



Accountants &
business advisers

**ENERGY AND ALLIED INSURANCE POOL
OF NIGERIA LIMITED/GTE**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

Index	Page
Statement of directors' responsibilities in relation to the financial statements	1
Report of the Independent Auditors	2
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in members account	6
Statement of cash flows	7
Revenue account	8
Notes to the financial statements	9
Statement of value added	19
Annexure - Presentation in United States of American Dollars (USD)	20

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors accept responsibility for the preparation of the accompanying financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in accordance with the International Financial Reporting Standards in compliance with the Financial Reporting Council Act No. 6, 2011 and in the manner required by the Companies and Allied Matters Act, CAP C20 LFN 2004.

The Directors are of the opinion that the accompanying financial statements give a true and fair view of the state of the financial affairs of the Company, in accordance with the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and in the manner required by Companies and Allied Matters Act, CAP C20, LFN 2004.

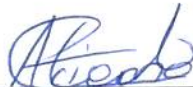
The Directors further accept responsibility for the maintenance of adequate accounting records as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

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

Signed on behalf of the Board of Directors by:



Wole Oshin
Chairman
FRC/2013/CIIN/0000003054



Paul Atiomo
Pool Manager
FRC/2016/CIIN/00000014929



Olugbenga Akinlalu
Pool Accountant
FRC/2016/ICAN/00000014930

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

Report on the Financial Statements

We have audited the accompanying financial statements of **Energy and Allied Insurance Pool of Nigeria Limited/GTE**, which comprise the statement of financial position at 31 December 2015, the statement of comprehensive income, statement of changes in members account, statement of cash flows for the year then ended, a summary of significant accounting policies, 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 the manner required by the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011, in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004 and the Nigerian Insurance Act 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 misstatements.

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 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 **Energy and Allied Insurance Pool of Nigeria Limited/GTE** at 31 December 2015, and of their financial performance and cash flows for the year then ended, in the manner required by the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011, in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004 and the Nigerian Insurance Act.



Accountants &
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Report on other legal requirements:

The Companies and Allied Matters Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. the company have kept proper books of account, as it appears from our examination of those books .
- iii. The company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Najeed A. Abdus-salaam, FCA
FRC/2013/ICAN/0000000753
For: **PKF Professional Services**
Chartered Accountants
Lagos, Nigeria.



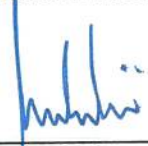
Dated: 2 AUGUST 2016

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE


STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

Assets	Notes	31 December 2015 N
Cash and cash equivalents	6.	901,634,379
Financial assets:		
Trade receivables	7.	182,439,678
Reinsurance assets	8.	75,224,200
Deferred acquisition cost	9.	16,248,547
Other receivables	10.	13,754
Total assets		1,175,560,558
Liabilities		
Insurance contract liabilities	11.	294,201,161
Other payables and provisions	12.	2,000,000
Total liabilities		296,201,161
Net assets		879,359,397
Reserves		
Members account	13.	884,060,241
Unassigned deficit	14.a	(129,494,645)
Translation reserve	14.b	124,793,801
Total member's fund		879,359,397

The financial statements were approved by the technical management board on 2016 and signed on its behalf by:



Wdele Oshin
 Chairman
 FRC/2013/CIIN/0000003054



Paul Atiomo
 Pool Manager
 FRC/2016/CIIN/00000014929



Olugbenga Akinlalu
 Pool Accountant
 FRC/2016/ICAN/00000014930

The accompanying notes form an integral part of these financial statements.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	31 December 2015 N
Gross premium written		642,114,045
Gross premium income	16.	378,532,219
Reinsurance premium	17.	(451,344,999)
Net premium		(72,812,780)
Claims expenses	19.	(30,654,000)
Claims incurred		(30,654,000)
Fee and commission expenses	18.	(22,669,742)
Fees and commissions paid		(22,669,742)
Underwriting deficit		(126,136,522)
Investment income	20.	1,710,526
Management expenses	21.	(5,068,649)
Deficit before taxation		(129,494,645)
Taxation	22.	-
Deficit after taxation		(129,494,645)
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Translation gain	14.b	124,793,801
Items that will not be reclassified to profit or loss		
Other comprehensive income/(loss) (net of tax)		124,793,801
Total comprehensive deficit for the year		(4,700,844)

The accompanying notes form an integral part of these financial statements.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

**STATEMENT OF CHANGES IN MEMBERS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Members Account	Unassigned deficit	Translation reserve	Total
	N	N	N	N
At 1 January 2015	-	-	-	-
Changes in members account for the year ended 31 December 2015				
Deficit for the year	-	(129,494,645)	-	(129,494,645)
Other comprehensive income				
Translation gain	-	-	124,793,801	124,793,801
Total comprehensive deficit for the year	-	(129,494,645)	124,793,801	(4,700,844)
Transactions with owners				
Members subscriptions	884,060,241	-	-	884,060,241
Total transactions with owners	884,060,241	-	-	884,060,241
At 31 December 2015	<u>884,060,241</u>	<u>(129,494,645)</u>	<u>124,793,801</u>	<u>879,359,397</u>

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

		31 December 2015 N'000
	Notes	
Cash flows from operating activities		
Deficit for the year		(129,494,645)
Adjustment for:		
Effect of translation	14.b	<u>124,793,801</u>
		<u>(4,700,844)</u>
Changes in:		
Trade receivables	7.	(182,439,678)
Reinsurance assets	8.	(75,224,200)
Deferred acquisition cost	9.	(16,248,547)
Other receivables		(13,754)
Insurance contract liabilities	11.	294,201,161
Other payables and provisions		<u>2,000,000</u>
Cash generated from operating activities		17,574,138
Income taxes paid		<u>-</u>
Net cash from operating activities		<u>17,574,138</u>
Cash flows from investing activities		
Cash flows from investing activities		<u>-</u>
Net cash used in investing activities		<u>-</u>
Cash flows from financing activities		
Members subscriptions	13.	<u>884,060,241</u>
Net cash from financing activities		<u>884,060,241</u>
Net increase in cash and cash equivalents		901,634,379
Cash and cash equivalents as at 1 January		-
Cash and cash equivalents at 31 December	6.	<u><u>901,634,379</u></u>

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

APPENDIX 1

**REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Oil & Gas N	31 December 2015 Total N
Income		
Inward reinsurance premium	<u>642,114,045</u>	<u>642,114,045</u>
Gross written premium	<u>642,114,045</u>	<u>642,114,045</u>
Unexpired premium reserve	<u>(263,581,826)</u>	<u>(263,581,826)</u>
Gross premium earned	<u>378,532,219</u>	<u>378,532,219</u>
Deduct:		
Outward reinsurance premium	<u>(451,344,999)</u>	<u>(451,344,999)</u>
Reinsurance cost	<u>(451,344,999)</u>	<u>(451,344,999)</u>
Net premium earned	<u>(72,812,780)</u>	<u>(72,812,780)</u>
Gross claims paid		
Outstanding claims provision	<u>(30,654,000)</u>	<u>(30,654,000)</u>
Gross claims incurred	<u>(30,654,000)</u>	<u>(30,654,000)</u>
Acquisition expenses	<u>(22,669,742)</u>	<u>(22,669,742)</u>
Total expenses	<u>(22,669,742)</u>	<u>(22,669,742)</u>
Underwriting deficit	<u>(126,136,522)</u>	<u>(126,136,522)</u>

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Corporation information

1.1 The Company

Energy & Allied Insurance Pool of Nigeria Limited/GTE (the Pool) was incorporated on 24th October 2014 as a private limited liability company by Guarantee but commenced business fully in January 2015. The Pool which is a local content vehicle established by the Nigeria Insurers Association (NIA) through the support of the National Insurance Commission (NAICOM) currently has 22 subscribers comprising insurance companies in Nigeria with a total subscribers capacity of \$5,200,000 (52 lines) as at 31 December 2015.

1.2 Principal activities

The Pool's principal activity is to provide services aimed at promoting the existing policies towards increasing the capacity of underwriters in the Oil and Gas insurance sub-sector. Such service includes the provision of Energy & Allied insurance services, improvement of underwriting skills through provision of technical support via training, seminars, and conferences amongst others.

1.3 Going concern

These financial statements have been prepared on the going concern basis. The Pool has no intention or need to reduce substantially the scope of its business operations. Liquidity ratio and continuous evaluation of current ratio of the Pool is carried out to ensure that there are no going concern threats to the operation of the pool.

2 Basis of preparation

2.1 Statement of Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") in the manner required by Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria and the Financial Reporting Council of Nigeria Act (FRC Act).

2.2 Functional and Presentation Currency

The functional currency of the Pool is USD being the Currency in which most oil & energy insurance contracts are denominated but for presentation purpose, the financial statements will be presented in Nigerian currency (Naira) and are rounded to the nearest thousand ('000) since the Pool is a company registered in Nigeria.

2.3 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates, it also requires management to exercise its judgment in the process of applying the company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and therefore the company's financial statements present the financial position and results fairly.

2.4 Use of Estimates & judgment

In the process of applying the Pool's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The key areas of judgment in applying the pool's accounting policies are dealt with below:

(i) Critical judgements in applying accounting policies

There are no critical judgements, apart from those involving estimations (see ii below), that the management have made in the process of applying the entity's accounting policies and that have significant effect on the amounts recognized in financial statements.

(ii) Key sources of estimation uncertainty claims

A significant degree of judgement has been applied in the determination of the adequacy of provision for outstanding claims and claims incurred but not reported at the reporting date. In addition, the income statement includes estimates for premium, claims and charges data that were not received from ceding companies at the date of the financial statements.

3. Significant Accounting Policies

Significant accounting policies are defined as those that are reflective of significant judgments and uncertainties and potentially give rise to different results under different assumptions and conditions.

The Accounting policies set out below have been consistently applied by the Pool to all information presented in these financial statements.

3.1 Cash and Cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less, these assets readily convertible into known amounts of cash.

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

3.2 Financial Instruments

The Pools Financial instruments include cash and short term deposits, trade and other receivables. Financial assets and liabilities are recognized when the Pool becomes a party to contractual provisions of the instrument. The classification of financial Assets depends on the purpose for which the investments were acquired or originated. The pool classifies its financial assets into the following categories:

(i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement at cost, receivables are subsequently remeasured to amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

(ii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments classified as fair value through profit or loss are initially recognised at cost and subsequently re-measured to fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs. All related realized gains and unrealised gains and losses are included in the profit or loss. Interest earned whilst holding held for trading investments is reported as investment income.

3.3 Trade Receivables

Trade receivables are loans and receivables financial instruments specifically arising from insurance contracts and constitutes premium debtors with determinable payments that are not quoted in active market and the Pool has no intention to sell. Trade receivables on insurance contracts are initially recognized at fair value and subsequently measured at amortized cost less impairment. Trade receivables that are individually identified as impaired are assessed for specific impairments. All other trade receivables are assessed for collective impairments after 365 days.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

3.4 Recognition and measurement of insurance contracts

Short-term insurance contracts are accounted for on an annual basis.

(i) Short-term insurance contract premium

Written premium on short-term insurance contracts comprises premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premium income for the period includes adjustments to premiums written in prior accounting periods or premium not yet advised by the cedant for contracts in force at the end of the period. An estimate is made at the reporting date to recognise retrospective adjustments to premium or commission.

The outward reinsurance premiums relating to earned premiums are recognised as expense in accordance with the reinsurance services received.

(ii) Claims arising from short-term insurance contracts

Claims incurred in respect of short-term insurance contracts consist of claims and claims handling expenses paid during the financial year as well as movements in premium reserve and claim fund. Outstanding claims comprise provisions for all the Pool's estimated ultimate costs of settling all claims incurred but unpaid at the reporting date whether reported or not and related claim handling expenses. Outstanding claims that have occurred at the reporting date and have been notified to the Pool by the cedants are carried at their face value. Adequate provisions are also made for claims incurred but not reported at the reporting date using best available information. Outstanding claim provisions are disclosed at their carrying amounts and are not discounted except where there is a particularly long period from the claim incident to settlement in which case outstanding claims are discounted using a discount rate that best reflects current assessment of time value of money and associated risks. Anticipated reinsurance recoveries on claims are disclosed separately as assets.

(iii) Claim reserve and Premium reserves

These consist of 100% of estimated losses reported by cedants and premium reserve established at the estimated remaining settlement period of the gross premium. The premium reserve retained is released in the corresponding period of the following year.

3.5 Taxation

The Company periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

3.6 Underwriting results

Underwriting results of the Pool are determined by compiling information received from the member insurance companies in returns detailing premiums, commissions and claims.

The reserves are computed on the basis of the best information available at the end of the reporting period date, including past experience as adjusted for changes in circumstances and information supplied in returns submitted by the member insurance companies.

3.7 Interest income

Interest income comprises interest receivable on term deposits, treasury bills and bonds for the year and is recognized on the accrual basis.

3.8 Investments/Short term deposits

Investments comprise equity investments, fixed and floating rate instruments and deposits. At the initial recognition of an investment, management determines its classification, which is dependent on the purpose for which the investment was acquired, and re-evaluates that classification at every reporting date.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

4.1 Adoption of new and revised International Financial Reporting Standards (IFRSs)

Relevant new standards and amendments to published standards effective for the year ended 31 December 2015 have been implemented.

4.1.1 Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

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

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no impact on the disclosures in the Pools financial statements.

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

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments require retrospectively. As the Pool does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Pool's financial statements.

4.1.4 IFRIC 21 Levies

IFRIC 21 Levies sets out guidance for recognizing an obligation to pay a levy imposed by a government in accordance with legislation that is not income tax and fines or other penalties for breaches of legislation. The change had no significant impact on the measurement of the Pools asset and liabilities.

4.1.5 The following standards with effective date in 2015 have been complied with but have no impact on the disclosures and recognition of item in the Pool's financials. statement.

Standards	Effective date
(i) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 st February 2015
(ii) Amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle	1 st February 2015
(iii) Amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle	1 st January 2015

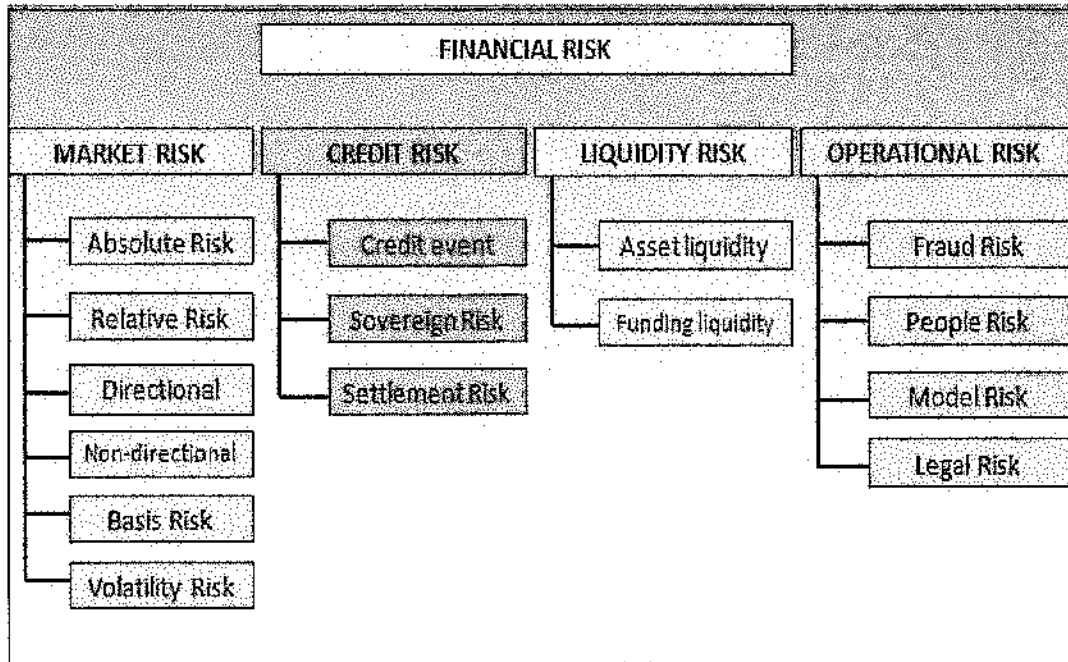
5. Financial Risks Management (FRM)

Risk Classification: Most financial risk can be categorized as either systematic or non-systematic. **Systematic risk** affects an entire economy and all of the businesses within it; an example of systematic risk would be losses due to a recession. **Non-systematic risks** are those that vary between companies or industries; these risks can be avoided completely through careful planning. There are several types of systematic risk. Interest risk is the risk that changing interest rates will make your current investment's rate look unfavorable. Inflation risk is the risk that inflation will increase, making your current investment's return smaller in relation. Liquidity risk is associated with "tying up" your money in long-term assets that cannot be sold easily. There are also different types of non-systematic risk. Management risk is the risk that bad management decisions will hurt a company in which you're invested. Credit risk is the risk that a debt instrument issuer (such as a bond issuer) will default on their repayments to you. Energy and Allied Insurance Pool of Nigeria Limited is exposed to an array of risks through its operations. the Company has identified and categorized its exposure to these broad risks listed below: Market Risk, Credit Risk, Operational Risk, Liquidity Risk, Interest Rate Risk, Reputational Risk, Foreign Currency Risk, Equity risk.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5.1 **Financial risk** is an umbrella term for multiple types of risk associated with financing, including financial transactions that include group loans in risk of default. Financial risk is one of the high-priority risk types for every business. Financial risk is caused due to market movements and market movements can include host of factors. Based on this, financial risk can be classified into various types such as Market Risk, Credit Risk, Liquidity Risk, Operational Risk and Legal Risk. The company has exposure to the following risks and their management approach are disclosed in the accompanying explanatory notes:



5.2 Operational risks

Operational risks are the risks of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations.

The Company's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each unit. This responsibility is supported by the development of operational standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions.
- compliance with regulatory and other legal requirements.
- documentation of controls and procedures.
- training and professional development.
- ethical and business standards.
- adequate insurance and reinsurance protection purchased.

Reinsurance is placed with "A" rated registered reinsurer. Management monitors the creditworthiness of the Reinsurers by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5.3 Credit risks

Credit risk is the risk of financial loss to the company if a debtor fails to make payments of interest and principal when due. The company is exposed to this risk relating to its debt holdings in its investment portfolio and the reliance on reinsurers to make payment when certain loss conditions are met.

Sources of credit risk identified are Direct Default Risk that the company will not receive the cash flows or assets to which it is entitled because a party with which the firm has a bilateral contract defaults on one or more obligations. Downgrade Risk that changes the possibility of future default by an obligor will adversely present value of the contract with the obligor today and Settlement risk arising from lag between the value and settlement dates of transactions. All these risks are closely monitored and measures are put in place to minimise the Groups exposure to them.

5.4 Liquidity risks

Liquidity risk is the risk that the company will not be able to meet all cash outflow obligations as they come due. The company mitigates this risk by monitoring cash activities and expected outflows. The company's current liabilities arise as claims are made. The company does not have material liabilities that can be called unexpectedly at the demand of a lender or client. It has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

5.5 Currency risks

Currency risks are the risks that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk (also known as exchange rate risk or currency risk) is a financial risk posed by an exposure to unanticipated changes in the exchange rate between two currencies. Investors and multinational businesses exporting or importing goods and services or making foreign investments throughout the global economy are faced with an exchange rate risk which can have severe financial consequences if not managed appropriately.

The company's principal transactions are carried out in US Dollars and its financial assets are primarily denominated in the US Dollars and its exposure to foreign exchange risk is high.

5.6 Business risks

Business risk relates to the potential erosion of our market position or revenue shortfall compared to the cost base due to strategic and/or reputational reasons. The corporate governance structure of the group is effective. Each level of leadership has limits of authority and approval to ensure business decisions are properly considered, relevant risks exposures evaluated and necessary measures implemented to mitigate such risks.

The company holds regular strategic sessions both at the Technical Management Board and Management basis to review the corporate and the unit strategies and ensure the group market share is effectively defended against competition.

5.7 Reputational risks

Reputational risk, often called reputation risk, is a type of risk related to the trustworthiness of business. Damage to a firm's reputation can result in lost revenue or destruction of shareholder value, even if the company is not found guilty of a crime. Reputational risk can be a matter of corporate trust, but serves also as a tool in crisis prevention. This type of risk can be informational in nature or even financial. Extreme cases may even lead to bankruptcy.

The composition of the Board and leadership of the entity are made up of reputable and experienced practitioners. The pool also holds its core values of Professionalism, Relationship, Integrity, Zeal and Excellence (PRIZE) which is regularly communicated to every member and compliance monitored on an ongoing basis.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	31 December 2015 N
6. Cash and cash equivalents	
Balance with banks	290,975,943
Placements with banks (Note 6.1)	<u>610,658,436</u>
	<u>901,634,379</u>
6.1 Placements with banks	
Placements with Guaranty Trust Bank Plc.- Naira	20,282,111
Placements with Guaranty Trust Bank Plc.- USD	<u>590,844,545</u>
	<u>611,126,656</u>
7. Trade receivables	
Due from Insurance companies and brokers	<u>182,439,678</u>
	<u>182,439,678</u>
8. Reinsurance assets	
Prepaid reinsurance	<u>75,224,200</u>
At 31 December	<u>75,224,200</u>

This represents the remaining amount already paid to re-insurers as per third quarter instalment payment which (in agreement with the re-insurers) was extended by two months from 31 December, 2015 to February, 2016.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	31 December 2015 N
9. Deferred acquisition cost	
Increase during the year	<u>16,248,547</u>
At 31 December	<u><u>16,248,547</u></u>
Deferred acquisition cost represent commissions on unearned premium relating to the unexpired risk.	
10. Other receivables	
Sundry debtors	<u>13,754</u>
	<u><u>13,754</u></u>
11. Insurance contract liabilities	
Reserve for outstanding claims	30,654,000
Unearned premium reserve	<u>263,547,161</u>
	<u><u>294,201,161</u></u>
12. Other payables and provisions	
Audit fee	1,500,000
Secretarial fee	<u>500,000</u>
	<u><u>2,000,000</u></u>
Current	2,000,000
Non-current	<u>-</u>
	<u><u>2,000,000</u></u>

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

31 December
2015
N

13. Members Account

13.a Company limited by guarantee:

The Company is limited by guarantee and has no share capital.

Every members of the company undertakes to contribute to the assets of the company, in the event of a winding up, such an amount as may be required not exceeding N10,000.

13.b Control:

The Company is under the control of its members.

Members subscription

884,060,241

14.a Unassigned deficit

Unassigned deficits are the current period deficits.

14.b Translation reserve

Translation reserve is the current period gain/(loss).

15. Deficit before taxation

Deficit before taxation is stated after charging/crediting:

Auditors' remuneration

1,500,000

Secretarial fees

500,000

16. Gross premium earned analysed as follows:

	31 December 2015		
	Inward reinsurance premium	Unearned premium during the year	Gross premium earned
	N	N	N
Oil & Gas	<u>642,114,045</u>	<u>(263,581,826)</u>	<u>378,532,219</u>
	<u>642,114,045</u>	<u>(263,581,826)</u>	<u>378,532,219</u>

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	31 December 2015 N
17. Reinsurance expense	
Reinsurance premium cost	<u>451,344,999</u>
	<u><u>451,344,999</u></u>
18. Fee and commission expenses	
Commission	21,592,692
Brokerage fees	<u>1,077,050</u>
	<u><u>22,669,742</u></u>
19. Claims expenses	
Closing outstanding claims	<u>30,654,000</u>
Gross claims expenses	<u><u>30,654,000</u></u>
20. Investment income	
Interest received	<u>1,710,526</u>
	<u><u>1,710,526</u></u>
21. Management expenses	
Auditors' remuneration	1,500,000
Professional charges	2,350,000
Printing and stationeries	530,000
Bank Charges	591,183
Exchange loss	<u>97,466</u>
	<u><u>5,068,649</u></u>

22. Taxation

The company reported a taxable deficit in the year ended 31 December, 2015 and is exempted from minimum tax in its first four (4) years of commencement of business.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

**STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Dec-15	
	N'000	%
Gross premium income	642,114,045	
Other income	<u>1,710,526</u>	
	643,824,571	
Bought in materials and services:		
- Local	(773,319,216)	
- Imported	<u>-</u>	
Value added	<u><u>(129,494,645)</u></u>	<u>100</u>
APPLIED AS FOLLOWS:		
To pay pool managers:		
Manager's commission	-	-
To pay Government:		
Taxation	-	-
To pay providers of capital:		
Interest on borrowings	-	-
Retained in the business		
Depreciation and amortisation	-	-
Deficit transferred to reserves	<u>(129,494,645)</u>	<u>100</u>
	<u><u>(129,494,645)</u></u>	<u>100</u>

Value added represents the additional wealth which the pool has been able to create/erode by its member and its employees' efforts. This statement shows the allocation of that wealth among the employees, government, providers of capital and that retained for the future creation of more wealth.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

AT 31 DECEMBER 2015

Annexure

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

**STATEMENT OF FINANCIAL POSITION - ANNEXURE 1
AT 31 DECEMBER 2015**

	Notes	31 December 2015
Assets		\$
Cash and cash equivalents	6.	4,588,470
Financial assets:		
Trade receivables	7.	928,447
Reinsurance assets	8.	382,820
Deferred acquisition cost	9.	82,690
Other receivables	10.	70
Total assets		5,982,497
Liabilities		
Insurance contract liabilities	11.	1,497,206
Other payables and provisions	12.	10,178
Total liabilities		1,507,384
Net assets		4,475,113
Reserves		
Members account	13.	5,133,735
Unassigned deficit	14.a	(658,622)
Translation reserve	14.b	-
Total member's fund		4,475,113

Translations based on the Central Bank of Nigeria ruling rate as at 31 December, 2015. At N196.50 per \$1 while the member's accounts was converted using historical rate since it is non monetary item.

ENERGY AND ALLIED INSURANCE POOL OF NIGERIA LIMITED/GTE

STATEMENT OF COMPREHENSIVE INCOME - ANNEXURE 2 FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	31 December 2015 \$
Gross premium written		<u>3,267,769</u>
Gross premium income	16.	1,926,563
Reinsurance premium	17.	<u>(2,296,922)</u>
Net premium		<u>(370,359)</u>
Claims expenses	19.	<u>(156,000)</u>
Claims incurred		<u>(156,000)</u>
Fee and commission expenses	18.	<u>(115,381)</u>
Fees and commissions paid		<u>(115,381)</u>
Underwriting deficit		(641,740)
Investment income	20.	8,680
Management expenses	21.	<u>(25,562)</u>
Deficit before taxation		<u>(658,622)</u>
Taxation	22.	<u>-</u>
Total comprehensive income/(loss) for the year		<u>(658,622)</u>
Items that may be subsequently reclassified to profit or loss:		
Translation gain	14.b	-
Items that will not be reclassified to profit or loss		<u>-</u>
Other comprehensive income/(loss) (net of tax)		<u>-</u>
Total comprehensive deficit for the year		<u>(658,622)</u>

All the income statements items were translated using rate at transaction date