

**AFRICAN OIL AND ENERGY
INSURANCE POOL**

**FINANCIAL STATEMENTS
31 DECEMBER 2011**

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFRICAN OIL AND ENERGY INSURANCE POOL

Report on the Financial Statements

We have audited the accompanying financial statements of **African Oil and Energy Pool** set out on pages 2 to 10 which comprise the balance sheet as at 31 December 2011, the profit and loss account, statement of cash flows for the year then ended, and a summary of significant accounting policies, value added, 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 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 **African Oil and Energy Pool** as at 31 December, 2011, 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 profit and loss, 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 Financial Reporting Council of Nigeria.

Akintola Williams Deloitte

Chartered Accountants

Lagos, Nigeria

27 May, 2012



AFRICAN OIL AND ENERGY INSURANCE POOL

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2011

The following is a summary of the significant accounting policies applied by the Pool:

a) Revenue Recognition

Premium and underwriting deductions are recognized when advised by ceding companies.

b) Underwriting Revenue Account

Underwriting accounts are kept on underwriting year basis and the accounts of each underwriting year are closed at the end of each year and the result is transferred to the profit and loss account.

c) Claim Deposit and Premium Reserve Funds

These consist of 100% of estimated losses reported by cedants and premium reserve established at the rate of 40% of the gross premium. The premium reserve retained is released in the corresponding period of the following year.

d) Currency Translation

i) The pool's reporting currency is the United States Dollars. Financial transactions in the various financial currencies of members of the pool have been converted to the United States Dollar using the exchange rates ruling at the balance sheet date.

ii) Underwriting revenue items in currencies other than the United States Dollars are accumulated in the functional currencies and converted at rates of exchange ruling at the Balance Sheet date. Operational expenses are translated at rates ruling at the dates such expenses are incurred.

iii) Exchange differences arising from translations of assets and liabilities and the settlement of monetary items are taken to the profit and loss account.

e) Debtors

Debtors are stated after deducting specific provision for debts considered doubtful of recovery.

AFRICAN OIL AND ENERGY INSURANCE POOL

BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	2011 US \$	2010 US \$
ASSETS			
Cash		6,197,321	2,625,468
Bank placements	2	36,110,750	33,029,891
Amount due from ceding companies	3	23,589,851	26,343,268
Sundry debtors	4	4,078,215	2,194,732
Deposit retained by ceding companies		5,856	5,773
		<u>69,981,993</u>	<u>64,199,132</u>
LIABILITIES			
Surplus due to members	5	3,027,267	2,252,075
Amount due to ceding companies		4,000,485	4,494,399
Manager's commission payable		3,676,122	2,858,584
Sundry creditors		28,752	453,297
		<u>10,732,626</u>	<u>10,058,355</u>
FUNDED BY :			
Members' account	6	47,994,310	40,928,043
Premium reserve and claim deposit funds	7	11,255,057	13,212,734
		<u>59,249,367</u>	<u>54,140,777</u>
Total liabilities and member's fund		<u>69,981,993</u>	<u>64,199,132</u>

The financial statements were approved on 27 May 2012 by the Management Board and signed on its behalf by:


 for Chairman, Management Board


 Pool Manager

The accounting policies on page 2 and explanatory notes on pages 7 and 8 form part of these financial statements.

AFRICAN OIL AND ENERGY INSURANCE POOL

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 US \$	2010 US \$
Underwriting profit	9,854,851	12,651,662
Profit on exchange	-	-
Interest income	80,972	71,839
	<u>9,935,823</u>	<u>12,723,501</u>
Deduct:		
Expenses not charged to Underwriting Revenue Account :		
Pool manager's commission	817,538	1,055,178
Loss on exchange	866,883	672,789
Provision for doubtful balances	81,754	105,518
Audit fees and expenses	8,000	8,000
Bank charges	1,023	662
Advertisement expenses - African Insurance Organisation	2,750	2,750
Other expenses	-	5,121
Management board fees	4,800	5,400
	<u>1,782,748</u>	<u>1,855,418</u>
Profit for the year transferred to Members' account (note 6)	<u><u>8,153,075</u></u>	<u><u>10,868,083</u></u>

The accounting policies on page 2 and explanatory notes on pages 7 and 8 form part of these financial statements.

AFRICAN OIL AND ENERGY INSURANCE POOL

UNDERWRITING REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US \$	2010 US \$
UNDERWRITING INCOME			
Gross premium		16,350,761	21,103,565
Less: Reinsurance premium		<u>(1,795,833)</u>	<u>(3,385,883)</u>
		<u>14,554,928</u>	<u>17,717,682</u>
 UNDERWRITING OUTGO			
Losses paid		3,588,220	1,430,881
Commissions		2,464,016	2,410,806
Charges and taxation		<u>605,518</u>	<u>186,786</u>
		<u>6,657,754</u>	<u>4,028,473</u>
 Excess of income over outgo		7,897,174	13,689,209
 Premium reserve and claim deposit fund released		13,212,734	12,175,187
Premium reserve and claim deposit fund retained	7	<u>(11,255,057)</u>	<u>(13,212,734)</u>
 Underwriting profit transferred to profit and loss account.		<u>9,854,851</u>	<u>12,651,662</u>

The accounting policies on page 2 and explanatory notes on pages 7 and 8 form part of these financial statements.

AFRICAN OIL AND ENERGY INSURANCE POOL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 US \$	2010 US \$
Cash flows from operating activities:			
Premium earned		14,554,928	17,717,682
Interest and other income		80,972	71,839
Losses paid		(3,588,220)	(1,430,881)
Commissions		(2,464,016)	(2,410,806)
Charges		(605,518)	(186,786)
Payments to pool managers and suppliers		<u>(1,700,994)</u>	<u>(1,749,899)</u>
Operating profit before changes in operating assets and liabilities		6,277,152	12,011,149
Changes in operating assets and liabilities			
Account with ceding companies		2,177,749	(7,870,789)
Deposit retained/utilised by ceding companies		(83)	(177)
Managers' commission payable		817,538	1,050,099
(Increase)/decrease in Sundry debtors		(1,883,483)	2,164,542
(Decrease)/increase in Sundry creditors		<u>(424,545)</u>	<u>438,297</u>
Net cash from operating activities	8	6,964,328	7,793,121
Cash flows from financing activities			
Surplus paid to members		<u>(311,616)</u>	<u>(98,184)</u>
Net cash used in financing activities		<u>(311,616)</u>	<u>(98,184)</u>
Net increase in cash and cash equivalents		6,652,712	7,694,937
Cash and cash equivalents at the beginning of the year		<u>35,655,359</u>	<u>27,960,422</u>
Cash and cash equivalents at the end of the year	9	<u>42,308,071</u>	<u>35,655,359</u>

AFRICAN OIL AND ENERGY INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. Background of the Pool

The African Oil and Energy Insurance Pool was established by the African Insurance Organisation to:

- Create capacity within Africa for oil, gas, petrochemical and energy related insurance risks emanating from Africa with a view to reducing foreign exchange flow.
- Provide adequate insurance cover to match the rapid technological advancement of individual African countries and to further ensure that oil companies operating in Africa are charged competitive premium rates in order to enhance profitability and stabilize the African oil insurance market.
- Give technical support and advice to insurance companies operating in Africa on matters relating to risk management and insurance of oil and energy related risks.

African Reinsurance Corporation manages the Pool and is remunerated by way of commission based on the gross premium.

	2011 US \$	2010 US \$
2. Bank placements		
Barclays Bank	<u>36,110,750</u>	<u>33,029,891</u>
3. Amount due from ceding companies		
Amount due from ceding companies	24,029,017	26,700,680
Provision for impairment	<u>(439,166)</u>	<u>(357,412)</u>
	<u>23,589,851</u>	<u>26,343,268</u>
4. Sundry debtors		
African Reinsurance Corporation	2,091,275	2,183,000
African Aviation Pool	1,970,800	-
Accrued interest	<u>16,140</u>	<u>11,732</u>
	<u>4,078,215</u>	<u>2,194,732</u>
5. Surplus due to members		
At 1 January	2,252,075	1,451,501
Surplus for the year	1,086,808	898,758
Paid during the year	<u>(311,616)</u>	<u>(98,184)</u>
At 31 December	<u>3,027,267</u>	<u>2,252,075</u>

AFRICAN OIL AND ENERGY INSURANCE POOL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 US \$	2010 US \$
6. Members' account		
Balance at 1 January	40,928,043	30,958,718
Surplus due to members (note 5)	(1,086,808)	(898,758)
Profit for the year	8,153,075	10,868,083
Balance at 31 December	<u>47,994,310</u>	<u>40,928,043</u>
7. Premium reserve and claim deposit funds		
Premium reserve	6,540,304	8,441,426
Claim deposit	4,714,753	4,771,308
	<u>11,255,057</u>	<u>13,212,734</u>
8. Reconciliation of profit for the year to net cash provided by operating activities:		
Profit for the year	8,153,075	10,868,083
Adjustment for:		
Provision for doubtful balances	81,754	105,518
Premium reserve and claim deposit fund	(1,957,677)	1,037,548
	6,277,152	12,011,149
Changes in operating assets and liabilities		
Account with ceding companies	2,177,749	(7,870,789)
Managers' commission payable	817,538	1,050,099
increase/decrease in Sundry debtors	(1,883,483)	2,164,542
Deposit retained by ceding companies	(83)	(177)
(Decrease)/increase in Sundry creditors	(424,545)	438,297
	<u>6,964,328</u>	<u>7,793,121</u>
9. Cash and cash equivalents		
Cash	6,197,321	2,625,468
Bank placements	36,110,750	33,029,891
	<u>42,308,071</u>	<u>35,655,359</u>
10. Comparative figures		

Certain prior year comparative account balances have been reclassified to conform with

AFRICAN OIL AND ENERGY INSURANCE POOL

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 US \$	%	2010 US \$	%
Gross earnings	9,935,823		12,723,501	
Bought in materials and services	(883,456)		(694,722)	
Loan loss expense	<u>(81,754)</u>		<u>(105,518)</u>	
Value added	<u>8,970,613</u>	<u>100</u>	<u>11,923,261</u>	<u>100</u>
Applied as follows:				
To pay managers of the pool:				
- Pool Manager's commission	817,538	9	1,055,178	9
Retained for the expansion of the business:				
- Profit for the year	<u>8,153,075</u>	<u>91</u>	<u>10,868,083</u>	<u>91</u>
	<u>8,970,613</u>	<u>100</u>	<u>11,923,261</u>	<u>100</u>

Value added represents the wealth created by the efforts of the Pool and its managers during the year. The statement shows the allocation of that wealth between the Pool managers, shareholders, and that re-invested for the future creation of more wealth.

AFRICAN OIL AND ENERGY INSURANCE POOL

FIVE YEAR FINANCIAL SUMMARY YEAR ENDED 31 DECEMBER 2011

	2011 US \$	2010 US \$	2009 US \$	2008 US \$	2007 US \$
ASSETS					
Bank balances	6,197,321	2,625,468	816,953	84,869	666,724
Investments	36,110,750	33,029,891	27,143,469	21,455,427	16,564,373
Deposit retained by ceding companies	5,856	5,773	5,596	5,681	5,544
Amount due from ceding companies	23,589,851	26,343,268	18,619,871	15,124,425	10,854,746
Sundry debtors	4,078,215	2,194,732	4,359,274	1,637,436	1,309,852
Total assets	69,981,993	64,199,132	50,945,163	38,307,838	29,401,239
LIABILITIES					
Surplus due to members	3,027,267	2,252,075	1,451,501	811,811.00	339,731.00
Amount due to ceding companies	4,000,485	4,494,399	4,536,272	3,819,891	3,930,832
Managers' commission payable	3,676,122	2,858,584	1,808,485	819,450	706,626
Sundry creditors	28,752	453,297	15,000	8,000	7,000
Total liabilities	10,732,626	10,058,355	7,811,258	5,459,152	4,984,189
FUNDED BY :					
Members' account	47,994,310	40,928,043	30,958,718	22,610,833	16,762,374
Premium reserve and claim deposit fund	11,255,057	13,212,734	12,175,187	10,237,853	7,654,676
	<u>59,249,367</u>	<u>54,140,777</u>	<u>43,133,905</u>	<u>32,848,686</u>	<u>24,417,050</u>
	69,981,993	64,199,132	50,945,163	38,307,838	29,401,239
PROFIT AND LOSS					
Gross premium	16,350,761	21,103,565	19,818,826	16,401,293	14,158,624
Profit for the year	<u>8,153,075</u>	<u>10,868,083</u>	<u>8,987,575</u>	<u>6,396,896</u>	<u>5,484,369</u>