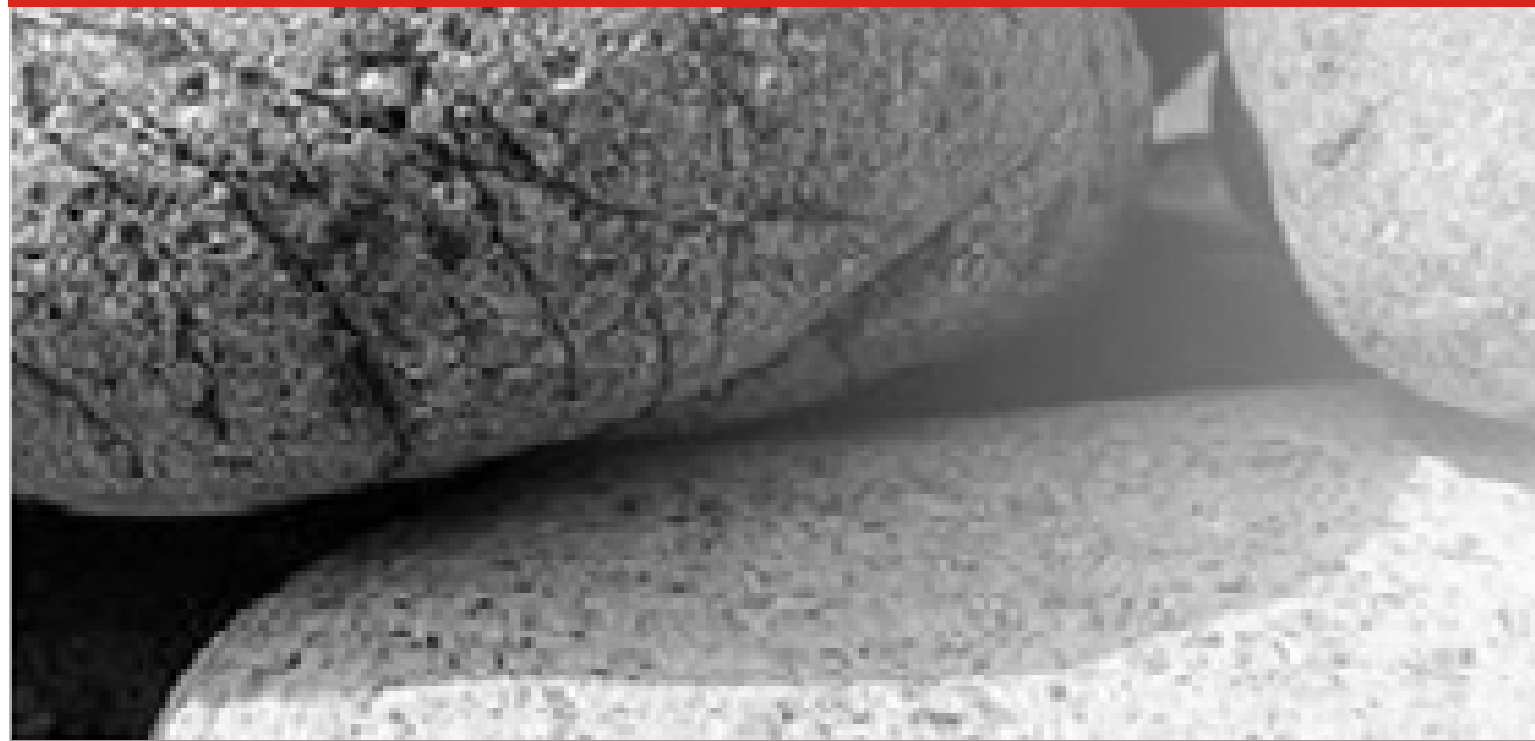




...Solid as ever



Law  
Union  
&  
Rock  
INSURANCE PLC  
RC 6286



ANNUAL REPORT AND ACCOUNTS 2009



*...Solid as ever*



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## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting of Law Union and Rock Insurance Plc. will be held at City Hall, Catholic Mission Street, Lagos Island, Lagos, on September 22, 2010 at 11.00am to transact the following business:

### ORDINARY BUSINESS:

1. To receive and consider the audited financial statements for the period ended 31st December, 2009, together with the Reports of the Directors, Auditors, and Audit Committee thereon.
2. To declare a dividend.
3. To re-elect Directors.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

### SPECIAL BUSINESS

6. To fix the Directors' fees for the year ended 31st December 2010.

### NOTES:

#### 1. PROXY

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy in his stead. A proxy need not be a member of the Company. A form of proxy is enclosed.

For the purpose of this meeting, a proxy form must be completed, stamped, and deposited at the office of the Registrar, City Securities Limited, Primerose Towers, 17A Tinubu Street, P. O. Box 9117, Lagos not later than 48 hours before the time fixed for the meeting.

#### 2. NOMINATION TO THE AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies & Allied Matters Act, Cap C20 2004, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

#### 3. DIVIDEND

If approved, dividend of 3k per Share is payable to shareholders whose names are registered in the Register of Members at the close of business on Wednesday 8th September, 2010. Dividend warrants will be posted on Monday 4th October, 2010.

#### 4. CLOSURE OF REGISTER

The Register of Members and Transfer of Books of the Company will be closed on Thursday 9th September, 2010 to 16th September, 2010 (both dates Inclusive), to enable the Registrars prepare the Register of Shareholders for the meeting.

By Order of the Board



RUKAYAT OZIAMA OBAITOR  
Company Secretary  
14 Hughes Avenue, Alagomeji  
Yaba, Lagos

## Directors And Advisers for the year ended 31st December

- |                              |                        |
|------------------------------|------------------------|
| 1. Akinsola Akinfemiwa (Mr.) | Chairman               |
| 2. Yinka Bolarinwa (Mr.)     | Managing Director/CEO  |
| 3. Olusegun Ilori (Mr.)      | Executive Director     |
| 4. Timothy Oguntayo (Mr.)    | Non-Executive Director |
| 5. Femi Akingbe (Mr.)        | Non-Executive Director |
| 6. Steve Akinretoy (Mr.)     | Non-Executive Director |
| 7. Isaac Ajana (Mr.)         | Non-Executive Director |
| 8. Godswill S. Ihetu (Dr.)   | Non-Executive Director |
| 9. Segun Akintemi (Mr.)      | Non-Executive Director |

### COMPANY SECRETARY/LEGAL ADVISER

Rukayat O. Obaitor

### REGISTERED OFFICE

14 Hughes Avenue, Alagomeji  
Yaba, Lagos.

### WEBSITE

[www.lawunioninsurance.com](http://www.lawunioninsurance.com)

### PHONE

01-8995010-15

### AUDITORS

Akintola Williams Deloitte  
(Chartered Accountants)  
235, Ikorodu Road, Lagos

### REGISTRAR

City Securities (Registrars) Limited  
Primerose Tower  
Tinubu Street,  
P.O.Box 9117, Lagos.

## Financial Highlights

	2009 N'000 N	2008 N'000 N
<b>Major Balance Sheet Items</b>		
Total Assets	6,493,932	5,816,114
Share Holders' Funds	4,537,822	3,646,964
Insurance Funds	679,174	772,256
Investments	<u>3,965,655</u>	<u>3,521,256</u>
<b>Major Profit and Loss Items</b>		
Gross Premium Written	3,528,581	3,708,481
Gross Premium Earned	3,606,770	3,433,271
Net Premium Earned	2,890,194	2,440,285
Investment and Other Income	362,021	354,707
Claims Incurred	746,809	796,212
Profit/(Loss) Before Taxation	351,619	(86,884)
Profit/(Loss) After Taxation	294,549	(93,040)
<b>Per 50k Share Data</b>		
Earnings per share (Kobo)	9	(3)
Dividend per share (Kobo)	3	-
Dividend Cover (times)	3	-
Net Asset per Share (kobo)	132	106
Stock Exchange quotation (Kobo) as at 31st December	51	295

## Report of Audit Committee

We have examined the Auditors Report for the year ended 31st December 2009 in accordance with the provisions of Section 359 of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004.

In our opinion, the Auditors Report is consistent with our view of the scope and planning of the Audit. The external auditor's management letter received satisfactory responses from Management of the Company. We are also satisfied that the Company's Accounting Policies are in conformity with statutory requirements and agreed ethical practices.



**Mr. E. O. B. Oladosu**  
Chairman, Audit Committee  
Lagos  
February 19, 2010

### Members of the Audit Committee

1. Mr. Emmanuel. O. B. Oladosu
2. Mr. Oladepo O. Adesina
3. Mr. Ibiyemi Kolawole
4. Dr. Godswill Ihetu
5. Mr. Isaac Ajana
6. Mr. Segun Akintemi

## Chairman's Statement



Fellow Shareholders, Distinguished Ladies and Gentlemen, I am very pleased to welcome you to the 41<sup>st</sup> Annual General Meeting (AGM) of our company and to also present to you the Audited Accounts of Law Union & Rock Insurance Plc. for the year ended 31<sup>st</sup> December, 2009. The Accounts also contains the opinion of our auditors, Akintola Williams Deloitte. Before I present the report, please let us take a look at the environment within which Law Union & Rock operated in during the period under review.

## Chairman's Statement Cont'd

### OVERVIEW OF GLOBAL ECONOMIC ENVIRONMENT

The impact of the great recession in the years 2008 and 2009 still lingers, though most national economies expect to emerge from it soon. The meltdown resulted in the first major global economic co-operation aimed at preventing full scale financial crisis.

During the last quarter of 2008 through mid 2009, the world witnessed extensive macro-economic adjustments in the management of both fiscal and monetary policies. The need for a coordinated response to the crisis across Europe, the United States, Asia and Africa remained a primary focus. This was further confirmed at the G20 Summit in April 2009 where the Summit reached a conclusion to stimulate world trade, regulate financial services institutions more stringently and provide crisis support for low income and emerging economies.

The period under review witnessed a lot of changes from the regulatory authority, National Insurance Commission (NAICOM). The main aim is to sanitize the sector and build consumer confidence in the market...

### REVIEW OF DOMESTIC OPERATING ENVIRONMENT

The business environment in Nigeria in 2009 also witnessed significant turbulence as a result of the global economic crisis. The country also continued to experience persistent energy crisis and deteriorating infrastructure. This was accompanied by acute contractions in credit and a weaker foreign exchange rate which gave rise to sharp increases in the cost of production and distribution of services across the country.

Crude Oil prices declined by 35% over 2008 levels; this took place at a time the country could not meet her crude oil output quota due to the impact of militants' activity in the Niger Delta. The Federal Government's revenue projections in 2009 were based on an estimated 2.292mbd while the country was able to achieve only 1.77mbd. The shortfall was however covered from the Excess Crude Account (ECA). The external reserve also declined from \$53 billion in 2008 to \$42.5 billion in 2009. The exchange rate compared to 2008 depreciated by 13% arising from activities of speculators and shortfall in foreign supply due to decline in revenue. The exchange rate which opened at 131.25 dollars closed at N148.10 to a dollar.

The downstream Oil sector did not fare better as the four domestic refineries operated at sub-optimal levels throughout the year. This made the country to continue to depend on imported petroleum products resulting in major shortage of refined products during the last two months of the year. The introduction of the petroleum industry bill and downstream deregulation also created some uncertainty in the sector.

The manufacturing sector also had a fair share of the economic downturn during the period under review. The sector through its umbrella body, the Manufacturers Association of Nigeria (MAN), complained of the harsh business environment which made a large number of its members to close shop. With manufacturing as the largest employer of labour, this negative trend portends danger not only for the real sector but for the economy as a whole.

The shake-up and subsequent reforms in the banking sector also created some shocks to the economy and the consequences are still being experienced. While we believe that the objective of ongoing and planned reforms in the financial sector is commendable, the immediate impact on the level of business activity has been a source of concern for most stakeholders.

On the political front, it will be recalled that the year 2009 ended with uncertainties surrounding the state of health of the former president and the vacuum that his absence created in government. His death earlier this year resulted in a mid-term political transition with attendant implications for governance and business. May I humbly request us to rise and observe a one-minute silence in honour of our late president, Alhaji Umaru Musa Yar'Adua (GCFR).

### THE INSURANCE INDUSTRY

The period under review witnessed a lot of changes from the regulatory authority, National Insurance Commission (NAICOM). The main aim is to sanitize the sector and build consumer confidence in the market. The commission is working towards lowering the insurance gap from 94% to about 70%; increasing insurance contribution to GDP from the current 0.72% to over 3% and raising premium per capita from the current N825 to N7,500 by 2012.

During 2009, NAICOM introduced the Guidelines on Claims Settlement to be followed strictly by all insurance institutions in the industry. The introduction of compulsory insurance by the regulator through the Market Development and Restructuring Initiatives (MDRI), a medium-term project billed to run from 2009 to 2012 is a landmark initiative in the insurance sub-sector. The initiative is aimed at installing necessary market structures to make the insurance industry achieve its position of strategic importance.

## Chairman's Statement

The MDRI is expected to increase the industry's Gross Premium Income from N164.5b (2008) to N1.10tr by 2012. However, recapitalization of insurance brokers and certification from the insurers on their outstanding premiums as a prerequisite for the renewal of their licenses by NAICOM is a welcome development which is expected to reduce significantly the huge outstanding premiums from brokers.

The unification and standardization of reporting in the financial statements of insurance companies adopted by NAICOM, which took effect from 2009, will translate to a clearer understanding, interpretation and comparison of insurance companies' financial statements.

The commission has promoted risk-based supervision and solvency-focused regulation on all insurers and re-insurers operating in the country. It also introduced a Code of Good Corporate Governance for the insurance industry in Nigeria to ensure adequate compliance with the rules guiding insurance business. Also, the market agreement signed by underwriters to bring sanity into the industry is expected to ensure good practices. Ultimately, it will help the industry attract and retain the best of human capital.

The on-going review of the Insurance Act 2003 is another means through which operators expect best practices and sound corporate governance to be further entrenched in the industry.

### **OPERATING RESULTS**

Distinguished Shareholders, Ladies and Gentlemen, I am very pleased that our company recorded growth in its net premium earned which increased by 18% for the year under review, despite a marginal decrease of 5% in the gross premium written in 2009. More so, in spite of harsh business environment, your company posted a profit before tax of N315m as against a loss of N141m in 2008. This testifies to the quality of the management in place.

### **DIVIDEND DECLARATION**

Your company recorded a profit after tax of N295 million for the 2009 financial year, which translates to earnings per share of 9 kobo and I am pleased to let you know that the Board of Directors is recommending a dividend of 3 kobo per share subject to the approval of the distinguished shareholders at this AGM.

### **FUTURE OUTLOOK**

The country is faced with some uncertainties revolving around the lingering capital market crisis, political instability, weak infrastructure, epileptic power supply, corruption, bad leadership and greed. However, we believe that Nigeria has great potentials to deliver economic benefits for those who would harness them while managing the inherent risks.


The much anticipated Asset Management Company is expected to put money back into the economy and propel the economy back to higher levels of activity. It was also good news to note that most of the troubled banks affected by the industry shake-up have returned to profitability.

The Board and Management of Law Union and Rock will continue to focus passionately on strategies to cut bad risk exposures and deliver expected benefits to all stakeholders, especially to you our esteemed shareholders in a sustainable manner.

### **CONCLUSION**

Distinguished Shareholders, Ladies and Gentlemen, I would like to thank you all sincerely for the interest you have continued to show in the progress of your company. We promise that we will not fail you and shall work relentlessly to make our company more profitable and even surpass your expectations in terms of returns on your investments in future years.

Thank you for your kind attention and God bless you all.



Akinsola Akinfemiwa,  
Chairman.

## Chief Executive's Statement



### Overview of the Economy

The Nigerian economy has been under intense pressure since 2008 due to speculations about the impact of global financial market. This slowed down the development of the real sector into 2009 when the clampdown by the Federal Government hit the capital market.

Year 2009, witnessed the major reform by Central Bank of Nigeria (CBN) which included a two phase special examination of banks in the country, with eight out of the twenty four banks declared as unhealthy. However, actions taken to support those banks in 'grave' situation include the release of N620 billions liquidity support and longterm loans to the banks, guaranteeing all interbank placements and depositors' funds. The regulator is also enforcing the Bankers committee agreement reached in March, 2009 to adopt 31<sup>st</sup> December as the industry common accounting year.

The effects of the slow down on credit by banks which was one of the fallouts of the special examination of all the 24 banks as mentioned earlier had negative impact on the insurance Industry. This is because; insurance depends greatly on huge premium coming from insurance of developmental projects financed by banks.

Further to this, is the CBN's crash of lending rates through its various monetary policy measures which now make lending to private sector and other borrowers by banks an unprofitable venture.

Law Union and Rock was not immune from these crises. However, our good understanding of the market and effective deployment of service strategies, as well as our focus on risk and balance sheet management have helped us to weather the storm efficiently.

Your company is also focusing on these strategies to improve its strengths, which will proactively drive quality growth through sound corporate governance, risk management, process re-engineering and performance-driven team.

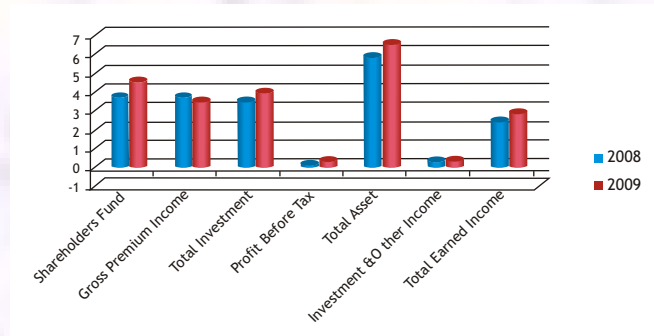
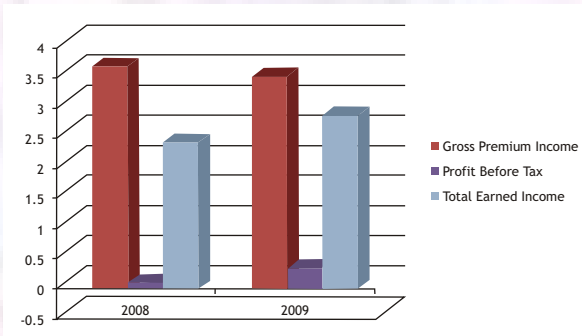
We continue to leverage on the goodwill of our brand to improve our performance during the times of economic instability. We have been able to improve our competitive edge and make your company a major beneficiary of the emerging opportunities like the compulsory insurance Market Development and Restructuring Initiatives (MDRI). These put us in a position to expect better results once the economic climate improves in 2010.

In addition, National Insurance Commission (NAICOM) the regulatory authority for all insurance companies in Nigeria has positioned itself with various initiatives and guidelines that will enable underwriters meet the test of time and bring stability and confidence to the sector.

I am happy to announce that we posted a profit before tax of N315m in the year under review as against a loss of (N141m) in 2008. This is an indication of the efficacy of our value-driven customer segment service model with the benefit of a tiered recognition of our customers need and our capability to proactively and adequately respond to them.

Considering the Business environment in Nigeria in 2009 which was very turbulent, your company generated gross written premium of N3.53b as against N3.71b of same period in 2008.

## Chief Executive's Statement



On the other hand, the strategies adopted by the company paid off as it increased its earned premium which enabled the company to generate more income than the previous year.

The Investment and other income for the year was N362m against N355m of same period in 2008 indicating a marginal increase of 2 percent. The slight rise in investment income was due to instability experienced in the capital market in 2009 coupled with the unattractive return on investment from the money market due to interest rate crash.

Total assets as at year end 2009 stood at N6.49b as against N5.8b in 2008. Total investment for the period grew by 13 percent from N3.52b in December 2008 to N3.95b in December 2009. Shareholders' funds increased from N3.65b to N4.52b in 2009 representing a 24 percent increase.

### Corporate Governance

Law Union and Rock recognises that good corporate governance is fundamental to earning and retaining stakeholders' confidence and trust. We therefore provide the structure through which the objectives of the company are set and the means of attaining those objectives.

In line with the code of corporate Governance issued by NAICOM and Security and Exchange Commission (SEC), your company has put in place strategic committees and tenders board to serve as control points (checks and balances) at both the board and management levels.

The company policy on corporate governance is continually reviewed with focus on high ethical standard of honesty, integrity, accountability and transparency. Also the Board continues to formulate policies aimed at creating an organisation strongly positioned to achieve better performance for all stakeholders (shareholders and employees).

### Risk Management Governance Framework

A company's risk appetite is the level of risk the company is prepared to accept to achieve its business strategic objective. The Board sets and monitors the Company's Risk Appetite and ensures that the Risk fully assumed are integrated into strategy and business plan, thus our risk appetite is defined by the extent to which we tolerate risks as described by our performance indicators, operational parameter and process control. Company risk appetite is guided by the following broad considerations:

## Chief Executive's Statement

- ❖ **Capital Adequacy:** The level of excess capital that we maintain to protect against insolvency in extreme adverse conditions.
- ❖ **Stable Profitability and Growth:** The extent of variability in earnings that we are willing to accept on behalf of our investors.
- ❖ **Liquidity:** The buffers that we maintain to protect the company from short term funding gap; and
- ❖ **Strategic Focus:** The level of various types of businesses that we are willing to pursue in executing our business model.

Law Union & Rock has also put in place a strong risk management and control department. This coupled with the Enterprise-wide Risk Management Structure; the department will evaluate, and continually review the risk exposure of the Company both internal and external and in line with company risk appetite and makes recommendations to the Management and Board.

### Market Expansion

In view of the proposed increase to 70 percent of insurance of local content in Oil & Gas by the Federal Government, your Company is now actively involved in oil and gas supported by multiline package reinsurance facility in partnership with Lloyds syndicate via Meridian Risk solution. This has provided us the required strength and capability to participate in the accounts of multinationals operating within the sector. As part of the avenue to boost our oil and gas capacity, your company is also a member of the African and Energy pool.

### Market, Development and Restructuring Initiatives (MDRI)

Industry's Gross premium income is expected to increase from N 164.50b (2008) to N 1.10tr (2012)

With the recent introduction of compulsory insurance by NAICOM, this will be driven only by agency model. In the light of the above, your Company's agency force is being strengthened adequately to meet all customers need on compulsory insurance Pan Nigeria. This will further increase the premium income and earnings of the company.

### Public Sector

This is an area your company is presently very active, based on the strategy that were put in place for better performance and increase in earning of the Company. We are presently working with the states, local and federal government to ensure that we participate on their accounts and benefit from the available opportunities.

### Staff

Law Union & Rock recognises the members of staff as an invaluable asset in generating earnings for the Company. We focus on the acquisition and retention of employees with the right mix of skills; attitude and behaviour to enable the organisation consistently meet its business goals and future growth plan. During the year under review, 120 members of staff attended one or more training programmes. As part of the strategy to increase the staff skills and create awareness, a bi-monthly cross knowledge sharing programme has been put in place in-house for all members of staff.

### Information Technology

In line with the management strategy to improve the customer service delivery leveraging on up to date information system that will stand the test of time, your company has invested heavily in a robust and sophisticated core business application (Premia software) with skilled and dedicated staff. The software will transform the Company and enhance business performance.

## Chief Executive's Statement

### Cost Reduction

In view of the lull experienced in the economy, your company has put in place a cost reduction mechanism in all its operations. I believe the effect of this action will materialise soonest and it will improve the bottom line of the company.

### Shareholders Relations

In an effort to improve our relationship with the shareholders, the Company has dedicated a Secretariat and Investors relations unit to resolve Shareholders issues. In addition to this, the entire staff are on hand to resolve challenges. Also your company is proposing an annual clients and stakeholders forum. This will further enhance the mutual relationship between company and all the stakeholders.

### Rebranding

The current brand profile has been useful in generating good returns. However, Management and Board are working with some Consultants to rebrand your Company with a view to making the corporate brand stronger and increase the profitability.

### Future Outlook

In the midst of the global financial and economic meltdown, we have continued to put in place measures to ensure that our Company is firmly positioned to ride the storm. We have used this period of downturn to embark on a series of strategic initiatives to strengthen our operations and business model. Indeed, the future of our Company is bright as we will continue to deploy strategies that will enable us fully exploit emerging business opportunities and also place the company amongst the first top five market leaders within the next three years.

As part of the strategies, your Company is planning to have subsidiaries operating in other sectors of the economy which will enhance the earnings of the Company.

Furthermore, we are also planning to expand beyond Nigeria and explore opportunities in other Africa countries.

Post consolidation strategy is to make your company become a composite company by raising additional capital. This feat will be delivered without necessarily creating any major discomfort.

### CONCLUSION

My profound gratitude goes to our esteemed customers and stakeholders. Many have been with us for a major part of our history. We could not have come thus far without them. I look forward to your continued patronage and mutually beneficial relationship.

My special thanks also go to the Chairman, Members of the Board and Management for the direction and inspiration throughout the year under review. The entire Staff members have been very supportive and are great assets. I really appreciate you.

Thank you for your rapt attention.



Yinka Bolarinwa  
Managing Director/Chief Executive

## Report of the Directors for the year ended 31 December 2009

### Report of the Directors for the year ended 31 December 2009

In compliance with the Companies & Allied Matters Act Cap C20 and Insurance Act CAP I17 Laws of the Federation of Nigeria 2004, the directors have pleasure in submitting to members their report together with the audited financial statement of Law Union & Rock Insurance Plc (“Company”) for the year ended 31 December 2009.

#### 1. Legal Form and Principal Activity

The Company is a public limited liability company, incorporated on the 17<sup>th</sup> day of June, 1969 in accordance with the provisions of the Companies and Allied Matters Act, 1968, transacting primarily General Insurance business. On 9<sup>th</sup> July, 1990 it was listed on the Nigerian Stock Exchange.

#### 2. RESULTS

	2009 N'000	2008 N'000
Gross Premium Written	3,528,581	3,708,481
Net Earned Premium	2,890,194	2,440,285
Claims Paid (Net of Recoveries)	(746,809)	(796,212)
Profit Before Provision for Doubtful Accounts	1,088,459	641,141
Provisions for doubtful accounts	(736,840)	(782,401)
Profit/ (Loss) after taxation	294,549	(93,040)

#### 3. DIVIDEND

In respect of the current period, the Directors propose that a dividend of 3 kobo per ordinary share of 50 kobo each will be paid to Shareholders after the Annual General Meeting, subject to the approval of the Shareholders at the meeting. The proposed dividend has however not been included as a liability in these financial statements. The proposed dividend is subject to withholding tax at the appropriate tax rate and is payable to Shareholders whose names appear on the Register of Members at the close of business on Wednesday 8th September, 2010. The total estimated dividend is N103, 119, 900, and is payable out of profit for the period. Dividend warrants will be posted on Monday 4th October, 2010.

#### 4. BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Company carried out insurance activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and prospects for the ensuing year is contained in the Chief Executive’s Statement.

#### 5. DIRECTORS

- In accordance with the Company’s Articles of Association, the following Directors, Mr. Steve Akinretoy and Mr. Isaac Ajana will both retire at the meeting. Mr. Isaac Ajana will however be seeking re-election.
- Dr. G. S. Ihetu attained the age of 70 on July 14, 2010. In accordance with Section 252 Companies & Allied Matters Act, CAP C20 Laws of Federation of Nigeria, he wishes to disclose this to the General Meeting, and has indicated his willingness to continue in office.

## Directors' Report

### 6. STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss for that year and comply with the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004, and other relevant regulations. These responsibilities include ensuring that:

- Adequate Internal Control procedures are instituted to safe guard assets, prevent and detect fraud and other irregularities;
- Proper accounting records are maintained;
- Applicable accounting policies are used and consistently applied;
- The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors take responsibility for the annual financial statements.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss.

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

### 7. DIRECTORS' INTEREST

The names of the Directors and their interests in the issued share capital of the Group as recorded in the Register of Directors' Shareholding as at March, 2010 are as follows:

DIRECTORS NAME	Number of Ordinary Shares held (2010)	Number of Ordinary Shares held (2009)
Mr. Akinsola Akinfemiwa	Direct- 19,181,800	Direct- 19,181,800
	Indirect- 1,785,627,772	Indirect- 1,785,627,772
Mr. Yinka Bolarinwa	Direct- 5,525,000	Nil
Mr. Olusegun Ilori	Direct 304,642	Direct- 304,642
Mr. Timothy Oguntayo	Direct- 2,000	Nil
	Indirect- 1,785,627,772	
Mr. Segun Akintemi	Direct- 100,000	Nil
	Indirect- 1,785,627,772	
Mr. Femi Akingbe	Indirect- 45,562,578	Indirect- 252,496,740
Dr. G. S. Ihetu	Direct- 100,000	Direct- 100,000
Mr. Steve Akinretoye	Indirect- 252,782,201	Indirect- 252,782,201
Mr. Isaac Olaiya Ajana	Direct- 857,700	Direct- 320,000
	Indirect- 279,999,999	Indirect- 279,999,999

## Directors' Report

None of the Directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act CAP C20 LFN 2004 of any disclosable interests in contracts in which the Company was involved as at March 25, 2010.

### 8. EMPLOYMENT AND EMPLOYEES

#### .1 Employee Involvement and Training

Management, professional and technical expertise are the Company's major assets and investment in their training, both locally and overseas, continues.

Presently, a major part of training that the Company is building gradually on is mentoring of new intakes. Mentors are being identified with traits that can positively impact the new generations so that ideals and values can be transmitted to the next generation of the company.

Formal and informal channels of communication are employed in keeping staff abreast of various factors affecting the Company's performance.

#### .2 Employment of Physically Challenged Persons

The Company's recruitment policy, which is based solely on merit, does not discriminate against any person on the grounds of physical disability. The Company has no disabled person on its employment but in the event of any member of staff becoming physically challenged, the Company would make efforts to ensure that his/her employment with the Company is sustained.

#### .3 Health Safety and Welfare at Work

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The company provides subsidy to all levels of employees for medical, transportation, lunch, etc.

### 9. POST BALANCE SHEET EVENTS

There were no post balance sheet events which could have a material effect on the state of affairs of the Company as at 31 December 2009 or the profit for the year ended on that date that have not been adequately provided for or disclosed.

## Directors' Report

### 10. Equity Range Analysis

The range of shareholding as at March 2010 is as follows:

	Range	No. of Holders	Percent	Units	Percent
1	- 1,000	1,596	12.8959%	1,250,551	0.03638%
1,001	- 10,000	6,608	53.3937%	29,788,351	0.86661%
10,001	- 100,000	3,410	27.5533%	125,339,554	3.64642%
100,001	- 1,000,000	659	5.3248%	208,165,446	6.05602%
1,000,001	- 10,000,000	88	0.7111%	268,421,334	7.80901%
10,000,001	- 100,000,000	10	0.0808%	219,959,161	6.39913%
100,000,001	- 999,999,999,9	5	0.0404%	2,584,406,103	75.18643%
<b>Grand Total</b>		<b>12,376</b>	<b>100.0000%</b>	<b>3,437,330,500</b>	<b>100.00000%</b>

### 11. Shareholders with 5% Units and above

Skye Bank Plc	-	51.95
Swede Control Intertek Ltd.	-	8.15
Consolidated Discounts Ltd	-	8.15

## Directors' Report

### 12. DONATIONS AND SPONSORSHIP

Below is the list of donations made during the year and the recipients:	₦
CHARTERED INSURANCE INSTITUTE OF NIG.	115,000.00
REDEEMERS UNIVERSITY ACTUARIAL SCIENCES	50,000.00
THE NIGERIA COUNCIL OF REGISTERED INSURANCE BROKERS	50,000.00
FEDERAL CIVIL SERVICE CLUB	63,000.00
DONATION TO DIOCESE	20,000.00
DONATION TO ST. MATHIAS GIRLS SCHOOL	20,000.00
LIONS CLUB REG.4 DIST. 404B	50,000.00
SPONSORING OF YOUTH DEV. EMP PROJECT	100,000.00
OYEWOLE OKUNOREN/DIAMOND FAITH CLUB	30,000.00

### 13. ASSET VALUES

Information relating to the Company's Assets is detailed in the Notes to the Financial Statements.

### 14. AUDIT COMMITTEE

Pursuant to Section 359(3) of the Companies and Allied Matters Act, Cap C20 LFN 2004, the Company has in place an Audit Committee comprising three shareholders and three directors as follows:

Mr. Emmanuel O. B. Oladosu	Shareholder Representative -Chairman
Mr. Olalekan O. Adesina	Shareholder Representative
Mr. Ibiyemi O. Kolawole	Shareholder Representative
Mr. Dr. G. S. Ihetu	Non-Executive Director
Mr. Isaac Ajana	Non-Executive Director
Mr. Mr. Segun Akintemi	Non-Executive Director

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act, Cap C20 LFN 2004.

### 15. AUDITORS

Messrs Akintola Williams Deloitte having indicated their willingness to continue in office will do so in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004.

A resolution will be proposed at the Annual General Meeting to Authorize the Directors to Determine their remuneration.

### BY ORDER OF THE BOARD



**RUKAYAT O. OBAIGOR**  
COMPANY SECRETARY/LEGAL ADVISER  
14, HUGHES AVENUE, ALAGOMEJI  
YABA, LAGOS.  
26 MARCH, 2010

## Corporate Governance

### 1. INTRODUCTION

The Company recognizes the increasing relevance of good corporate governance practice to the sustenance and profitability of any organization, which is committed to delivering the desired value to its shareholders and stakeholders at large. The Company has consistently improved on its implementation of good corporate governance best practice within the period under review.

Consequently towards the end of the year, some of the Board Committees were restructured, culminating into the following:

1. Enterprise Risk Management Committee
2. Finance & General Purpose Committee
3. Investment Committee
4. Establishment, Governance, and Remuneration Committee
5. Audit Committee

The composition of the committees also underwent changes due to the appointment/election of Mr. Yinka Bolarinwa (Managing Director/CEO), Mr. Segun Akintemi ( Non-Executive Director), and Mr. Timothy Oguntayo (Non-Executive Director), on the one hand, as well as the exit of the Former Managing Director, and Mr. Segun Oloketuyi, former Non-Executive Director on the other hand.

### 2. GOVERNANCE STRUCTURE

**2.1 The Board**-The Company's Board comprise 9 members, seven of whom are Non-Executive Directors. One of the seven Non-Executive Directors chairs the Board. The Board discharges its duties through a number of standing committees whose charters are reviewed regularly. The charters define the purpose of the committees, their composition, frequency of meetings, responsibilities and duties, as well as expected reports to the Board. The Board oversees the affairs of the Company through 5 standing committees, in addition to the Executive Committee (EXCO). The committees are highlighted below:

**2.1.1 Enterprise Risk Management Committee**- has oversight responsibility to review and approve the Company's risk management policy including risk appetite and risk strategy, retention levels, classes of insurance, reinsurance and other risk mitigation mechanisms; review the adequacy and effectiveness of risk management and controls; oversee management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms amongst others.

**2.1.2 Finance & General Purpose Committee**- has oversight responsibility to consider and advise the Board of Directors on all aspects of the Company's finances; including but not limited to annual estimates of income and expenditure as well as other budgets and the financial forecasts for the Company; review and report on the periodic management accounts of the Company as well as advise the Board of Directors on the year-end accounts; periodically review and advise the board on the solvency of the Company and the safeguarding of its assets; advise the Board on relevant taxation issues, general borrowings, loans and grants to staff or other third parties amongst others.

## Corporate Governance

**2.1.3 Investment Committee-** has oversight responsibility to present the Investment Policy and Investment Plan of the company to the Board annually for approval; ensure that investments are made in accordance with the Policy; review and approve any changes in investment strategy and Plan that would lead to the disposition of the Company's assets; review and approve investment portfolios proposed outside of the limits set in the Policy; review, challenge and approve as appropriate specific major investment strategy proposal amongst others.

**2.1.4 Establishment, Governance, and Remuneration Committee-** has oversight responsibility to review and report to the Board on matters of corporate governance, Board composition and remuneration; to provide oversight review of the Company's internal systems for achieving compliance with legal and regulatory requirements, particularly as it pertains to good corporate governance; to establish the criteria for Board and Board Committee memberships, review candidates qualifications and any potential conflict of interest; assess the contribution of current Directors in connection with their re-nomination and make recommendations to the Board amongst others.

**2.1.5. Audit Committee-** Established in accordance with Section 359(3) of the Companies and Allied Matters Act, CAP C20 Laws of Nigeria, and carries out the functions stipulated under Section 359(6) of the same law.

**2.1.6 Executive Management Committee-** The Executive Management Committee (Exco) is charged with supervisory functions over the operations of the Company and reviews and make reports of the monthly activities of the Company to the Board. It is usually the first line of referral forum for issues to be discussed at the Board.

### 2.2 COMPOSITION OF THE BOARD AND STANDING COMMITTEES

1. Board of Directors	Mr. Akinsola Akinfemiwa  Total 9	(Chairman) Managing Director/Chief Executive Executive Director (1) Non-Executive Directors (7)
2. Audit Committee	Dr. G. S. Ihetu Mr. Isaac Ajana Mr. Segun Akintemi	(Non-Executive Director) (Non-Executive Director) (Non-Executive Director)
3. Enterprise Risk Management Committee	Dr. Godswill Ihetu Mr. Femi Akingbe Mr. Isaac Ajana Mr. Timothy Oguntayo Mr. Yinka Bolarinwa Mr. Segun Ilori	(Non-Executive Director) (Chairman) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Managing Director/CEO) (ED, Finance & Admin)
4. Finance & General Purpose Committee	Mr. Steve Akinretoye Mr. Timothy Oguntayo Mr. Segun Akintemi Mr. Yinka Bolarinwa Mr. Segun Ilori	(Non-Executive Director) (Chairman) (Non-Executive Director) (Non-Executive Director) (Managing Director/CEO) (ED, Finance & Admin)

## Corporate Governance

5. Establishment, Governance, And Remuneration Committee	Mr. Femi Akingbe Mr. Isaac Ajana Mr. Segun Akintemi	(Non-Executive Director) (Chairman) (Non-Executive Director) (Non-Executive Director)
6. Investment Committee	Mr. Timothy Oguntayo Mr. Femi Akingbe Mr. Steve Akinretoy Mr. Yinka Bolarinwa Mr. Segun Ilori	(Non-Executive Director) (Chairman) (Non-Executive Director) (Non-Executive Director) (Managing Director/CEO) (ED, Finance & Admin)
7. Executive Management Committee	Mr. Yinka Bolarinwa Mr. Segun Ilori Mrs. Folashade Babalola-Akindiji Mr. Segun Olukoju Mr. Tunde Talabi Mrs. Fehintola Apampa Mr. Emmanuel Udoh Mrs. Rukayat Obaitor Mr. Tunde Jones	Managing Director/CEO Executive Director (Finance & Admin) Deputy General Manager/Business Dev. Assistant General Manager Controller Controller Finance Controller Company Secretary/Legal Adviser Head, Human Capital Development

### 2.3 PROFILE OF DIRECTORS

#### Akinsola Akinfemiwa (Mr.) Chairman

He is the MD/CEO of Skye Bank Plc. and has extensive Banking experience at the Executive Management level. Prior to his appointment as the Managing Director of Prudent Bank Plc (which is now Skye Bank Plc) in 2000, he was the Deputy Managing Director of Chartered Bank Plc, a position he held for four years.

#### Yinka Bolarinwa (Mr.) - Managing Director/CEO

He has over 26 years work experience out of which 18 has been in Senior Management positions. He has a B.sc from the University of Lagos and an MBA from Lagos State University where he majored in International Business Management and won the overall best student award.

He is a Chartered Insurer, a Fellow of the Nigerian Institute of Marketing, an Associate member of the Chartered Insurance Institute of Nigeria, a member of the Institute of Directors and a member of the Nigerian Institute of Management. He had worked in different sectors of the economy before joining the Insurance industry. Having joined the Insurance industry, he worked in various capacities up to the top management level. He worked as Managing Director/CEO, Standard Alliance Insurance Plc. (2000-2004); Managing Director/CEO, Universal Insurance (2004-2005); Managing Director/CEO, Capital Express General Insurance (2005-2006); and Managing Director/CEO, Alliance & General Insurance Company before joining Law Union & Rock Insurance Plc. as the Managing Director/CEO, in September 2009. He has attended various conferences and workshops within and outside the country. Yinka Bolarinwa has won various awards and among them is the Business Club Ikeja Award for Excellence (2000), 4Th City People Award for Excellence Insurance Category (2000), Proficiency Manager of the Year Award by Nigeria Insurance Fact book (2001) and Lion's Club international President's Award (2003).

## Corporate Governance

### **Olusegun Ilori (Mr.)- Executive Director**

Mr. Olusegun Ilori the Executive Director (Finance & Administration), holds a Higher National Diploma in Accounting from the Federal Polytechnic, Ilaro and an MBA from the University of Lagos. He is a Fellow of the Institute of Chartered Accountants of Nigeria; an Associate of both the Chartered Institute of Insurance and Chartered Institute of Taxation of Nigeria. Segun had worked with Law Union & Rock Insurance Plc. for 15 years in several capacities before assuming office as pioneer Chief Financial Officer of Leadway Pensure PFA. He thereafter returned to the Company as the Executive Director Finance & Admin. He has competencies in Risk Management Processes, Financial Reporting and Analysis; Collective Investment Administration and Corporate Performance Management. He has attended several courses locally and abroad and has to his credit, a special recognition award by the Nigeria Insurers Association for his contribution to the development of accounting, finance and growth of the industry.

### **Femi Akingbe (Mr.)- Non-Executive Director**

Mr. Femi Akingbe is the Managing Director/CEO of Ventures and Trusts Limited, an Investment Management and Venture Capital Firm. An astute entrepreneur with outstanding competencies in Financial Advisory Services and Financial Products Design & Marketing, Mr. F. Akingbe is a Fellow of the Institute of Chartered Accountants of Nigeria.

### **Steve Akinretoy (Mr.)- Non-Executive Director**

Mr. Stephen O. Akinretoy is the Managing Director/CEO of Consolidated Discounts Limited. He holds a Masters of Science Degree in Financial Reporting from South Eastern University, Washington DC. A specialist in Financial Reporting and Management, Mr. S. Akinretoy had about two decades experience in the Nigerian banking industry before he joined Consolidated Discounts Limited in 1996.

### **Isaac Ajana (Mr.)- Non-Executive Director**

Mr. Isaac Olaiya Ajana represents the interest of Swede Control Intertek Limited on the Board. A Chartered Accountant, Mr. Ajana has worked in different sectors of the economy namely Public, Health and Private. In addition to his practical and technical experience, Isaac is also an Associate of the Chartered Institute of Taxation of Nigeria.

### **Godswill S. Ihetu (Dr.)- Non-Executive Director**

Dr. Godswill Sunday Ihetu is an Engineer who retired as the Group Executive Director of the Nigerian National Petroleum Corporation. He has held positions as Chief Executive Officer, Vice President, and other highly sensitive offices at various times in Oil & Gas Companies, e.g. Nigerian Gas Company, Nigerian LNG Company, Bonny Gas Limited, Shell BP Nigeria Limited etc. He is a Scholar of note and holds the Membership of reputable professional bodies/societies. He has served on the Board of numerous Companies and, at present, the Managing Consultant, GSI Consulting - a firm of Oil, Gas, Engineering and Environmental Consultants.

### **Timothy Oguntayo (Mr.)- Non-Executive Director**

Tim Oguntayo has over 20 years of banking experience, starting his banking experience in 1981 with United Bank for Africa Plc, one of the top three Nigerian banks. Having acquired extensive experience in Commercial and Retail banking, he joined the then Prudent Merchant Bank, now part of Skye Bank Plc in 1990. Over the years, he has worked in various departments within the bank including Corporate Banking, Corporate Finance, Financial Advisory and Project Finance.

He is currently an Executive Director in Skye Bank Plc., where he oversees the Investment Banking Group, incorporating Capital Market (Financial Advisory / Issuing House Services, Stock Broking and Asset Management), Project Finance and management of the bank's investment in subsidiary companies. He doubles as the MD/CEO of Skye Financial Services Limited, the asset management subsidiary company of the bank.

He is a Chartered Accountant as well as an Associate member of the Chartered Institute of Bankers of Nigeria. He has attended several senior management development programmes locally and overseas, including the Advanced Management Programme at INSEAD, France.

## Corporate Governance

### 12. SHAREHOLDING HISTORY

Law Union & Rock Insurance Plc began operations in Nigeria in 1951 as Chief Agency, when the late Sir Mobolaji Bank Anthony held the power of attorney for a leading UK Insurance Company, Royal International Insurance Holding, and the first Nigerian to have such authority. In 1957, the company acquired Branch status and continued to operate as a branch, transacting all major classes of insurance business until 17<sup>th</sup> June 1969 when it became incorporated locally, in Compliance with the companies Act of 1968. In 1976 when the Federal Government of Nigeria decided to acquire shares in leading Financial Institutions in the country, the company was one of those affected by the exercise. The Federal Government acquired 9,775 shares of N2 each, which was 39.1% of the company's paid-up capital. In 1989, the Federal Government in pursuit of its Privatisation and Commercialization policy offered to the public its shares in the company and this exercise led the company into being quoted on the floor of the Nigerian Stock Exchange on 9<sup>th</sup> July 1990. Law Union & Rock is now a fully indigenous public quoted insurance company. The company currently has an Authorized Capital of N1, 800,000,000.

The changes in the share capital of the company since Incorporation are summarised below:

#### Authorized Share Capital Movement

#### Issued & Fully Paid Capital Movement

DATE	UNITS	PRICE	FROM	TO	UNITS	PRICE	FROM	TO	
			AMOUNT	AMOUNT			AMOUNT	AMOUNT	CONSIDERATION
	"000"		N(000)	N(000)	"000"	N	N(000)	N(000)	
1969	25	2.00	-	50	25	2.00	-	50	Cash
1975	125	2.00	50	250	25	2.00	50	50	Nil
1977	150	2.00	250	300	150	2.00	50	300	Bonus Issue & Cash
1982	500	2.00	300	1,000	150	2.00	300	300	Nil
1983	500	2.00	1,000	1,000	300	2.00	300	600	Bonus Issue
1984	500	2.00	1,000	1,000	500	2.00	600	1,000	Bonus Issue
1987	2,500	2.00	1,000	5,000	1,500	2.00	1,000	3,000	Bonus
1989	10,000	0.50	5,000	5,000	10,000	0.50	3,000	5,000	Stock split from N2.00 to 50k
1993	20,000	0.50	5,000	10,000	15,000	0.50	5,000	7,500	Bonus
1995	20,000	0.50	10,000	10,000	20,000	0.50	7,500	10,000	Bonus
1996	40,000	0.50	10,000	20,000	40,000	0.50	10,000	20,000	Cash
1997	200,000	0.50	20,000	100,000	200,000	0.50	20,000	100,000	Bonus Issue & Cash
2004	1,000,000	0.50	100,000	500,000	700,000	0.50	100,000	350,000	Cash
2006	1,000,000	0.50	500,000	500,000	1,000,000	0.50	350,000	500,000	Bonus
2007	3,600,000	0.50	500,000	1,800,000	3,437,330	0.50	500,000	1,718,665	Cash
2008	3,600,000	0.50	1,800,000	1,800,000	3,437,330	0.50	1,718,665	1,718,665	Nil

## Corporate Governance

### 2.4 Board and Committee Meetings

Directors	Board	Audit and Compliance Committee	Enterprise Risk Management Committee	Finance & General Purpose Committee	Establishment, Governance, and Remuneration Committee	Investment Committee
<b>NUMBER OF MEETINGS</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>2</b>
Akinsola Akinfemiwa	3	-	-	-	-	-
Mr. Yinka Bolarinwa	1	-	-	1	-	-
Mr. Olusegun Ilori	3	-	2	1	-	2
Mr. Timothy Oguntayo	1	2	-	1	-	-
Mr. Segun Akintemi	1	-	-	-	-	-
Mr. Femi Akingbe	3	2	2	-	-	2
Dr. G. S. Ihetu	1	-	-	-	-	-
Mr. Steve Akinretoye	3	-	2	1	-	2
Mr. Isaac Olaiya Ajana	3	6	-	-	-	-

## Report Of The Independent Auditors

To The Members Of Law Union And Rock Insurance Plc.

### Report on the Financial Statements

We have audited the accompanying financial statements of **Law Union and Rock Insurance Plc** set out on pages 2 to 26 which comprise the balance sheet as at 31 December 2009, the income statement, revenue account and statements of cash flows for the year then ended, a summary of significant accounting policies, value added statements, financial summary and other explanatory information.

### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004, and the Insurance Act, Cap I17, LFN 2004, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility


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

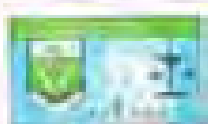
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Law Union and Rock Insurance Plc** as at 31 December 2009, and of its financial performance and its cash flows for the year then ended; the company has kept proper books of account, which are in agreement with the balance sheet and income statement, in the manner required by the Companies and Allied Matters Act, Cap C20, LFN 2004, and, in accordance with the Statements of Accounting Standards issued by the Nigerian Accounting Standards Board.

  
Chartered Accountants  
Lagos, Nigeria  
28 May, 2010



## Statements Of Significant Accounting Policies

### FOR THE YEAR ENDED 31 DECEMBER 2009

The following are the statements of significant accounting policies consistently adopted by the Company in the preparation of its financial statements.

1. **Basis of accounting**  
The financial statements are prepared under the historical cost convention modified by the revaluation of fixed assets and investment properties. The company adopts the annual basis of accounting in case of the general insurance business.
2. **Fixed assets**  
Land and buildings are stated at professional valuation less depreciation. Other items of fixed assets are stated at cost less accumulated depreciation.
3. **Depreciation of fixed assets**  
Depreciation is provided on a straight line basis at annual rates estimated to write off the cost of fixed assets over their estimated useful lives as follows:-
 

	-	%
Leasehold buildings	-	over the lease period
Plant and machinery	-	20
Office furniture, fittings and equipment	-	33.3
Motor vehicles	-	25
4. **Investments**
  - .i **Long term - quoted investments**  
Quoted investments are stated at their revalued amount. Differences between cost and revalued amount are transferred to revaluation reserve account. However, where the revalued amount fall below the cost at the balance sheet date, allowance is made in the profit and loss account for such deficit.
  - .ii **Unquoted investments**  
These are stated at cost. Where in the opinion of the Directors, the value of any unquoted investment falls below its cost, an appropriate allowance for diminution in value thereof is charged against the profit and loss.
  - .iii **Short term investments**  
Short term investments represent placements with banks and other financial institutions which are carried at the lower of cost and market value and are determined on an item by item basis. Provision is made for placements where it is considered doubtful of recovery.
5. **Investment properties**  
Investment properties are buildings that are not occupied substantially for use or in the operations of the Company. They are carried in the balance sheet at the market value and are revalued periodically by external professional valuers and are not subjected to periodic charges for depreciation. The revaluation is done periodically.

## Statements Of Significant Accounting Policies

### FOR YEAR ENDED 31 DECEMBER 2009

#### 6. Income recognition

- .i **Investment income**  
Interest receivable on investments is credited as and when due.
- .ii **Dividend income**  
Dividend receivable on equities is credited when received

#### 7. Premium debtors

Premium debtors are stated after deduction of specific provisions for debts considered to be doubtful of recovery. Specific provision is made on outstanding premium according to the age in line with the National Insurance Commission (NAICOM) guidelines as follows:

Age of debt	Provision (%)
0 - 90 days	Nil
91 - 180 days	25
181 - 270 days	50
271 - 360 days	75
361 days and above	100

The amount of provision made each year, net of recoveries is charged against income in the profit and loss account.

#### 8. Revenue accounts

- .i **Premium income**  
Net premium represents the total amount invoiced to policy holders less reinsurances and is recognised as income from the date of attachment of risks.
  - .ii **Commission and expenses**  
Commission and expenses are written off as incurred.
  - .iii **Underwriting results**  
The underwriting results are stated after recognising claims, commission, expenses and provisions for unexpired risk.
- a) **Reserves for unexpired risks**  
In accordance with Section 20(1) of the Insurance Act, CAP I17 LFN 2004, the reserve for unexpired risks for all non-life business have been calculated on time apportionment basis of the risks accepted for the year.

## Statements Of Significant Accounting Policies

### FOR YEAR ENDED 31 DECEMBER 2009

- b) **Outstanding claims**  
The expected loss to the company, is calculated in respect of claims notified to the company up to the date of the balance sheet. An addition of 10% is then made in accordance with the provision of section 20(1)(b) of the Insurance Act, CAPI17 LFN 2004.
- c) **Contingency reserve**  
Contingency reserve in respect of non-life business is the higher of 20% of net profit and 3% of premium as specified in Section 21(2) of the Insurance Act, CAP I17 LFN 2004.
9. **Foreign currencies**  
Transactions in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Balances in foreign currencies are converted to Naira at the rates of exchange ruling at the balance sheet date. Differences arising from transactions in and translation of foreign currency denominated balances are dealt with in the profit and loss account.
10. **Retirement benefits schemes**
- .i **Pension scheme**  
The company maintains a contributory pension fund scheme for the benefit of its employees. The company and the employees contribute 7.5% each of current salaries and designated allowances as required by the Pension Reform Act 2004.
  - .ii **Gratuities**  
The company operates a self administered contributory gratuity scheme which is 5% of employees qualifying emoluments. The contribution made by the company to the scheme is charged to profit and loss account.
11. **Taxation**  
Provision for income tax is based on the taxable profit at current statutory tax rates.
12. **Deferred Taxation**  
Deferred taxation, which arises principally from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. This represents taxation at the current rate of corporate income tax on the difference between the depreciation charged in the accounts and the capital allowances claimed for tax.
13. **Deferred acquisition costs**  
The portion of the acquisition expenses relating to unearned premiums is deferred. Deferred acquisition expenses are calculated by applying the ratio of unearned premium to written premium. Movement in deferred acquisition cost between two accounting periods are expensed in the current year's profit and loss account.

## Statements Of Significant Accounting Policies

FOR YEAR ENDED 31 DECEMBER 2009

**14. Provision**

Provision is recognised when the company has a present obligation whether legal or constructive as a result of a past event for which it is probable that an inflow of resources embodying economic benefits will be required to settle the obligation in accordance with the statement of accounting standards (SAS 23).

**15. Dividend**

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the year in which the dividend is approved by the shareholders as they do not meet the criteria of present obligation.

**16. Advances under finance lease**

Advances under finance leases are recorded to show the gross investment in the leases, the related unearned income and the outstanding net investment at the balance sheet date. Finance lease income accruing on the leases is amortized over the lease period on a basis reflecting a constant yield on the outstanding net investment in the lease. A general provision of 1% is made on performing finance leases.

**17. Segment reporting**

A business segment is a distinguishable component of the company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of others segments. Segment information is required to be presented in respect of the company's business and geographical segments, where applicable.

The company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the company's internal reporting structure.

Segment result, asset and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## Company Balance Sheet

	Note	2009 N'000	2008 N'000
<b>ASSETS</b>			
Cash and bank balances	2	89,755	181,044
Treasury bills		100,000	100,000
Short-term investments	3	1,334,226	1,470,124
Advances under finance lease	4	104,565	50,704
Debtors and prepayments	5	1,360,078	1,514,818
Deferred acquisition cost	6	220,261	139,230
Long term investments	7	1,379,029	1,349,428
Statutory deposit with CBN	8	315,000	315,000
Investment properties	9	732,835	236,000
Fixed assets	10	858,183	459,766
<b>Total assets</b>		<b>6,493,932</b>	<b>5,816,114</b>
<b>LIABILITIES</b>			
Bank overdrafts		59,887	-
Creditors and accruals	11	268,255	374,464
Outstanding claims	12	740,087	848,259
Insurance funds	13	679,174	772,256
Taxation	14	104,598	94,780
<i>Provision for liabilities and charges :</i>			
Deferred taxation	15	21,978	-
Staff pension and gratuity fund	16	82,131	79,391
		<b>1,956,110</b>	<b>2,169,150</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	1,718,665	1,718,665
Share premium		1,363,034	1,363,034
Contingency reserve	18	406,199	300,342
Revaluation reserve	19	988,624	392,315
General reserve	20	61,300	(127,392)
Shareholders' funds		<b>4,537,822</b>	<b>3,646,964</b>
		<b>6,493,932</b>	<b>5,816,114</b>

The financial statements on pages 2 to 49 were approved by the Board of Directors on 25 March 2010 and signed on its behalf by:

AKINSOLA AKINFEMIWA (Chairman)

YINKA BULAKINWA

} DIRECTORS

The accounting policies on pages 25-28 and the notes on pages 33-47 form part of these financial statements.