

NIGER INSURANCE PLC

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2005**

WITH MANAGEMENT SCHEDULES

NIGER INSURANCE PLC

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2005

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NIGER INSURANCE PLC

RESULTS AT A GLANCE

	2005	The Group 2004	The Company 2005	2004
	× '000	× '000	× '000	× '000
Gross premiums	2,311,460	2,104,629	2,311,460	2,104,629
Premium earned (net of reinsurance)	1,967,663	1,816,447	1,967,663	1,816,447
Net investment and other income	401,494	481,441	390,955	477,943
Profit before taxation	323,211	288,830	312,672	285,332
Profit after taxation	287,680	254,933	280,041	252,390
Dividend	75,000	200,000	75,000	200,000
Transfer to contingency reserve	33,280	46,575	33,280	46,575
Retained profit for the year	254,400	17,462	246,761	14,919
Share capital	750,000	500,000	750,000	500,000
Reserve for bonus issue	250,000	250,000	250,000	250,000
Shareholders' fund	2,089,427	1,877,980	2,063,413	1,859,605
Total assets	8,510,491	8,280,906	8,400,982	8,248,983
	=====	=====	=====	=====
Per share data:				
Earnings per 50k share	19.18k	17.00k	18.67k	16.83k
Dividend per 50k share	5.00k	13.33k	5.00k	13.33k
Net assets per share	×1.44	×1.25	×1.43	×1.24
Dividend cover (Times)	3.84	1.28	3.73	1.26
Price earnings ratio	-	-	22.76	24.06
Stock exchange quotation at 31 December	-	-	425k	405k

* Previous year's per share data have been adjusted for purposes of comparability

NIGER INSURANCE PLC

CORPORATE INFORMATION

The Board:	<p>Mr. Clement Chukwuemeka Ehirim- <i>Chairman (Retired w.e.f 31/12/2005)</i> Alhaji Bala Zakariya'u - <i>Chairman (Appointed w.e.f. 1/1/2006)</i> <i>Managing Director/Chief Executive (Retired w.e.f 31/12/2005)</i></p> <p>Mr. Justus Clinton Uranta - <i>Managing Director/Chief Executive (Appointed w.e.f. 1/1/2006)</i></p> <p>Mr. Dauda Kolapo Adedeji - <i>Executive Director (Finance and Admin)</i></p> <p>Mr. Andrew Onyenweuwa Nwaujo- <i>Executive Director (Technical) (Appointed w.e.f. 1/1/2006)</i></p> <p>Mr. Osa Osunde - <i>Director</i></p> <p>Alhaji Idris Onaolapo Sulaimon - <i>Director</i></p> <p>Mr. Frederick Nnamdi Udechukwu- <i>Director</i></p> <p>Hajia Amina Abubakar - <i>Director</i></p>
Secretary:	Taiwo A. Otuneye, Esq.- <i>LL.M, B.L</i>
Registered office:	48/50, Odunlami Street, Lagos.
Registered numbers:	RC. 6484 RIC - 007 (R1 - 012)
Bankers:	Union Bank of Nigeria Plc First Bank of Nigeria Plc United Bank for Africa Plc Intercontinental Bank Plc Skye Bank Plc
Registrars:	NIC Securities and Trust Limited 3-5, Customs Street, Lagos. Tel No. 234-1-2663287
Auditors:	Oyelami Soetan Adeleke & Co., (Chartered Accountants), Kresta Laurel Complex (4th Floor), 376, Ikorodu Road, Maryland, Lagos.

NIGER INSURANCE PLC
REPORT OF THE DIRECTORS

1. **Accounts**

The directors are pleased to submit their report together with the group audited financial statements for the year ended 31 December, 2005.

2. Result for the year	× '000
Company profit after taxation	280,041
<i>Less:</i> Appropriation -	
Proposed dividend	<u>75,000</u>
	205,041
Contingency reserve	<u>(33,280)</u>
Retained profit for the year transferred to general reserve	<u>171,761</u> =====

3. **Principal activities**

The principal activities of the company are the underwriting of life and general insurance business.

4. **The Directors**

The current composition of the Board of Directors is as set out on page 2 of these financial statements.

5. **Directors' interests**

The interests of the directors in the issued share capital of the company are as follows:-

	Number of shares held as at	
	31/12/2005	31/12/2004
Mr. Clement Chukwuemeka Ehirim	7,752,090	5,168,060
Alhaji Bala Zakariya'u	45,033,257	30,022,171
Mr. Justus Clintion Uranta	14,728,241	9,818,827
Mr. Dauda Kolapo. Adedeji	5,883,153	4,868,930
Mr. Andrew Onyenweuwa Nwaujo	327,343	218,229
Mr. Osa Osunde	4,211,019	2,807,346
Alhaji Idris Onaolapo Sulaimon	68,102,112	47,185,203
Mr. Frederick Nnamdi Udechukwu –Indirect (Chrome Oil Services Ltd)	122,485,418	81,656,945
Hajia Amina Abubakar - Indirect (Goldust Investment Ltd)	74,973,213	49,982,142
	=====	=====

6. Shareholdings

(a) Summary of the shareholding position:

Shareholders	As at 31/12/05		As at 31/12/04	
	Number of shares held	%	Number of shares held	%
Management Alliance Company Limited	390,175,164	26	262,578,118	26
Fidelity Finance Company Limited	227,226,382	15	148,951,679	15
Other Nigerian Individuals and Associations	<u>882,598,454</u>	<u>59</u>	<u>588,470,203</u>	<u>59</u>
	1,500,000,000	100	1,000,000,000	100
	=====	===	=====	==

(b) Substantial interest in shares:

No individual shareholder other than Management Alliance Company Limited and Fidelity Finance Company Limited held more than 10% of the issued share capital of the company as at 31 December, 2005.

(c) Analysis of shareholding:

	Holding between	Total holders	Units	%
Nigerian Shareholders	1 and 1,000	464	244,525	0.02
	1,001 and 5,000	1,788	5,174,388	0.34
	5,001 and 10,000	1,145	8,097,206	0.54
	10,001 and 50,000	1,872	44,577,990	2.97
	50,001 and 100,000	428	30,633,786	2.04
	100,001 and 500,000	376	76,908,212	5.13
	500,001 and 1,000,000	43	31,160,093	2.08
	Above 1,000,000	<u>57</u>	<u>1,303,203,800</u>	<u>86.88</u>
		6,173	1,500,000,000	100
		=====	=====	=====

7. Dividend

The directors recommend the payment of a dividend of ₦75,000,000 which is equivalent to 5k per share of 50k held by members whose names appear in the register of members at the close of business on Friday, 30 June, 2006. The dividend is subject to the deduction of appropriate withholding tax at the time of payment..

8. Unclaimed Share Certificates and Dividend Warrants

The Company is aware that some share certificates belonging to shareholders have been returned marked 'Unclaimed'. Similarly, some dividend warrants sent to shareholders have been returned marked 'unclaimed' while some are yet to be presented for payment.

Shareholders with unclaimed share certificates and/or dividend warrants are advised to write to the Registrars, NIC Securities and Trust Limited or the company Secretary or call at the office of the Registrars during normal working hours.

Furthermore, members are urged to advise the Registrars or the Company Secretary of any change of address or situation particularly as it relates to share certificates and dividend warrants.

9. Fixed assets

Movements in fixed assets during the year are shown in Notes 8 and 9 to the financial statements. In the opinion of the directors, the market value of the company's properties is not less than the value shown in the financial statements.

10. Donations

The analysis of donations made during the year is as follows:

(a) *To charitable organisations:*

	×	×
National Union of Federal Health Pensioners of Nigeria		80,000
Nigeria Union of Pensioners		50,000
Rotary International - District 9110 Nig.		50,000
Brazilian Quarters Community Dev. Association		50,000
Faculty of Admin. Rehabilitation Committee, OAU		50,000
Lagos Lions Club		50,000
Atunda Olu School for the physically challenged		<u>30,000</u>
		360,000

(b) *Other donations:*

Chartered Insurance Institute of Nigeria	300,000	
Nigerian Council of Registered Insurance Brokers	185,000	
Institute of Directors	150,000	
Nigeria Insurers Association (NIA)	101,742	
University of Benin Collegiate Junior Chamber	<u>25,000</u>	
		<u>761,742</u>
		1,121,742
		=====

11. Personnel

(a) *Employment of disabled persons:*

The company continues its general policy of extending employment opportunities to disabled persons as and when there are openings for such employees. One such employee is at present engaged by the company.

(b) ***Health, safety and welfare:***

In addition to medical retainership in private clinics and hospitals, all essential safety regulations are being observed to guaranty maximum protection of personnel and also protect the company's assets.

(c) ***Employees' involvement and training:***

Employees are kept fully informed of the company's performance and the company continues with its open door policy whereby views of employees are sought and given due consideration on matters which particularly affect them.

The company attaches importance to the training of its staff through regular in-house, on-the-job training sessions and outside courses which have broadened employees' opportunities for career development within the company.

12. Audit Committee

In accordance with Section 359(3) of the Companies and Allied Matters Act 1990, the Audit Committee members of the company elected at the last Annual General Meeting were as follows:-

D. K. Adedeji	-	(Director)
O. Osunde	-	(Director)
S. E. Bediare	-	(Shareholders' representative)
M. O. Sodipe	-	(Shareholders' representative)

The functions of the audit committee are as stated in Section 359(6) of the Companies and Allied Matters Act, 1990.

13. Compliance with the code of corporate Governance

The Directors confirm that they manage the affairs of the company in accordance with the provisions of the code of best practices on Corporate Governance in Nigeria with regards to matters stated concerning the Board of Directors, the Shareholders and the Audit Committee.

Board meetings are scheduled well in advance. Also the agenda of Board meetings and reports on full business review, full report from the various Board Committees and reports from the Audit Committee are circularised to all Directors.

The Board meets four times a year. Stated below is the record of attendance at Board meetings conveyed and held in year 2005:

	No. of meetings attended
Mr. Clement Chukwuemeka Ehirim	4
Alhaji Bala Zakariya'u	4
Mr. Justus Clinton Uranta	4
Mr. Dauda Kolapo Adedeji	4
Mr. Andrew Onyenweuwa Nwaujo	Nil (appointed w.e.f 1/1/2006)
Mr. Osa Osunde	4
Alhaji Idris Onaolapo Sulaimon	4
Mr. Frederick Nnamdi Udechukwu	4
Hajiya Amina Abubakar	4

The following are the various committees of the board and their composition:

Finance and General Purpose Committee

1. Mr. Osa Osunde	Chairman
2. Mr. Justus Clinton Uranta	Member
3. Mr. Dauda Kolapo Adedeji	Member
4. Mr. Frederick Nnamdi Udechekwu	Member
Taiwo A. Otuneye, Esq.,	Secretary

Establishment and staff matters committee

1. Alhaji Idris Onaolapo Sulaimon	Chairman
2. Mr. Justus Clinton Uranta	Member
3. Mr. Andrew Onyenweuwa Nwaujo	Member
4. Hajiya Amina Abubakar	Member
Taiwo A. Otuneye, Esq.,	Secretary

Executive management committee

1. Mr. Justus Clinton Uranta	Chairman
2. Mr. Dauda Kolapo Adedeji	Member
3. Mr. Andrew Onyenweuwa Nwaujo	Member
Taiwo A. Otuneye, Esq.,	Secretary

14. **Auditors**

Messrs Oyelami Soetan Adeleke & Company (Chartered Accountants) have indicated their willingness to continue as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act 1990. A resolution will be proposed to authorise the directors to fix their remuneration.

By Order of the Board

**Taiwo A. Otuneye, Esq.,
Secretary**

**AUDITORS' REPORT
TO THE MEMBERS OF
NIGER INSURANCE PLC**

We have audited the financial statements set out on pages 12 to 29 which have been prepared under the accounting policies set out on page 10 and 11.

Respective responsibilities of directors and auditors

As stated in Note 25 to the financial statements, the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion on the financial statements, based on our audit 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 amount and disclosures in the financial statements. It also includes an assessment of the significant 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 us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion and to the best of our information and the explanations given to us, the company has kept proper books at the head office and at each of its branches and proper returns adequate for our audit have been received from branches not visited by us. The assets have been properly valued and adequate provision has been made for losses and diminution in the value of such assets. Adequate reserves have also been maintained in respect of the company's life and non-life businesses.

In our opinion, these financial statements which agree with the books, give in the prescribed manner the information required by the Companies and Allied Matters Act 1990, the Insurance Act 2003, and all relevant Statements of Accounting Standards and give a true and fair view of the state of affairs of the group as at 31 December, 2005 and of its profit and cash flow for the year then ended.

**Oyelami Soetan Adeleke & Co.
CHARTERED ACCOUNTANTS**

**Lagos, Nigeria
8 June, 2006**

NIGER INSURANCE PLC**REPORT OF THE AUDIT COMMITTEE**

In compliance with Section 359(6) of the Companies and Allied Matters Act 1990, we have:

- (a) reviewed the scope and planning of the audit requirements;
- (b) reviewed the External Auditors' Report to Management on the audit of the financial statements for the year ended 31 December, 2005 as well as the management responses thereto; and
- (c) ascertained that the accounting and reporting policies of the company for the year ended 31 December, 2005 are in accordance with legal and agreed ethical practices.

In our opinion, the scope and planning of the audit for the year ended 31 December, 2005 were adequate and we are satisfied with the management responses to the auditors' findings.

Dated this 16 June, 2006

S. E. Bediare
Chairman, Audit Committee

Members of the Committee:

S. E. Bediare - Chairman

D. K. Adedeji

M. O. Sodipe

O. Osunde

Taiwo A. Otuneye - Secretary

NIGER INSURANCE PLC

ACCOUNTING POLICIES

The following are the main accounting policies adopted by the company in the preparation of its financial statements:

1. **Basis of accounting**

The company prepares its financial statements under the historical cost convention as modified by the revaluation of certain buildings.

2. **Accounting for revenue**

Premium

Net premium represents the total amount invoiced to policy holders less reinsurances and is recognised as income from the date of attachment of risk.

Management expenses

Except for certain expenses which are directly related to each class of business, other management expenses are apportioned between the classes of insurance in the proportion of their retained premium.

Underwriting results

The annual accounting basis is used in determining the underwriting results which are stated after recognising claims, commissions, expenses and relevant reserves.

3. **Fixed assets**

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

4. **Depreciation of fixed assets**

Depreciation is provided on a straight line basis at annual rates estimated to write off the cost or valuation over their estimated useful lives as follows:

Leasehold buildings	In equal instalments over the period of the lease
Freehold buildings	1% of cost/valuation
Furniture, fittings and equipment	12½% on cost
Motor vehicles	20% on cost
Computer hardware	33a% on cost

5. Investments

Investments are stated at cost. Provisions are made for diminution in value of investments when they are below cost with the exception of value of government securities as it is usual for the company to hold them till maturity. Where a sale is made in any financial year, the gain or loss is taken to the profit and loss account.

6. Debtors

Debtors are stated at their face value. Debts considered bad and irrecoverable are written off.

7. Foreign Currency Transactions

Transactions in foreign currencies are translated to the Naira at the rate 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 and the difference is taken to the profit and loss account.

8. Deferred taxation

Provision for deferred taxation is made by the liability method and calculated at the current rate of taxation on the differences between the net book values of fixed assets qualifying for capital allowances and their corresponding tax written down values.

NIGER INSURANCE PLC

GROUP BALANCE SHEET AS AT 31 DECEMBER, 2005

Assets	Note	The Group		The Company	
		2005 × '000	2004 × '000	2005 × '000	2004 × '000
Cash and bank balances		183,127	151,643	177,753	148,337
Quoted investments	1	699,252	1,227,205	684,176	1,225,984
Unquoted investments	2	4,379,277	3,629,748	4,417,237	3,705,266
Government securities	3	548,624	822,523	548,624	822,023
Debtors	4	1,138,496	897,813	1,077,985	854,456
Loans to policy holders	5	100,401	95,356	100,401	95,356
Deferred acquisition expenses	6	42,867	50,735	42,867	50,735
Statutory deposit	7	35,000	35,000	35,000	35,000
Fixed assets	8&9	<u>1,383,447</u>	<u>1,370,883</u>	<u>1,316,939</u>	<u>1,311,826</u>
		8,510,491	8,280,906	8,400,982	8,248,983
Liabilities					
Creditors and accruals	10	563,956	530,285	487,096	520,472
Current taxation	11	39,266	36,677	32,631	32,942
Deferred taxation	12	193,168	136,950	193,168	136,950
Deposit administration	13	4,416,461	4,512,560	4,416,461	4,512,560
Insurance fund	14	<u>1,208,213</u>	<u>1,186,454</u>	<u>1,208,213</u>	<u>1,186,454</u>
		6,421,064	6,402,926	6,337,569	6,389,378
Capital and reserves					
Share capital	15	750,000	500,000	750,000	500,000
Share premium	16	47,221	308,201	47,221	308,201
Reserve for bonus issue	17	250,000	250,000	250,000	250,000
Capital reserve	18	468,682	468,682	465,629	465,629
Contingency reserve	19	233,039	190,012	233,039	190,012
General reserve	20	<u>340,485</u>	<u>161,085</u>	<u>317,524</u>	<u>145,763</u>
Shareholders' fund		2,089,427	1,877,980	2,063,413	1,859,605
		8,510,491	8,280,906	8,400,982	8,248,983

Bala Zakariya'u

(Chairman)

Justus C. Uranta

(Managing Director/CEO)

The accounting policies on pages 10 and 11 and the notes on pages 18 to 26 form part of these financial statements.

NIGER INSURANCE PLC

COMPANY COMPOSITE BALANCE SHEET AS AT 31 DECEMBER, 2005

		Life × '000	Non-life × '000	2005 × '000	2004 × '000
Cash and bank balances		34,784	142,969	177,753	148,337
Quoted investments	1	392,113	292,063	684,176	1,225,984
Unquoted investments	2	3,866,586	550,651	4,417,237	3,705,266
Government securities	3	451,446	97,178	548,624	822,023
Debtors	4	471,516	606,469	1,077,985	854,456
Loans to policy holders	5	100,401	-	100,401	95,356
Deferred acquisition expenses	6	-	42,867	42,867	50,735
Statutory deposit	7	15,750	19,250	35,000	35,000
Fixed assets	9	<u>1,146,116</u> <u>6,478,712</u>	<u>170,823</u> <u>1,922,270</u>	<u>1,316,939</u> <u>8,400,982</u>	<u>1,311,826</u> <u>8,248,983</u>
Liabilities					
Creditors and accruals	10	104,490	382,606	487,096	520,472
Current taxation	11	-	32,631	32,631	32,942
Deferred taxation	12	193,168	-	193,168	136,950
Deposit administration	13	4,416,461	-	4,416,461	4,512,560
Insurance fund	14	<u>812,827</u> 5,526,946	<u>395,386</u> 810,623	<u>1,208,213</u> 6,337,569	<u>1,186,454</u> 6,389,378
Capital and reserves					
Share capital	15	337,500	412,500	750,000	500,000
Share premium	16	25,000	22,221	47,221	308,201
Reserve for bonus issue	17	227,002	22,998	250,000	250,000
Capital reserve	18	307,748	157,881	465,629	465,629
Contingency reserve	19	54,516	178,523	233,039	190,012
General reserve	20	-	<u>317,524</u>	<u>317,524</u>	<u>145,763</u>
		<u>951,766</u>	<u>1,111,647</u>	<u>2,063,413</u>	<u>1,859,605</u>
		<u>6,478,712</u>	<u>1,922,270</u>	<u>8,400,982</u>	<u>8,248,983</u>

The accounting policies on pages 10 and 11 and the notes on pages 18 to 26 form part of these financial statements.

NIGER INSURANCE PLC
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER, 2005

	Notes	2005 × '000	The Group 2004 × '000	2005 × '000	The Company 2004 × '000
Premium earned (net of reinsurances)		1,002,613	917,974	1,002,613	917,974
<i>Less:</i>					
Claims paid		185,287	193,801	185,287	193,801
Acquisition cost		114,647	96,064	114,647	96,064
Maintenance		53,389	68,286	53,389	68,286
Outstanding claims		10,443	33,477	10,443	33,477
Increase in reserve for unexpired risks		15,846	32,432	15,846	32,432
Provision for bad & doubtful debts		14,426	9,838	14,426	9,838
Expenses		445,051	321,721	445,051	321,721
		<u>839,089</u>	<u>755,619</u>	<u>839,089</u>	<u>755,619</u>
Underwriting profit		<u>163,524</u>	<u>162,355</u>	<u>163,524</u>	<u>162,355</u>
Investment incomes					
Income from fixed investments		138,596	120,454	128,057	117,462
Interest receivable and similar income		6,925	5,515	6,925	5,515
Fees and rental income less expenses		12,900	506	12,900	-
Provision for investment losses no longer required		1,266	-	1,266	-
		<u>159,687</u>	<u>126,475</u>	<u>149,148</u>	<u>122,977</u>
Profit on ordinary activities before taxation		<u>323,211</u>	<u>288,830</u>	<u>312,672</u>	<u>285,332</u>
Taxation	21	<u>(35,531)</u>	<u>(33,897)</u>	<u>(32,631)</u>	<u>(32,942)</u>
Profit on ordinary activities after tax		<u>287,680</u>	<u>254,933</u>	<u>280,041</u>	<u>252,390</u>
<i>Deduct: Appropriation -</i>					
Proposed dividend		<u>(75,000)</u>	<u>(200,000)</u>	<u>(75,000)</u>	<u>(200,000)</u>
		212,680	54,933	205,041	52,390
Contingency reserve	19	<u>(33,280)</u>	<u>(37,471)</u>	<u>(33,280)</u>	<u>(37,471)</u>
Retained profit for the year transferred to general reserve		<u>179,400</u>	<u>17,462</u>	<u>171,761</u>	<u>14,919</u>
Earnings per share		19.18k	17.00k	18.67k	16.83k

The accounting policies on pages 10 and 11 and the notes on pages 18 to 26 form part of these financial statements.

NIGER INSURANCE PLC
LIFE REVENUE AND PROFIT AND LOSS ACCOUNT

	× '000	2005 × '000	× '000	2004 × '000
Total Premiums received		974,747		910,387
Reinsurance outward		<u>(9,697)</u>		<u>(11,914)</u>
		965,050		898,473
Underwriting expenses				
Acquisition	223,859		218,392	
Maintenance	35,727		45,464	
Claims paid and admitted	31,122		44,651	
Surrenders	9,227		4,085	
Interest on deposit administration scheme	281,867		296,186	
Management expenses	482,187		441,223	
Depreciation	<u>70,990</u>		<u>77,147</u>	
		<u>(1,134,979)</u>		<u>(1,127,148)</u>
Underwriting loss		(169,929)		(228,675)
Investment and other income				
Investment income	217,593		332,950	
<i>Less:</i> Investment losses	<u>-</u>		<u>(1,202)</u>	
	217,593		331,748	
Other incomes	<u>24,214</u>		<u>23,218</u>	
		<u>241,807</u>		<u>354,966</u>
		71,878		126,291
Deferred tax		<u>(56,218)</u>		<u>(48,427)</u>
		15,660		77,864
Contingency reserve (1% of gross premium)		<u>(9,747)</u>		<u>(9,104)</u>
Net increase transferred to life fund		5,913		68,760
		=====		=====

NIGER INSURANCE PLC
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2005

	The Group 2005 × '000	The Company 2005 × '000	2004 × '000
Cash flow from operating activities:			
Profit before taxation	323,211	312,672	285,332
<i>Adjustments for non-cash items, etc:</i>			
Depreciation of fixed assets	75,074	72,912	81,459
Profit on sale of fixed assets	(487)	(487)	(358)
Profit on disposal of investments	(78,359)	(78,359)	(78,772)
Provision for doubtful investment	(1,872)	(1,266)	1,202
Increase in Deferred taxation - life	56,218	56,218	48,427
Additional provision for doubtful debts	14,536	14,536	-
Increase in contingency reserve - life	9,747	9,747	9,104
Movement in insurance funds	<u>21,759</u>	<u>21,759</u>	<u>151,192</u>
Cash flow from operations before working capital changes	419,827	407,732	497,586
Working capital changes:			
Debtors	(255,219)	(238,065)	(71,581)
Deferred acquisition expenses	7,868	7,868	(40,508)
Loans to policy holders	(5,045)	(5,045)	(17,166)
Creditors	158,671	91,624	(267,308)
Liabilities on deposit administration	(96,099)	(96,099)	426,510
Increase in statutory deposit	-	-	(21,500)
Cash flow from operation before taxation	230,003	168,015	506,033
Tax paid	<u>(32,942)</u>	<u>(32,942)</u>	<u>(24,193)</u>
Net cash flow from operations	197,061	135,073	481,840
Cash flow from investment activities:			
Government securities	273,899	273,399	29,977
Quoted investments	527,953	541,808	(274,542)
Unquoted investments	(747,657)	(710,705)	(680,322)
Fixed assets acquired	(87,638)	(78,025)	(111,459)
Proceeds from sale of assets	487	487	530
Net proceeds from disposal of investments	78,359	78,359	78,772
Cash flow from financing activities:			
Proceeds from Rights Issue	-	-	607,594
Share capital increase expenses	(10,980)	(10,980)	-
Transfer to life fund	-	-	(50,000)
Dividend paid	<u>(200,000)</u>	<u>(200,000)</u>	<u>(120,000)</u>
Net increase in cash and cash equivalents	31,484	29,416	(37,610)
Cash and cash equivalents at 1 January	<u>151,643</u>	<u>148,337</u>	<u>185,947</u>
Cash and cash equivalents at 31 December	183,127	177,753	148,337
	=====	=====	=====
Represented by:			
Cash and bank balances	183,127	177,753	148,337
	=====	=====	=====

NIGER INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2005

	The Group		The Company	
	2005	2004	2005	2004
	× '000	× '000	× '000	× '000
1. Quoted investments				
Quoted at cost (Market value ×1,212,917,211)	700,454	1,228,407	685,378	1,227,186
<i>Less:</i> Provision for investment losses	<u>(1,202)</u>	<u>(1,202)</u>	<u>(1,202)</u>	<u>(1,202)</u>
	699,252	1,227,205	684,176	1,225,984
	=====	=====	=====	=====
2. Unquoted investments				
Ordinary shares and debenture stocks	2,147,186	2,059,385	2,140,598	2,026,303
Investment in subsidiaries	1,662,450	1,542,826	1,777,762	1,658,138
Short-term deposits	617,586	<u>77,354</u>	546,822	<u>70,036</u>
	4,427,222	3,679,565	4,465,182	3,754,477
<i>Less:</i>				
Provision for diminution in value of investment	<u>47,945</u>	<u>49,817</u>	<u>47,945</u>	<u>49,211</u>
	4,379,277	3,629,748	4,417,237	3,705,266
	=====	=====	=====	=====
.1 Investment in subsidiaries				
a) Summary				
NIC Properties Limited	-	-	91,312	91,312
NIC Securities and Trust Limited	-	-	24,000	24,000
River Plaza and Mall Limited	1,662,450	<u>1,542,826</u>	1,662,450	<u>1,542,826</u>
	1,662,450	1,542,826	1,777,762	1,658,138
	=====	=====	=====	=====

b) Shares held in subsidiaries by Niger Insurance Plc:-**NIC Properties Limited (Registered office at 302 Ikorodu Road, Lagos)**

100% holding by Niger Insurance Plc.

NIC Securities and Trust Limited (formerly NIC Trustees Limited)**(Registered office at 3-5, Custom Street, Lagos)**

100% holding by Niger Insurance Plc

River Plaza and Mall Limited (Registered office at 48/50 Odunlami Street, Lagos)

100% holding by Niger Insurance Plc.

c)The accounts of River Plaza and Mall Limited was not consolidated in these financial statement because the Plaza and Mall which is the only investment of that company, is still on-going and will soon be commissioned.

	The Group		The Company	
	2005	2004	2005	2004
	× '000	× '000	× '000	× '000
3. Government securities (at cost)				
(Discounted value- ₦466,330,000)	548,624	822,523	548,624	822,023
	=====	=====	=====	=====
No provision has been made for the diminution in the value of government securities as it is the intention of the company to hold these investments until maturity.				
4. Debtors				
<i>Amounts falling due within one year:</i>				
Brokers' and agents' debit balances	611,673	453,781	611,673	453,781
<i>Less: Provision for bad debts</i>	<u>59,617</u>	<u>45,230</u>	<u>59,617</u>	<u>45,230</u>
	552,056	408,551	552,056	408,551
	-----	-----	-----	-----
Other debtors and prepayments	590,868	493,541	530,357	450,184
<i>Less: Provision for doubtful debts</i>	<u>4,428</u>	<u>4,279</u>	<u>4,428</u>	<u>4,279</u>
	586,440	489,262	525,929	445,905
	-----	-----	-----	-----
	1,138,496	897,813	1,077,985	854,456
	=====	=====	=====	=====
5. Loans to policy holders				
Non-forfeiture regulations	906	898	906	898
Policy loan	19,436	14,478	19,436	14,478
Mortgage loan	<u>80,059</u>	<u>79,980</u>	<u>80,059</u>	<u>79,980</u>
	100,401	95,356	100,401	95,356
	=====	=====	=====	=====
6. Deferred acquisition expenses				
At 1 January	50,735	10,227	50,735	10,227
Deferred at year-end	42,867	50,735	42,867	50,735
Charged to profit and loss account	<u>(50,735)</u>	<u>(10,227)</u>	<u>(50,735)</u>	<u>(10,227)</u>
	42,867	50,735	42,867	50,735
	=====	=====	=====	=====
7. Statutory deposit	35,000	35,000	35,000	35,000
	=====	=====	=====	=====

Section II(I) of the Insurance Act No. 1, 2003 requires an existing Insurance company to retain 10% of the minimum share capital with the Central Bank of Nigeria as statutory deposit.

8. Fixed assets - Group	Land and buildings	Furniture, fittings & equipment	Motor vehicles	Total
Cost/Revaluation	× '000	× '000	× '000	× '000
At 1 January, 2005	1,366,106	286,970	246,830	1,899,906
Additions	8,971	52,739	25,928	87,638
Disposal/adjustment	<u>-</u>	<u>-</u>	<u>(1,950)</u>	<u>(1,950)</u>
At 31 December, 2005	1,375,077	339,709	270,808	1,985,594
	-----	-----	-----	-----
Depreciation:				
At 1 January, 2005	113,073	219,244	196,706	529,023
Charge for the year	13,703	42,603	18,768	75,074
On disposal	<u>-</u>	<u>-</u>	<u>(1,950)</u>	<u>(1,950)</u>
At 31 December, 2005	126,776	261,847	213,524	602,147
	=====	=====	=====	=====
Net book value:				
At 31 December, 2005	1,248,301	77,862	57,284	1,383,447
	=====	=====	=====	=====
At 31 December, 2004	1,253,033	67,726	50,124	1,370,883
	=====	=====	=====	=====
9. Fixed assets - Company	Land and buildings	Furniture, fittings & equipment	Motor vehicles	Total
Cost/Revaluation	× '000	× '000	× '000	× '000
At 1 January, 2005	1,310,481	283,992	241,555	1,836,028
Additions	3,865	51,032	23,128	78,025
Disposal/adjustment	<u>-</u>	<u>-</u>	<u>(1,950)</u>	<u>(1,950)</u>
At 31 December, 2005	1,314,346	335,024	262,733	1,912,103
	-----	-----	-----	-----
Depreciation:				
At 1 January, 2005	111,080	218,520	194,602	524,202
Charge for the year	13,144	42,261	17,507	72,912
On disposal	<u>-</u>	<u>-</u>	<u>(1,950)</u>	<u>(1,950)</u>
At 31 December, 2005	124,224	260,781	210,159	595,164
	=====	=====	=====	=====
Net book value:				
At 31 December, 2005	1,190,122	74,243	52,574	1,316,939
	=====	=====	=====	=====
At 31 December, 2004	1,199,401	65,472	46,953	1,311,826
	=====	=====	=====	=====

10. Creditors	The Group		The Company	
	2005	2004	2005	2004
	× '000	× '000	× '000	× '000
Outstanding claims	176,825	166,383	176,825	166,383
Brokers' and agents' credit balances	21,861	54,840	21,861	54,840
Creditors and accrued expenses	<u>290,270</u>	<u>109,062</u>	<u>213,4100</u>	<u>99,249</u>
	488,956	330,285	412,096	320,472
Proposed dividend	<u>75,000</u>	<u>200,000</u>	<u>75,000</u>	<u>200,000</u>
	563,956	530,285	487,096	520,472
	=====	=====	=====	=====

Included in creditors and accrued expenses is the sum ×5,047,800 due to MAC Limited on account of the management fee for year 2004.

11. Taxation	The Group		The Company	
	2005	2004	2005	2004
	× '000	× '000	× '000	× '000
<i>.1 Profit and loss account</i>				
Income tax on profit for the year	30,743	28,323	27,843	27,368
Education tax	<u>4,788</u>	<u>5,574</u>	<u>4,788</u>	<u>5,574</u>
	35,531	33,897	32,631	32,942
	=====	=====	=====	=====
Deferred tax	56,218	48,427	56,218	48,427
	=====	=====	=====	=====

<i>.2 Balance sheet</i>	The Group		The Company	
	2005	2004	2005	2004
	× '000	× '000	× '000	× '000
Balance unpaid at 1 January	36,677	27,228	32,942	24,193
Provision for the year	35,531	33,897	32,631	32,942
Paid during the year	<u>(32,942)</u>	<u>(24,448)</u>	<u>(32,942)</u>	<u>(24,193)</u>
	39,266	36,677	32,631	32,942
	=====	=====	=====	=====

	The Group		The Company	
	2005	2004	2005	2004
	× '000	× '000	× '000	× '000
12. Deferred taxation				
At 1 January	136,950	88,523	136,950	88,523
	-----	-----	-----	-----
Charge to profit and loss account				
Relating to prior years	64,984	64,984	64,984	64,984
Current year movement	<u>(8,766)</u>	<u>(16,557)</u>	<u>(8,766)</u>	<u>(16,557)</u>
	56,218	48,427	6,218	48,427
	=====	=====	=====	=====
At 31 December	193,168	136,950	193,168	136,950
	=====	=====	=====	=====

In compliance with the Statement of Accounting Standard No.19 which requires that deferred taxation be provided for, the deferred tax liability as at 31 December, 2001 amounted to ×259,934,000 for life. Of this amount, ×64,984,000 was amortised in 2002 while the balance is being spread over a period of three years in three equal instalments of ×64,984,000.

13. **Deposit administration**

Liabilities on deposit administration	4,416,461	4,512,560	4,416,461	4,512,560
	=====	=====	=====	=====

	The Group		The Company	
	2005	2004	2005	2004
	× '000	× '000	× '000	× '000
14. Insurance funds				
Life	812,827	806,914	812,827	806,914
Fire 62,117	54,736	62,117	54,736	
Accident	18,123	14,240	18,123	14,240
Motor vehicles	126,451	120,919	126,451	120,919
Marine, aviation and transit	42,233	41,348	42,233	41,348
Workmen's compensation	8,982	2,360	8,982	2,360
Burglary, fidelity and miscellaneous	<u>137,480</u>	<u>145,937</u>	<u>137,480</u>	<u>145,937</u>
	1,208,213	1,186,454	1,208,213	1,186,454
	=====	=====	=====	=====

These represent provisions for unearned premiums and unexpired risks computed in accordance with SAS 16 and section 24 of the Insurance Act, 2003.

19. **Contingency reserve**

At 1 January	190,012	143,437	190,012	143,437
Transfer from profit and loss account	33,280	37,471	33,280	37,471
Transfer from life fund account	<u>9,747</u>	<u>9,104</u>	<u>9,747</u>	<u>9,104</u>
At 31 December	233,039	190,012	233,039	190,012
	=====	=====	=====	=====

The contingency reserve for life department represents 1% of gross premium whilst the Non-Life contingency reserve amounts to the higher of 3% of total premiums and 20% of net profits in accordance with the provisions of Section 24(2)(c) of the Insurance Act 2003.

	The Group		The Company	
	2005	2004	2005	2004
	× '000	× '000	× '000	× '000
20. General reserve				
At 1 January	161,085	143,623	145,763	130,844
Transfer from profit and loss account	<u>179,400</u>	<u>17,462</u>	<u>171,761</u>	<u>14,919</u>
	340,485	161,085	317,524	145,763
	=====	=====	=====	=====

21. **Profit on ordinary activities before taxation**21.1 **Profit before tax is stated***After charging -*

Depreciation	4,084	5,875	1,922	4,313
Directors' remuneration	12,850	8,650	12,850	8,650
Auditors' remuneration	4,850	3,700	4,000	3,000
Technical management fee	5,048	3,424	5,048	3,424
	=====	=====	=====	=====

and crediting -

Investment income	151,496	120,454	140,957	117,462
Profit on sale of fixed assets	487	715	487	358
Profit on shares disposed	78,359	78,772	78,359	78,772
	=====	=====	=====	=====

21.2 **Chairman's and directors' emoluments, pensions and compensation for loss of office**(a) *Chairman's emoluments:*

Fees	600	600	600	600
	=====	=====	=====	=====

(b) *The highest paid director -*

The emolument of the highest paid director (executive)	3,750	2,600	3,750	2,600
	=====	=====	=====	=====

(c) *Other directors received remuneration in the following ranges:*

	The Group		The Company	
	2005	2004	2005	2004
	Number	Number	Number	Number
₹50,001 - ₹850,000	4	3	4	3
₹850,001- ₹2,000,000	2	2	2	2
	=====	=====	=====	=====

21.3. Staff number and costs

(a) *The average number of persons employed in the year was as follows:-*

	The Group		The Company	
	2005	2004	2005	2004
	Number	Number	Number	Number
Senior	255	237	251	235
Junior staff	<u>252</u>	<u>254</u>	<u>237</u>	<u>244</u>
	507	491	488	479
	=====	=====	=====	=====

(b) *The related staff costs for both Life and Non-life accounts amounted to:*

	The Group		The Company	
	₹ '000	₹ '000	₹ '000	₹ '000
Wages and salaries	361,328	230,234	349,599	217,865
Pension fund charge	10,462	16,398	10,462	16,398
Employer's contribution to NSITF	<u>-</u>	<u>3,953</u>	<u>-</u>	<u>3,953</u>
	371,790	250,585	360,061	238,216
	=====	=====	=====	=====

(c) *The number of employees in receipt of emoluments within the following ranges were: -*

₹	-	₹	Number	Number	Number	Number
261,000	-	300,000	4	4	-	-
301,000	-	400,000	248	243	237	242
401,000	-	500,000	147	18	146	13
501,000	-	600,000	57	172	57	172
600,000 and above			51	54	48	52
			=====	=====	=====	=====

22. Contingent liabilities

There were contingent liabilities of ₦120,346,322 (2004 = ₦102,507,467) arising in the ordinary course of business from pending litigations. In the opinion of the directors, no material loss is expected to arise therefrom.

23. Employees' retirement benefits

The company provides a pension scheme for the benefit of its employees. The assets of the pension scheme are held in a separate trust fund. The pension costs are charged to the profit and loss account, while the amount of the payments/charges are determined by the company on actuarial advice so that over the long-term, the funds and provisions will be adequate to meet the liabilities.

24. Actuarial valuation

As at the year ended 31 December, 2005, the latest actuarial valuation of the life fund was that carried out by Messrs. Ajibola Ogunshola & Co (Actuaries Pension and Investment Consultants) for the period up to 31 December, 2002 . The actuarial valuation covering the period up to 31 December, 2005 was in progress.

25. Responsibilities of the directors on the financial statements

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 the annual financial statement which give a true and fair view of the state of affairs of the company as at 31 December, 2005 and of its profit or loss for the year ended on that date, and comply with the requirements of the Companies and Allied Matters Act, 1990. These responsibilities include ensuring that:

- (i) adequate internal control procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities;
- (ii) proper accounting records are maintained;
- (iii) applicable accounting standards are followed; and
- (iv) suitable accounting policies are used and consistently applied.

26. Consolidation of financial statements

The financial statements of the company and its subsidiaries were consolidated for the first time as at 31 December, 2004.

27. Approval of financial statements

These financial statements were approved by the Board of Directors on 8 June, 2006.

NIGER INSURANCE PLC.

GROUP STATEMENT OF VALUE ADDED

	2005		2004	
	× '000	%	× '000	%
Premium earned	1,002,613		917,974	
Investment and other incomes	<u>159,687</u>		<u>126,475</u>	
	1,162,300		1,044,449	
Claims, commissions, purchases and services	<u>641,566</u>		<u>630,160</u>	
Value added	520,734	100.0	414,289	100.0
	=====	=====	=====	=====
 Applied as follows:-				
<i>In payment of employees -</i>				
Salaries, wages and other benefits	193,439	37	119,584	29
<i>In payment to Government -</i>				
Taxation	35,531	7	33,897	8
<i>In payment to providers of capital -</i>				
Dividend to shareholders	75,000	14	200,000	48
<i>Retained for maintenance of assets -</i>				
Depreciation	4,084	1	5,875	2
<i>Retained for expansion of business -</i>				
Contingency reserve	33,280	6	37,471	9
Retained profit	<u>179,400</u>	<u>35</u>	<u>17,462</u>	<u>4</u>
Value added	520,734	100.0	414,289	100.0
	=====	=====	=====	=====

The statement represents the distribution of the wealth created through the use of the group's assets, and its employees' efforts.

NIGER INSURANCE PLC

COMPANY STATEMENT OF VALUE ADDED

	2005	%	2004	%
	× '000		× '000	
Premium earned	1,002,613		917,974	
Investment & other income	<u>149,148</u>		<u>122,977</u>	
	1,151,761		1,040,951	
Claims, commissions, purchases & expenses	<u>655,457</u>		<u>639,007</u>	
Valued added	496,304	100	401,944	100
	=====	=====	=====	=====
 Applied as follows: -				
<i>In payment of employees</i>				
Salaries, wages & other benefits	181,710	37	112,300	28
In payment to Government:-				
Taxation	32,631	7	32,942	8
<i>In payment to providers of capital</i>				
Dividend to shareholders	75,000	15	200,000	50
<i>Retained for maintenance of assets</i>				
Depreciation	1,922	-	4,312	1
<i>Retained for expansion of business</i>				
Contingency reserve	33,280	7	37,471	9
Retained profit	<u>171,761</u>	<u>34</u>	<u>14,919</u>	<u>4</u>
Valued added	496,304	100	401,944	100
	=====	=====	=====	=====

The statement represents the distribution of the wealth created through the use of the company's assets and its employees' efforts.

**NIGER INSURANCE PLC
COMPANY FINANCIAL SUMMARY**

Source of funds	2005 × '000	2004 × '000	2003 × '000	2002 × '000	2001 × '000
Share capital	750,000	500,000	400,000	350,000	250,000
Share premium	47,221	308,201	100,607	100,607	150,607
Capital reserve	465,629	465,629	465,629	465,629	465,629
Contingency reserve	233,039	190,012	143,437	108,992	80,319
Reserve for bonus shares issue	250,000	250,000	-	50,000	100,000
General reserve	<u>317,524</u>	<u>145,763</u>	<u>130,844</u>	<u>106,047</u>	<u>77,621</u>
	2,063,413	1,859,605	1,240,517	1,181,275	1,124,176
	=====	=====	=====	=====	=====
Use of funds					
Fixed assets	1,316,939	1,311,826	1,281,998	1,141,378	1,165,363
Investments	5,650,037	5,753,273	4,829,588	3,377,366	1,544,071
Statutory deposit	35,000	35,000	13,500	13,500	13,500
Other assets	<u>1,399,006</u>	<u>1,148,884</u>	<u>1,057,239</u>	<u>763,532</u>	<u>851,490</u>
	8,400,982	8,248,983	7,182,325	5,295,776	3,574,424
Deduct:- Current liabilities	<u>712,895</u>	<u>690,364</u>	<u>820,496</u>	<u>359,857</u>	<u>488,564</u>
	7,688,087	7,558,619	6,361,829	4,935,919	3,085,860
Deposit administration	<u>4,416,461</u>	<u>4,512,560</u>	<u>4,086,050</u>	<u>2,805,624</u>	<u>1,089,446</u>
	3,271,626	3,046,059	2,275,779	2,130,295	1,996,414
Deduct: Insurance fund reserve	<u>1,208,213</u>	<u>1,186,454</u>	<u>1,035,262</u>	<u>949,020</u>	<u>872,238</u>
	2,063,413	1,859,605	1,240,517	1,181,275	1,124,176
	=====	=====	=====	=====	=====
Turnover and profits					
Premium (net)	1,002,613	917,974	866,776	635,703	468,864
Profit before taxation	312,672	285,332	192,160	176,235	139,683
Profit after taxation	280,041	252,390	171,203	155,766	124,210
Dividend	75,000	200,000	120,000	105,000	75,000
Financial ratios*:-					
Earnings per 50k share	18.67k	16.83k	11.41k	10.38k	8.28k
Dividend per share	5.00k	13.33k	8.00k	7.00k	5.00k
Dividend cover (times)	3.73	1.26	1.43	1.48	1.66
Net assets per share	× 1.43	× 1.24	× 0.83	× 0.79	× 0.75

* Financial ratios for previous years have been adjusted for purposes of comparability.