994,570</u>	
Re-insurances, claims, maturities Surrenders, commission and services	(4,273,781)		(3,452,202)	
Value added	<u>-425,268</u>	100	<u>542,368</u>	100
VALUE ADDED IS APPLIED AS FOLLOWS		%		%
In payment of employees:				
Salaries, wages and other benefits	231,289	54	240,298	44
In payment of providers of capital:				
Dividend	-	-	70,000	13
In payment to government				
Taxation	2,270	1	21,000	4
Retained for replacement of assets and Expansion of the business:				
- Depreciation	119,190	28	97,849	18
- Contingency reserve	41,728	10	31,321	6
- Retained profit	30,791	7	81,900	15
	<u>425,268</u>	100	<u>542,368</u>	100

Value added represents the additional wealth, which the company has been able to create by its own, and its employees' efforts. This statement shows the allocation of that wealth between employees, shareholders, government and that retained for the future creation of more wealth.

Five-year Financial Summary

For the year ended December 31, 2004

	2004 N'000	2003 N'000	2002 N'000	2001 N'000	2000 N'000
ASSETS					
Cash and bank balances	150,111	275,703	552,480	517,354	71,363
Short-term investments	2,037,130	2,266,223	1,360,227	746,215	531,721
Debtors and prepayments	686,262	1,309,112	544,208	567,789	390,549
Loan to policy holders	241,622	206,704	211,696	196,228	158,970
Long-term investments	4,975,351	2,996,257	2,342,460	2,076,434	1,822,615
Statutory deposit	35,000	13,500	13,500	13,500	13,500
Fixed assets	1,541,446	1,468,990	1,207,374	733,195	761,201
TOTAL ASSETS	9,666,922	8,536,489	6,231,945	4,850,715	3,749,919
LIABILITIES					
Creditors and accruals	1,146,298	838,854	689,231	728,938	430,551
Outstanding claims	200,213	167,223	117,240	95,062	104,991
Taxation	3,931	22,451	11,048	5,048	5,268
Dividend	10,349	73,986	30,846	8,946	13,790
Insurance fund	5,343,271	4,782,510	3,859,396	2,897,487	2,490,827
	6,704,062	5,885,024	4,707,761	3,735,481	3,045,427
SHAREHOLDERS' FUNDS	2,962,860	2,651,465	1,524,184	1,115,234	704,492
CAPITAL AND RESERVES:					
Called-up share capital	350,000	350,000	150,000	100,000	100,000
Contingency reserve	248,185	206,457	175,136	147,188	123,328
Fixed assets revaluation reserve	731,912	731,912	731,912	449,636	449,636
Quoted investment revaluation reserve	1,011,974	773,098	317,541	293,956	18,764
Bonus issue reserve	350,000	-	50,000	50,000	-
General reserve	212,286	181,495	99,595	74,454	12,764
Share premium	58,503	408,503	-	-	-
SHAREHOLDERS' FUNDS	2,962,860	2,651,465	1,524,184	1,115,234	704,492
PREMIUM AND PROFITS					
Premium	2,356,794	1,723,200	1,454,046	1,306,914	969,808
Deposits	1,301,025	1,216,641	1,084,179	748,869	605,863
Profit before taxation	74,789	204,221	150,210	135,549	145,045
Profit after taxation	72,519	183,221	133,089	135,549	145,045
Dividend per 50k share data	-	70,000	30,000	-	10,000

Five-year Financial Summary

For the year ended December 31, 2004

(Continued)

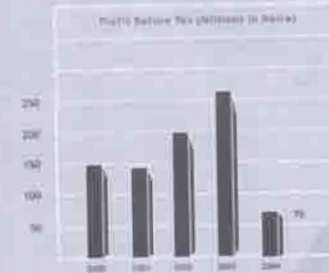
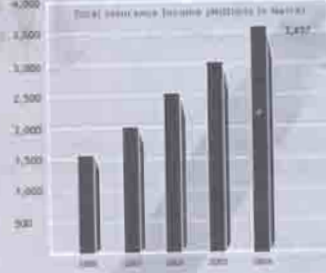
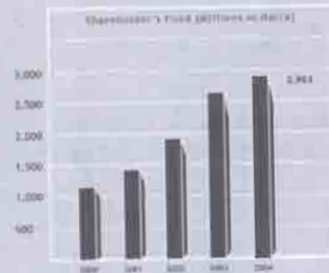
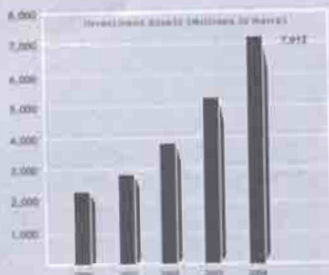
	2004	2003	2002	2001	2000
	N'000	N'000	N'000	N'000	N'000
Earnings	11k	26k	44k	68k	73k
Dividend	-	10k	10k	-	5k
Dividend cover (times)	-	2.9	4.4k	-	14.6
Bonus Issue Per Share	50k	-	17k	25k	-
Net assets per share	424k	379k	508k	558k	352k
Total assets per share	1381k	1220k	2077k	2425k	1875k

NOTE: Earnings, dividend and net assets per share of N0.50 respectively are calculated on the basis of the profit after taxation, proposed dividend for the year and the shareholders' funds at the year end, based on the number of shares issued at December 31, 2004.



Graphic Illustrations

Financial Year ended 30 June 2004



Unclaimed Dividends and share certificates

For the year ended December 31, 2004

Aiico declared the following dividends and made public issues including bonuses since it became a Public Company in July 1989.

DIVIDEND NO.	DATE
01	15th November, 1990
02	20th November, 1990
03	23rd August, 1993
04	17th October, 1994
05	29th May, 1995
06	5th October, 1998
07	20th September, 2001
08	18th August, 2003
09	8th September, 2004

ISSUES	DATE
Allotment '90	24th May, 1990
Rights 93	24th November, 1993
Bonus '94	22nd September, 1994
Bonus '95	23rd September, 1995
Bonus '96	12th September, 1996
Bonus '97	17th September, 1997
Bonus 2001	30th September, 2002
Bonus 2003	4th August, 2003
Rights 2003	4th August, 2003

According to our records, some unpaid dividend warrants have not been returned to the Company for re-validation and subsequent payment. Also about 3,120 share certificates have been returned unclaimed.

All affected Aiico shareholders are hereby requested to contact the following addresses for collection of their dividend warrants or /and certificate yet unclaimed.

- 1 For dividend warrants please contact:
Company Secretary
Aiico Insurance Plc
Aiico Plaza
Afribank Street, Victoria Island
P. O. Box 2577, Lagos.
- 2 For share certificates please contact:
The Registrar
United Securities Limited
Niger House (5th floor)
1-5 Oduniami Street
P.M.B 12753, Lagos.

Management

EXECUTIVE DIRECTORATE

Jon M. C Quirk - *Managing Director / Chief Executive Officer*

HUMAN RESOURCES / ADMINISTRATION / LEGAL / CORPORATE SECRETARIAT

O. S Oyedokun - *General Manager*

MARKETING / CORPORATE AFFAIRS

Femi Soyombo - *General Manager*

AUDIT SERVICES

J. B. Akindehinde - *General Manager*

FINANCIAL SERVICES / INFOTECH

E.U Egejuru - *General Manager*

A. Oriakhi - *Assistant General Manager*

A. A. Afolabi (Mrs) - *Assistant General Manager*

GENERAL INSURANCE

J. Ijerhime - *Deputy General Manager*

E. F. Igbiti - *Deputy General Manager (Underwriting)*

LIFE OPERATIONS

O. Olatuyi - *Assistant General Manager*

O. A. Bendy (Mrs) - *Assistant General Manager*





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