LINKAGE ASSURANCE PLC
RC: 162306

Head Office: Plot 20, Block 94, Providence Street,
Off Adewunmi Adebimpe Street,
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LINKAGE ASSURANCE PLC

ANNUAL REPORT

31 December 2018

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Table of contents

Corporate Information

Mission Statement	Linkage Assurance Plc. is in business to provide first class insurance and other financial services to the African Insurance market. To achieve this, it has deployed exemplary management, best in class information technology infrastructure and well trained and motivated work force as vehicle for achieving the superior returns expected by shareholders.
Board of Directors	
Chairman	Chief Joshua Bernard Fumudoh[1]
Other Directors	Mr. Tamunoye Zifere Alazigha Mrs. Imo Oyewole Mr. Olakunle Agbebi Mrs. Obafunke Alade-Adeyefa Mr. Bernard Nicolaas Griesel Mr. Daniel Braie[2] Mrs. Funkazi Koroye-Crooks Mr. Maxwell Ebibai *Appointed: [1] 31 January 2018 [2] 28 December 2018.*
Managing Director	Mr. Daniel Braie
Company Secretary	Mr. Moses Omorogbe
Registered Office	Linkage Plaza Plot 20, Block 94, Providence Street Off Adewunmi Adebimpe Street Lekki-Epe Expressway, Lekki, Lagos
Registrars	Centurion Registrars 33C, Cameron Road, Ikoyi, Lagos. www.centurionregistrars.com
Auditor	KPMG Professional Services KPMG Towers, Bishop Aboyade Cole Street Victoria Island, Lagos www.kpmg.com/ng
Reinsurers	African Reinsurance Corporation, Lagos, Nigeria Swiss Reinsurance Company, Zurich, Switzerland Continental Reinsurance Plc, Lagos, Nigeria WAICA Reinsurance, Sierra Leone Arab Insurance Company, Bahrain Cathedral @ Underwriter Syndicates No. 2010 MMX, London Zep-pe (PTA Reinsurance Company), Nairobi, Kenya Atrium Underwriters Limited @ Lloyd's Underwriter Syndicate, UK Hannover Ruck SE, Hannover, Germany
Principal Bankers	Access Bank Plc. Ecobank Nigeria Plc. FCMB Limited Fidelity Bank Plc. First Bank of Nigeria Limited Guaranty Trust Bank Plc. Heritage Bank Limited. Keystone Bank Limited Polaris Bank Limited. Stanbic IBTC Bank Limited Union Bank Plc. United Bank for Africa Plc. Unity Bank Plc. Zenith Bank Plc.
Actuary	Ernst & Young
RC No.	162306
FRC Registered No.	FRC/2012/0000000000339

FINANCIAL HIGHLIGHTS	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000	Growth (%)
Comprehensive income statement			
Gross premium written	5,391,170	4,102,253	31%
Gross premium income	4,942,397	4,186,126	18%
Net premium income	3,477,836	2,840,378	22%
Underwriting profit	(772,480)	456,861	-269%
Investment and other income	2,130,197	3,426,205	-38%
Profit before taxation	134,703	2,996,101	-96%
Profit after taxation	(290,118)	2,891,268	-110%
Statement of financial position			
Total assets	23,145,508	23,308,158	-1%
Insurance contract liabilities	4,289,254	2,443,857	76%

Key Ratios	31 Dec 2018	31 Dec 2017	Growth (%)
Claims ratio	58%	29%	-29%
Claims ratio (net)	55%	25%	-30%
Underwriting expenses ratio	33%	37%	4%
Underwriting income ratio	6%	6%	0%
Management expenses ratio	31%	38%	7%

Our Performance

For the year ended 31 December 2018, our gross premium written grew by 31% to N5.4billion from N4.1billion in December 2017; with the major contribution from Oil and Gas class to the gross premium written in 2018. The underwriting profit from operations fell by 269% to a loss of N772.5million from a profit of N456.9million caused by increased claims expenses compared to December 2017.

The 2017 dividend income of N1.1billion from Stanbic IBTC Pension Limited which was received during the year represents a decrease of 58% in the dividend income of N2.5billion received in 2017, being dividend paid for 2016 and 2015.

Our profit before tax reduced significantly by 95% to N141.6million from N3.0billion in 2017. This was majorly attributable to the following; increases in claims and underwriting expenses, and drop in investment income caused by decrease in dividend income.

Outlook

We will continue to refine our strategy in line with the political, economic, sociological and technological changes in the industry. Also we will continue to develop innovative products, alternative channels of distributions and strategic initiatives that will enable us achieve our corporate goals and objectives. With a medium-to-long term perspective, we believe that we will benefit from growth in these initiatives.

Retail products

We have developed and launched a number of retail products. These include the Linkage Third Party Plus, which is a budget friendly motor insurance that provides not only the compulsory Third party protection but an additional Own damage protection to the tune of N250,000. This product is only available from our Company, Linkage Assurance Plc. Others are the Linkage SME Comprehensive, Citadel Shield (which provides compensation as a result of injuries from accident for pupils and students in recognized academic establishments). Linkage Events Xclusive Insurance, Linkage Shop Insurance, Purple Motor Plan (comprehensive motor cover exclusively for women), and the Linkage Estate Insurance. We are also making efforts to deploy our online portal to make our products and services available to our customers especially the digital savvy customers and enterprises.

Operational Efficiency

We will consolidate on the going initiatives to improve our operational efficiency so as to reduce the cost of doing business, improve business processes, eliminate wastages and achieve higher margins in our core business.

Directors' Report

It is the pleasure of the Directors to submit their report together with the audited financial statements for the year ended 31 December 2018.

1. Legal status

The Company was incorporated on the 26th of March 1991 as a private limited liability company - Linkage Assurance Company Limited. It was registered by the National Insurance Commission on the 7th of October, 1993 to transact general insurance business and commenced operations in January, 1994. The Company became a Public Limited Liability Company in 2003 and the Company's shares, which are quoted on the Nigerian Stock Exchange, were first listed on 18 November, 2003. In compliance with regulatory directives on re-capitalization in the Insurance Industry in 2007, the Company merged with the former Central Insurance Company Limited. The registered office of the Company is Plot 20 Block 94 Providence Street, Off Adewunmi Adebimpe Street, Lekki Phase 1, Lekki, Lagos, Nigeria.

2. Principal activity

The Company was registered to transact all classes of life and non-life insurance business, insurance claims payment and investments. Subsequently it disposed its life business in February 2007 and concentrated on the non-life insurance business.

3. Operating results

The following is a summary of the Company's operating results for the year:

	31 Dec 2018 N'000	31 Dec 2017 N'000
Gross premium written	5,391,170	4,102,253
Profit before taxation	134,703	2,996,101
Taxation	(424,821)	(104,833)
Profit/(loss) after taxation	**(290,118)**	**2,891,268**

4. Directors

The Directors who served during the period were as follows:

Chief Joshua Bernard Fumudoh	Chairman[1]
Dr. John Anderson Eseimokumoh	Chairman[2]
Mr. Inam Udo Udoma	Director[*]
Mr. Tamunoye Zifere Alazigha	Director
Mrs. Obafunke Alade-Adeyefa	Director
Mr. Olakunle Bomo Agbebi Esq.	Director
Mrs. Remilekun Odunlami	Director[3]
Mrs. Imo Oyewole	Director
Mr. Bernard Nicolaas Griesel	Director
Mrs. Funkazi Koroye-Crooks	Director
Mr. Maxwell Ebibai	Director
Mr. Daniel Braie	Managing Director[4]
Dr. Pius Apere	Managing Director[5]

Changes on the Board

[1] *Appointed effective 31 January, 2018*
[2] *Resigned effective 31 January, 2018*
[3] *Resigned effective 14 August, 2018*
[4] *Appointed effective 28 December, 2018*
[5] *Resigned effective 21 June, 2018*
[*] *Ceased to be a Director effective 13 March 2018 due to his death*

Report of the Directors (Cont'd)

5. Directors interest in shares

The interests of the Directors in the issued share capital of the Company as recorded in the register of members as at 31 December 2018 and as notified by them for the purpose of fulfilling Section 275 of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria, 2004, are as follows:

	31 Dec 2018			31 Dec 2017
	Direct	**Indirect**	**Total**	**Total**
Mr. Bernard Nicolaas Griesel	-	1,053,340,552	1,053,340,552	1,053,340,552

Directors with indirect interest in the issued share capital of the Company as recorded in the Register of members were as follows:

		No. of Shares	
Name of shareholder	**Institution represented**	**31 Dec 2018**	**31 Dec 2017**
Mr. Bernard Nicolaas Griesel	Stanbic IBTC Nominees Nigeria	1,053,340,552	1,053,340,552

6. Contracts

In accordance with Section 277 of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria, 2004, all contracts with related parties were conducted at arms length. Information relating to related parties transactions are contained in Note 48 to the financial statements.

7. Shareholding

The Company's issued share capital of N3,999,999,997 is made up of 7,999,999,995 ordinary shares of 50k each which are held by Nigerian individuals and institutional investors. According to the register of members, no shareholder other than the following held more than 5% of the issued share capital of the Company as at 31 December 2018.

Bayelsa State Ministry of Finance Incorporated (BSMFI]	4,274,735,743	53.43%
Stanbic IBTC Nominees Nigeria Limitec	1,053,340,552	13.17%

Report of the Directors (Cont'd)

b) Analysis of shareholding structure

i) As at 31 December, 2018

Range	No of Holders	% of Holders	Units Held	% Units Held
1 - 10,000	14,146	63.84%	62,901,328	0.79%
10,001 - 50,000	5,351	24.15%	138,432,583	1.73%
50,0001 - 100,000	1,370	6.18%	111,703,864	1.40%
100,001 - 500,000	971	4.38%	215,940,163	2.70%
500,001 - 1,000,000	150	0.68%	119,696,216	1.50%
1,000,001 - 5,000,000	108	0.49%	220,696,119	2.76%
5,000,001 - 10,000,000	24	0.11%	181,527,427	2.27%
10,000,001 - 50,000,000	29	0.13%	535,582,229	6.69%
50,000,001 - 100,000,000	6	0.03%	415,620,248	5.20%
100,000,001 - 500,000,000	3	0.01%	666,439,023	8.33%
500,000,001 - 5,000,000,000	2	0.01%	5,331,460,795	66.64%
Grand Total	**22,160**	**100%**	**7,999,999,995**	**100%**

ii) As at 31 December, 2017

Range	No of Holders	% of Holders	Units Held	% Units Held
1 - 10,000	14,057	63.00%	63,383,534	0.79%
10,001 - 50,000	5,452	24.43%	141,724,701	1.77%
5,0001 - 100,000	1,413	6.33%	115,682,459	1.45%
100,001 - 500,000	1,021	4.58%	226,341,955	2.83%
500,001 - 1,000,000	155	0.69%	126,000,595	1.58%
1,000,001 - 5,000,000	112	0.50%	232,223,654	2.90%
5,000,001 - 10,000,000	22	0.10%	158,304,007	1.98%
10,000,001 - 50,000,000	30	0.13%	570,206,104	7.13%
50,000,001 - 100,000,000	7	0.03%	512,998,717	6.41%
100,000,001 - 500,000,000	3	0.01%	541,719,196	6.77%
500,000,001 - 1,000,000,000	2	0.01%	5,311,415,073	66.39%
Grand Total	**22,314**	**100%**	**7,999,999,995**	**100%**

8 Human Resources

i. Employment of disabled persons

As a matter of policy, the Company does not discriminate against disabled persons. Full and fair consideration is given to applications for employment received from disabled persons, with due regard to their particular aptitudes and abilities. In the event of any employee becoming disabled in the course of employment, the Company is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. As at 31 December 2018, the Company had no disabled persons in its employment.

ii. Employee's development and training

The Company is committed to staff training in order to keep them abreast with new developments in the industry and this cut across all categories of staff. During the year under review, the Company utilized the professional training services of several organizations for the benefit of staff.

Report of the Directors (Cont'd)

iii. ***Health, safety at work and staff welfare***

Health, safety and fire drills are regularly organized to keep employees alert at all times. The Company engages the services of health care providers towards meeting the medical needs of the employees and their immediate families at its expense.

The Company also provides adequate transportation and housing facilities for all levels of employees.

9 Property and equipment

Changes in property and equipment during the year under review are shown in note 15 to the financial statements. In the opinion of the directors, the market value of the Company's assets is not lower than the value shown in the financial statements.

10 Acquisition of own shares

The Company did not purchase its own shares during the year under review.

11 Fines and penalties

During the year, the Company paid the following as penalties to regulators:

In thousands of Naira	**31 Dec 2018**	**31 Dec 2017**
Extension of display of Wall Drape without approval	-	936
Default filing of 2017 audited accounts to the Nigerian Stock Exchange	3,500	-
Late filing of 2017 audited accounts to the Securities & Exchange Commission	1,950	3,000
Stage carriage without permission	-	20
	5,450	3,956

12 Events after reporting date

There are no other significant events after reporting date which could have had a material effect on the financial affairs of the Company as at 31 December, 2018 and on the profit for the period ended on that date, which have not been adequately provided for or disclosed.

13 Audit committee

Mr. Lateef Ayodeji Shonubi	Chairman/Shareholder
Engr. S. A. Orji	Shareholder
Mr. Balogun Shamusideen Olalekan	Shareholder
Mr. Tamunoye Alazigha	Non-Executive Director
Mr. Maxwell Ebibai	Non-Executive Director
Mrs. Obafunke Alade Adeyefa	Non-Executive Director

14 Auditors

Messrs KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria therefore, the auditors will be re-appointed at the next Annual General Meeting of the Company without any resolution being passed.

By order of the Board

Company Secretary
Mr. Moses Omorogbe
FRC/2017/NBA/00000017141
28 February 2019

Corporate Governance Report

Linkage Assurance Plc ("Linkage") is committed to implementing the best practice standards of Corporate Governance.

The Board of Linkage is mindful of its obligations under the National Insurance Commission Corporate Governance Code (NAICOM Code), the Securities & Exchange Commission Corporate Governance Code (SEC Code) as well as the Post Listing Rules & Requirements of the Nigerian Stock Exchange.

The Company's high standard in Corporate Policies and Governance are designed to encourage transparency in all its activities as well as ensure the protection of the long term interest of all Stakeholders. The business of the Company is conducted with high level of Integrity.

The Board of Directors of Linkage Assurance Plc. has overall responsibility for ensuring the highest standards of corporate governance is maintained and adhered to by the Company. In order to promote effective governance of the Company, the following structures have been put in place for the execution of Linkage Assurance Plc's Corporate Governance strategy:

1. Board of Directors;
2. Board Committees; and
3. Executive Management Committees

Corporate Governance Structure

The Board

The Board of Directors of Linkage, comprising of ten (10) members is accountable to the shareholders and also responsible for the control, management and periodic review of the Company's business strategy. The Board of Directors is also committed to ensuring that the Company adheres strictly to the regulations guiding the operations of the Insurance Industry and other financial services sector in Nigeria.

The Board of Directors performs its functions either as a full Board or through the under listed established statutory committee and Committees of the Board:

Statutory Audit Committee

The Committee is composed of 6 members as follows:

S/N	Name	Status
1	Mr. Lateef Ayodeji Shonubi	Chairman
2	Engr. S. A. Orji	Shareholder
3	Mr. Shamusideen O. Balogun	Shareholder
4	Mr. Tamunoye Alazigha	Non-Executive Director
5	Mrs. Obafunke Alade Adeyefa	Non-Executive Director
6	Mr. Maxwell Ebibai	Non-Executive Director

This Committee, which is chaired by a shareholder, has the responsibility of ensuring that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices. The Committee reviews the scope & planning of audit requirements and it is also responsible for other matters reserved for the Audit Committee by the Companies and Allied Matters Act CAP C20 Laws of Federation of Nigeria, 2004 and the Company's Articles of Association.

Finance, Investment & General purpose Committee

The Committee is composed of 5 members as follows:

S/N	Name	Status
1	Mr. Bernard Nicolaas Griesel	Chairman
2	Mrs. Obafunke Alade Adeyefa	Member
3	Mr. Tamunoye Alazigha	Member
4	Mr. Olakunle Agbebi	Member
5	Mrs. Imo Oyewole	Member

This Committee reviews matters relating to the investment of the Company's funds, management of all other assets and makes recommendation to the Board for approval. It also ensures maximum returns on investments and protection of the Company's assets. The Committee periodically evaluates the Company's risk policies and also provides appropriate advice and recommendations on matters relevant to risk management.

Corporate Governance Report

Enterprise Risk Management & Governance Committee
The Committee is composed of 5 members as follows:

S/N	Name	Status
1	Mr. Olakunle Agbebi	Chairman
2	Mrs. Funkazi Koroye-Crooks	Member
3	Mr. Maxwell Ebibai	Member
4	Mrs. Imo Oyewole	Member
5	Mrs. Remilekun Odunlami	Member

This Committee reviews and recommends for approval to the Board, matters bordering on Board Appointments, Staff Recruitment, Staff Compensation, Welfare and Promotions. Matters relating to the strategy for growth and advancement of the Company are also the responsibility of this Committee.

Audit & Compliance Committee
The Committee is composed of 5 members as follows:

S/N	Name	Status
1	Mrs. Remilekun Odunlami	Chairman
2	Mr. Taukeme Koroye	Member
3	Mrs. Obafunke Alade Adeyefa	Member
4	Mrs. Imo Oyewole	Member
5	Mr. Bernard Nicolaas Griesel	Member

This Committee assists the Board in fulfilling its oversight responsibilities in ensuring the integrity of the Company's financial statements, compliance with legal and regulatory requirements, the performance of the internal audit function, the identification, assessment, management of the Company's risks and adherence to internal risk management policies and procedures.

Executive Management Committees
These are Committees comprising senior management of the Company. They are set to ensure that all risk limits as contained in Board and regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. The Committees are risk driven as they are set up to identify, analyse, synthesize and make recommendations on risks arising from within the Company's operating environment. The Committees meet as frequently as risk issues occur to immediately take actions and decisions within the confines of their powers. The Committees include the Executive Management Committee, Management Investment Committee, Business Strategy Committee and the Management Enterprise Risk Committee.

Internal Audit Function
In consonance with the commitment of the Company to be a dynamic world class Company fully accountable to the Board of Directors and shareholders, the Internal Audit Unit has been further strengthened with the recruitment of additional staff to broaden its scope and thus enhance the control and oversight service rendered at Management level.

The Internal Audit is a Control Unit established within the Management to independently examine and evaluate the activities of the Company. The Company's Internal Audit Unit reports to the Managing Director but is guided by the instructions of the Audit Committee.

Shareholders' Relationship
The Company is accountable and committed to the shareholders and uses various fora to advise shareholders on the performance of the Company. This includes annual report and accounts, access to the Company Secretary by shareholders for all enquiries and free interactions with the members of the Board during Annual General Meetings.

Company Secretary

All stakeholders have access to the services of the Company Secretary. The Company Secretary is responsible for facilitating the induction and professional development of Board Members as well as ensuring information flow within the Board, its Committees and Management of the Company. Attendance at the Board of Directors meeting held as at 31 December 2018 is as follows:

Corporate Governance Report

S/N	Names of Directors	31 Jan	15 Mar	27 Apr	21 Jun	31 Aug	7 Dec
1	Dr. John Anderson Eseimokumoh	1	-	-	-	-	-
2	Chief Joshua Fumudoh	1	1	1	1	1	1
3	Mr. Inam Udo Udoma	1	-	-	-	-	-
4	Mr. Tamunoye Alazigha	1	1	1	1	1	-
5	Mrs. Funkazi Koroye-Crooks	1	1	1	1	-	-
6	Mr. Remi Odunlami	1	1	1	1	-	-
7	Mrs. Obafunke Alade Adeyefa	1	1	1	1	1	1
8	Mrs. Imo Oyewole	1	1	-	1	1	1
9	Mr. Pius Apere	1	-	-	-	-	-
10	Mr. Daniel Braie	1	1	1	1	1	1
11	Mr. Olakunle Agbebi	1	1	1	1	1	1
12	Mr. Maxwell Ebibai	-	1	-	1	-	-
13	Mr. Bernard Nicolaas Griesel	1	1	1	1	1	1

Attendance at The Finance, Investment & Strategy Committee Meetings held as at 31 December 2018

S/N	Names of Directors	5 Mar	14 Mar	26 Apr	30 Sep	6 Dec
1	Mr. Inam Udo Udoma	1	1	-	-	-
2	Mrs. Obafunke Alade Adeyefa	1	1	1	1	-
3	Mr. Tamunoye Alazigha	1	1	1	1	-
4	Mr. Olakunle Agbebi	1	1	1	1	1
5	Mr. Bernard Nicolaas Griesel	1	1	1	1	1
6	Mrs. Imo Oyewole	-	-	-	1	1

Attendance at the Statutory Audit Committee Meetings held as at 31 December 2018

S/N	Members	14 Mar	25 Apr	29 Aug	5 Dec
1	Mr. Waheed Adegbite	-	1	-	-
2	Mr. Lateef Ayodeji Shonubi	-	-	1	1
3	Mr. Shamusideen O. Balogun	1	1	1	1
4	Engr. S.A.Orji	1	1	1	1
5	Mr Tamunoye Alazigha	1	1	1	-
6	Mr. Maxwell Ebibai	-	-	-	-
7	Mrs. Obafunke Alade Adeyefa	1	1	1	1

Attendance at the ERM & Governance Committee Meetings held as at 31 December 2018

S/N	Names of Directors	8 Jan	31 Jan	13 Mar	26 Apr	30 Aug	6 Dec
1	Mr. Inam Udo Udoma	1	1	-	-	-	-
2	Mr Tamunoye Alazigha	-	-	-	-	1	-
3	Mrs. Imo Oyewole	1	1	1	-	1	1
4	Mr. Remi Odunlami	1	1	1	1	-	-
5	Mr. Olakunle Agbebi	1	1	1	1	1	1
6	Mrs. Funkazi Koroye-Crooks	-	-	1	-	-	-
7	Mr. Maxwell Ebibai	-	-	-	1	-	-

Attendance at the Board Audit & Compliance Committee Meetings held as at 31 December 2018

S/N	Names of Directors	15 Mar	25 Apr	29 Aug	5 Dec
1	Mr. Remi Odunlami	1	1	-	-
2	Mr. Bernard Nicolaas Griesel	1	1	1	1
3	Mrs. Obafunke Alade Adeyefa	1	1	1	1
4	Mrs. Funkazi Koroye-Crooks	-	1	-	-
5	Mrs. Imo Oyewole	1	-	1	1

Report of the Statutory Audit Committee to the members of Linkage Assurance Plc

In compliance with the Provisions of Section 359(6) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria, 2004, we the members of the Audit Committee of Linkage Assurance Plc received the Audited Financial Statements for the year ended 31 December 2018 together with the Management Letter from the external auditors and management response thereto at a duly convened meeting of the committee and hereby report as follows:
We confirm that;

1 We have received the scope and planning of the audit for the year ended 31 December 2018;

2 We reviewed the external auditor' Management Letter together with management responses; and

3 We ascertained that the accounting and reporting policies of the Company for the year ended 31 December 2018 are in accordance with legal requirement and agreed with ethical practices.

In our opinion, the scope and planning of the audit for the year ended 31 December 2018 were adequate and management responses to the auditor's findings were satisfactory.

We confirm that the internal control system was consistently and effectively monitored through efffective internal audit.

The external auditors confirm that they received full cooperation from the management during the course of the statutory audit. The Committee therefore recommends that the audited financial statements for the year ended 31 December 2018 and the Auditors' report thereon be presented for adoption by the Company at the Annual General Meeting.

Mr. Lateef Ayodeji Shonubi
FRC/2013/ICAN/00000001532
Chairman, Audit Committee
28 February 2019

Members of the Committee

Name	**Status**
1. Mr. Lateef Ayodeji Shonubi	Shareholder/Chairman
2. Engr. S. A. Orji	Shareholder
3. Mr. Shamusideen O. Balogun	Shareholder
4. Mr. Tamunoye Alazigha	Non-Executive Director
5. Mrs. Obafunke Alade Adeyefa	Non-Executive Director
6. Mr. Maxwell Ebibai	Non-Executive Director

Enterprise Risk Management Declaration Statement

In accordance with the requirements of Section 2.10 of NAICOM's guidelines for developing risk management framework of 2012, the Board of Directors of Linkage Assurance Plc. hereby declares that, to the best of its knowledge and belief, and having made appropriate enquiries:

a) the Company has systems in place for the purpose of ensuring compliance with the guideline;

b) the Board is satisfied with the efficacy of the processes and systems surrounding the production of financial information of the Company;

c) the Company has in place a risk management strategy, developed in accordance with the requirements of this guideline, setting out its approach to risk management; and

d) the systems that are in place for managing and monitoring risks, and the risk management framework, are appropriate to the Company, having regard to such factors as the size, business mix and complexity of the Company's operations.

Chief Joshua B. Fumudoh
Chairman
FRC/2018/IODN/00000017911
28 February 2019

Mr. Daniel Braie
Managing Director/CEO
FRC/2018/CIIN/00000018082
28 February 2019

Statement of Directors' Responsibilities for the preparation and approval of the Financial Statements

In accordance with the provisions of sections 334 and 335 of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria, 2004 (CAMA), the Directors of Linkage Assurance Plc. are responsible for the preparation of the financial statements which gives a true and fair view of the state of the financial affairs of the Company as at 31 December 2018 and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria and relevant National Insurance Commission (NAICOM) guidelines and circulars.

In preparing the financial statements, the directors are responsible for:
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

The Directors are also responsible for:
- designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

Going Concern:

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

The financial statements of the Company for the year ended 31 December 2018 were approved by the Directors on 28 February 2019

On behalf of the Directors of the Company

Chief Joshua B. Fumudoh	**Mr. Daniel Braie**
Chairman	**Managing Director/CEO**
FRC/2018/IODN/00000017911	**FRC/2018/CIIN/00000018082**
28 February 2019	28 February 2019

Certification Pursuant to Section 60(2) of Investment and Securities Act No. 29 of 2007

We the undersigned, hereby certify the following with regards to our audited financial statements for the year ended 31 December 2018 that:

(i) We have reviewed the report and to the best of our knowledge, the report does not contain:

- any untrue statement of a material fact, or
- omission to state a material fact, which would make the financial statements misleading in the light of circumstances under which such statements were made;
- to the best of our knowledge, the financial statements and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Company as of, and for the periods presented in the report.

(ii) We:

- are responsible for establishing and maintaining internal controls.
- have designed such internal controls to ensure that material information relating to the Company is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
- have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
- have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;

(iii) We have disclosed to the auditors of the Company and audit committee:

- all significant deficiencies in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weakness in internal controls, and
- any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;

We have identified in the report whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Mr. Daniel Braie
Managing Director/CEO
FRC/2018/CIIN/00000018082
28 February 2019

Harris Oshojah
Acting Chief Financial Officer
FRC/2013/ICAN/00000001815
28 February 2019

KPMG Professional Services
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Linkage Assurance PLC**

Report on the Financial Statements

Opinion

We have audited the financial statements of Linkage Assurance Plc. (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 19 to 77.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of insurance contract liabilities (2018: N4,289M, 2017: N2,423M)

The valuation of insurance contract liabilities involves high estimation uncertainties and requires management to apply significant judgement and assumptions over uncertain future outcomes.

Provisions for reported claims are based on historical experience. However, the eventual liabilities may differ from the estimated amounts. Furthermore, the estimated liability for claims that have occurred but are yet to be reported in respect of non-life insurance contracts involve judgment and economic assumptions such as inflation rate and discount rates whose eventual outcome are uncertain.

The level of complexity, the judgment and assumptions applied by management in the estimating these amounts resulted in insurance contract liabilities is being a matter of significance to our audit.

KPMG

How the matter was addressed in our audit
Our audit procedures included the following:

- We evaluated the design, implementation and operating effectiveness of key controls implemented by the Company over data collection, analysis and the assumptions-setting processes.

- We agreed the underlying data used in actuarial valuations of insurance contract liabilities on a sample basis to source documentation.

- We engaged our actuarial specialists to independently test and challenge the appropriateness of the methodology used by the Company's external actuary for determining the insurance contract liabilities. This involved an assessment of the appropriateness of the actuarial methods, taking into account available industry data and specific product features of the Company.

- With the assistance of our actuarial specialists, we evaluated the reasonableness of the actuarial assumptions used by the Company's external actuary including assumptions on the projected cash flows, basic chain ladder runoff period, inflation rate and discount rate by comparing them to Company specific and industry data and market trends.

- We engaged our actuarial specialists to evaluate the Company's valuation methodology and assumptions for consistency between reporting periods as well as indicators of possible management bias.

Refer to note 4.13 (accounting policies), note 2.4 (critical accounting estimates and judgments) and note 17 (insurance contract liabilities) and notes 6.2 (insurance risk).

Valuation of unquoted equity instrument measured at fair value through other comprehensive income
The Company has a significant investment in an unquoted equity instrument *(2018: N9.9M, 2017: N11.3M)*, which is classified as available for sale and measured at fair value with fair value changes recognized in other comprehensive income. Given the non- availability of market prices for this equity investment, determination of the fair value involves the exercise of significant judgment and assumptions regarding the cash flow forecasts, growth rate and discount rate to be applied.

The fair value of this investment is determined based on the Discounted Cash-Flows (DCF) method. Inputs into the DCF valuation method include the forecast cash-flows of the investee over a long-term period, key assumptions such as the discount rate, and macroeconomic assumptions such as inflation and tax rates.

Changes to forecast cash-flows and the selection of different assumptions may result in a materially different valuation result.

The assessment of long-term term forecasts and the selection of appropriate assumptions surrounding uncertain future events are key judgments and estimates made by management in the determination of the fair value of the unquoted equity instrument which makes the valuation of the equity instrument a matter of significance to our audit.

How the matter was addressed in our audit
Our procedures included the following:

- We engaged our own valuation specialists to evaluate the appropriateness of the valuation methodology and reasonableness of assumptions used by the Company in determining the fair value of the unquoted equity instrument. This included obtaining an understanding of the projected operating results and free cash flows and an assessment of assumptions such as the discount rate, terminal value, inflation rate and long-term growth rate. They also challenged the forecast cash flows and growth rates in the context of the historical performance of the underlying investee as well as our knowledge of the market and wider economic environment.

- We engaged our valuation specialist to assess the robustness of the valuation model by considering the sensitivity of the resultant fair value to changes in key assumptions.

- We also considered the adequacy of the Company's disclosures including the use of estimates and judgments in arriving at the fair value of the unquoted equity instrument and sensitivity of the fair value measurement to changes in significant unobservable inputs in accordance with the requirements of the relevant accounting standard.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information which comprises the Directors' report, Statement of Directors' responsibilities, Enterprise Risk Management declaration statement, corporate governance report, Report of the Audit Committee, Sustainability report, Certification Pursuant to Section 60(2) of Investment and Securities Act No. 29 of 2007, Financial highlights and Other National disclosures, but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Outstanding Reports, if we conclude that there is a material misstatement therein, we are required to communicate to the Audit Committee.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Board of Directors and Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Board of Directors and Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and section 28(2) of the Insurance Act, 2003

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Penalties

The Company incurred penalties with respect to contraventions of regulations during the year (see note 47 for details).

Signed:

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
27 March 2019
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0242422

Notes to the financial statements

1 Corporate Information

1.1 Reporting entity

Linkage Assurance Plc. ("LINKAGE" or "the Company") was incorporated in Nigeria on 26th of March 1991 as a private limited liability company domiciled in Nigeria. It was registered by the National Insurance Commission on the 7th of October 1993 to transact general insurance business and commenced operations in January, 1994. The Company became a public limited liability company in 2003 and the Company's shares, which were quoted on the Nigerian Stock Exchange were first listed on 18 November 2003. The registered office of the Company is Plot 20 Block 94 Lekki Epe Express way, Lekki, Lagos, Nigeria.

The Company's high standard in corporate policies and governance are designed to encourage transparency in all its activities as well as ensure the protection of the long term interest of all stakeholders. The business of the Company is conducted with high level of integrity.

1.2. Principal activities

The Company was registered to transact all classes of life and non-life insurance business, insurance claims payment and investments. Subsequently it disposed its life business in February 2007 and concentrated on the non-life insurance business.

2 Basis of Preparation

2.1 Statement of compliance

The financial statements of Linkage Assurance Plc. have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission (NAICOM) circulars.

2.2 Going concern

These financial statements have been prepared on the going concern basis. The Company has no intention or need to reduce substantially its business operations. The Directors believe that the going concern assumption is appropriate for the Company due to sufficient capital adequacy ratio and projected liquidity, based on historical experience that short-term obligations will be refinanced in the normal course of business. Liquidity ratio and continuous evaluation of current ratio of the Company is carried out to ensure that there are no going concern threats to the operations of the Company.

2.3 Basis of measurement

The financial statements have been prepared under the historical cost basis except for the following:

(i) Financial instruments at fair value through profit or loss are measured at fair value;
(ii) Available-for-sale financial assets are measured at fair value;
(iii) Land and buildings are carried at fair value;
(iv) Investment properties are measured at fair value;
(v) Insurance contract liabilities at fair value and
(vi) Defined benefit obligation measured at present value.

2.4 Estimates, judgement and uncertainties

The preparation of these financial statements in confirmity with IFRSs requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(a) Assumptions and estimation uncertainties

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have a significant of risk of resulting in material adjustment on the amounts recognized in the financial statements are included in the following notes to the financial statements:

(i) Determination of fair value of investment properties (see note 13)
(ii) Depreciation and carrying value of property and equipment (see note 15)
(iii) Valuation of insurance contract liabilities; key actuarial assumptions (see notes 6.2 and 17)
(iv) Measurement of defined benefits obligations; key actuarial assumptions (see note 22)
(v) Valuation of unquoted equity instruments measured at fair value through OCI (see note 8.4)

(b) Use of judgements

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

- Note 4.3 - Fair value measurement
- Note 4.13 - Insurance contract liabilities
- Note 4.17 - Defined employee benefits obligation

2.5 Presentation Currency

The financial statements are presented in Nigerian Naira (₦) and amounts presented / disclosed are rounded to the nearest thousands unless otherwise stated.

2.6 Functional currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company is incorporated in Nigeria and has adopted Naira as its functional currency.

3 Changes in accounting policies

Except for the changes in Note 4.30 below, the Company has consistently applied the accouting policies as set out in Note 4 to all periods presented in these financial statements.

Notes to the financial statements

4 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

4.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank, unrestricted balances held with Central Bank, call deposits and short term highly liquid financial assets (including money market funds) with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their value and used by the Company in the management of its short-term commitments.

For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents.

4.2 Financial instruments

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity, investment and strategic planning purposes. All financial instruments are initially recognised at fair value plus (or minus) directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

4.2.1 Classification of financial assets

The Company classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets

Management determines the appropriate classification of its investments at initial recognition and the classification depends on the purpose for which the investments were acquired or originated. The Company's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and subsequent changes in fair value, including any interest or dividend income, are recognized in profit or loss.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs, other than of an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available-for-sale. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets (AFS)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Available-for-sale financial instruments are securities that are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or in response to changes in market conditions.

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized or impaired, the gain or loss accumulated in equity is reclassified to profit or loss.

4.2.2 ***Non-derivative financial liabilities –Measurement***

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

4.2.3 Impairment of non derivative financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. Objective evidence of impairment is established as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Notes to the financial statements

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security because of financial difficulties, adverse changes in the status of borrowers or issuers, or observable data indicating that there is a measurable decrease in the expected cashflow from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its costs. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged.
The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both specific and collective level. Those not to be specifically impaired are collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

An impairment loss on available-for-sale (AFS) financial assets is recognised by reclassifying the gains and losses accumulated in the fair value reserve to profit or loss. The amount reclasssified is the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value less any impairment loss previously recognised in profit or loss. If the fair value of an impaired AFS debt security subsequently increased and the increse can be related objectively to an event occuring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed though profit or loss.

4.2.4 De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

4.2.5 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (at FVTPL) or 'other financial liabilities'. Financial liabilities are recognised initially at fair value and in the case of other financial liabilities, less directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, insurance payables and investment contracts. The Company's financial liabilities are classified as other financial liabilities.

Other financial liabilities which includes creditors arising out of reinsurance arrangements, direct insurance arrangement and other payable, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

De-recognition

The Company de-recognises financial liabilities when, and only when, the obligations are discharged, cancelled or they expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

4.2.6 Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.3 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurements of fair values for both the financial and non-financial assets and liabilities.

Notes to the financial statements

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

4.4 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at fair value, which is the premium received and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment and the unamortised premium when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

4.5 Trade receivables

Trade receivables arising from insurance contracts represent premium receivable with determinable payments that are not quoted in an active market and the Company has no intention to sell. Premium receivables are those for which credit notes issued by brokers are within 30 days, in conformity with the "NO PREMIUM NO COVER" policy.

Trade receivables are classified as loans and receivables.

The Company assesses at each reporting date whether there is objective evidence that an insurance receivable is impaired. If there is objective evidence that the insurance receivable is impaired, the carrying amount of the insurance receivable is reduced accordingly through an allowance account and recognised as impairment loss in profit or loss.

Trade receivables include amounts due from agents, brokers and insurance contract holders. Trade receivables are recognised when due.

4.6 Reinsurance

The Company cedes business to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks. Premium ceded comprise gross written premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

4.7 Deferred acquisition costs

The incremental costs directly attributable to the acquisition of new business are deferred by recognising an asset. For other insurance contracts, acquisition costs including both incremental acquisition costs and other indirect costs of acquiring and processing new business are deferred (deferred acquisition costs).

Where such business is reinsured the reinsurers' share is carried forward as deferred income.

Deferred acquisition costs and deferred origination costs are amortized systematically over the life of the contracts and tested for impairment at each reporting date. Any amount not recoverable is expensed. They are derecognized when the related contracts are settled or disposed of.

Deferred expenses - Reinsurance commissions

The Company recognises commissions receivable on outwards reinsurance contracts as a deferred expense and amortised over the average term of the expected premiums payable.

Notes to the financial statements

4.8 Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of the day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year/period in which they arise.

Investment properties are de-recognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year/period of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. When the use of property changes from owner-occupied to investment property the property is re-measured to fair value and reclassified accordingly. Any gain arising from this re-measurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve. Any loss recognized in profit or loss

4.9 Intangible assets

The intangible assets include computer software acquired for use in the Company's operation.
Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses (where this exists). Acquired intangible assets are recognised at cost on acquisition date. Subsequent to initial recognition, these assets are carried at cost less accumulated amortisation and impairment losses in value, where appropriate.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the economic benefits embodied in the asset. The assets are usually amortised over their useful life most which do not exceed 4 years. Amortisation methods are reviewed at each financial year/period-end and adjusted if appropriate.

Intangible assets are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The differences between the carrying amounts at the date of derecognition and any disposal proceeds as applicable, is recognised in profit or loss.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use of the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised cost of internally developed software include all cost directly attributable to developing the software and capitalised borrowing cost, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

There was no internally developed software at the date of reporting.

4.10 Property and equipment

Recognition and measurement

All categories of property and equipment are initially recorded at cost. Items of property and equipment except land and buildings are subsequently measured at revalued amount less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

Land are stated at revalued amount while buildings are subsequently stated at revalued amount less depreciation and impairment losses. All other property and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings are revalued every three (3) years. Increase in the carrying amount of land and buildings arising from revaluation are credited to revaluation reserve in other comprehensive income.

Decreases that offset previous increases in land and buildings arising from revaluation are charged against the revaluation reserve while other decreases, if any, are charged to profit or loss.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Notes to the financial statements

Depreciation
Depreciation is provided on a straight line basis so as to allocate the cost/re-valued amounts less their residual values over the estimated useful lives of the classes of assets. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

The estimated useful lives of the property and equipment for the current and comparative periods are as follows:

Leasehold improvements	over the unexpired lease period
Leasehold buildings	50 years
Computer hardware and software	4 years
Furniture and office equipment	4 years
Motor vehicles	4 years

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at the end of the reporting period.

Land is not depreciated.

De-recognition
An item of property and equipment is derecognised when no future economic benefits are expected from its use or on disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement of the year/period the asset is de-recognised.

4.11 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

A cash-generating unit is the smallest identifiable asset group that generates cash flows, which are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit or loss. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

4.12 Statutory deposit

The Company maintains a statutory deposit with the Central Bank of Nigeria (CBN) which represents 10% of the minimum capitalisation in compliance with the Insurance Act. This balance is not available for the day-to-day operations of the Company and is measured at cost.

4.13 Insurance contract liabilities

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for the same type of policies.

The ultimate cost of outstanding claims is estimated by using one of the ranges of standard actuarial claims projection techniques – Discounted Inflation Adjusted Chain Ladder method.

The main assumption underlying this technique is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, this method extrapolates the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Notes to the financial statements

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortization of unearned premium on a basis other than time apportionment.

4.14 Finance lease obligations

These are the corresponding liabilities on assets acquired under finance lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized in the year to which they relate in profit or loss.

Lease assets - lessee

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Lease assets - lessor

If the Company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

4.15 Trade payables

Trade payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Trade payables are recognised when incurred. These include amounts due to agents, brokers and insurance contract holders.

4.16 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

4.17 Employee benefits

(i) ***Short-term benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash, bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) **Post-employment benefits**

Defined contribution plans

The Company operates a defined contribution plan in accordance with the provisions of the Pension Reform Act. The contribution of the employee and employer is 7.5% and 15% of the qualifying monthly emoluments (i.e. basic, housing and transport) of employees respectively. The Company's obligations for contributions to the plan are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognised as asset to the extent that a cash refund or reduction in future payments is available.

Notes to the financial statements

Defined benefit plan

The Company commenced the operation of a staff sinking fund scheme upon obtaining Board of directors' approval in May 2014. This Sinking Fund is non-contributory defined employee exit benefit plan under which the Company alone makes fixed contributions into a separate entity and the fund can only be accessed by staff members at the point they are exiting the Company for reasons other than dismissal.

The amount payable to exiting staff is dependent on years of service and compensation as at date of exit. This value of this benefit is actuarially determined at each reporting date by an independent actuary using the projected unit credit method.

When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of the economic benefits available in the form of any future refund from the plan or reductions in the future contributions to the plan. To calculate the present value of the economic benefits, consideration is given to any applicable minimum funding requirements. Remeasurements of the net defined benefits liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised in OCI.

The Company determines the net interest expense (income) on the defined benefits liability (asset) for the period by applying a discount rate used to measure the defined benefits liability (asset) taking into account any changes in the defined benefit liability (asset) during the period as a result of contributions and benefits payments. Net interest expense and other expenses related to defined benefit plan are recognised in the profit or loss.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises cost for a restructuring. If benefits are not expected to be settled within 12 months of the reporting date then they are discounted.

4.18 Taxation

Company Income Tax

Income tax expense comprises current Company income tax, education tax, information technology levy and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on taxable income for the year/period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years/periods.

Minimum tax

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and Minimum tax (determined based on the sum of (i) the highest of; 0.25% of revenue of N500,000, 0.5% of gross profit, 0.25% of paid up share capital and 0.5% of net assets; and (ii) 0.125% of revenue in excess of N500,000). Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognized in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as Minimum tax.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting period date and are expected to apply when the related deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax credits and losses, only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

4.19 Other receivables and prepayments

Other receivables include cash advance, sundry receivables, ex-staff loans, witholding tax recoverable, etc. Other receivables are carried at amortised cost using the effective interest rate less accumulated impairment losses.

Prepayments include amounts paid in advance by the Company on rent, staff benefits, vehicle repairs etc. Expenses paid in advance are amortised on a straight line basis to the profit and loss account.

Notes to the financial statements

4.20 Share capital and reserves

a. *Share capital*
The issued ordinary shares of the Company are classified as equity instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Share premium
The Company classifies share premium as equity when there is no obligation to transfer cash or other assets.

b. *Dividend*
Dividend on ordinary shares are recognised and deducted from equity when they are approved by the Company's shareholders, while interim dividends are deducted from equity when they are paid. Dividends for the year/period that are approved after the reporting date are disclosed as an event after reporting date and as note within the financial statements.

c. *Contingency reserves*
Contingency reserve is calculated at the higher of 3% of gross premium and 20% of net profits. This amount is expected to be accumulated until it amounts to the higher of minimum paid-up capital for a non-life (general) insurance company or 50% of gross premium in accordance with section 21(2) of the Insurance Act of Nigeria and relevant National Insurance Commission (NAICOM) guidelines and circulars.

d. *Asset revaluation reserve*
Subsequent to initial recognition, an item of property, plant and equipment and intangible asset carried using cost model, may be revalued to fair value. However, if such an item is revalued, the whole class of asset to which that asset belongs has to be revalued. The revaluation surplus is recognised in equity, unless it reverses a decrease in the fair value of the same asset which was previously recognised as an expense, in which case it is recognised in profit or loss. A subsequent decrease in the fair value is charged against this reserve to the extent that there is a credit balance relating to the same asset, with the balance being recognised in profit or loss.

e. *Fair value reserve*
The fair value reserve comprises the cumulative net change in the fair value of the Company's available-for-sale investments. Net fair value movements are recycled to profit or loss if an underlying available-for-sale investment is either derecognized or impaired.

f. *Re-measurement reserve*
The re-measurement reserve comprises the actuarial gains and losses on defined benefits post employment plan

g. *Retained earnings*
This account accumulates profits or losses from operations.

4.21 Contingent liabilities and assets

Possible obligations of the Company, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company and present obligations of the Company where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Company statement of financial position but are disclosed in the notes to the financial statement.

Possible assets of the Company, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company, are not recognised in the Company's statement of financial position but are disclosed in the notes to the financial statement where an inflow of economic benefits is probable.

4.22 Foreign currency translation

The financial statements are presented in Nigerian naira (N), which is the functional and presentation currency, and rounded down to the nearest thousand (000) unless otherwise indicated.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange operating gains or losses resulting from the settlement of such transactions and from translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the Income Statement within 'investment & other income'. All other foreign exchange gains and losses are presented in the income statement within 'investment and other income' or 'other operating and administrative expenses'.

4.23 Insurance contracts

(a) Classification

IFRS 4 requires contracts written by insurers to be classified as either 'insurance contracts' or 'investment contracts' depending on the level of insurance risk transferred. The Company only issues contracts that transfer insurance risks.

Insurance contracts are those contracts where a party (the policy holder) transfers significant insurance risk to another party (insurer) and the latter agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary.

Notes to the financial statements

General insurance business means insurance business of any class or classes not being long term insurance business. Classes of General insurance include:

- Fire insurance business
- General accident insurance business;
- Motor vehicle insurance business;
- Engineering insurance business;
- Marine insurance business;
- Oil and gas insurance business;
- Bonds credit guarantee insurance business; and
- Miscellaneous insurance business

For all these contracts, premiums are recognised as revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risk at the end of reporting date is reported as the unearned premium liability.

(b) Recognition and measurement of insurance contracts

Premium income is recognised on assumption of risks.

(i) *Premiums*

Premiums comprise gross written premiums on insurance contracts entered into during the year/period, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are shown before deductions of commissions and are gross of any taxes or duties levied on premiums.

(ii) *Unearned premium provision*

The provision for unearned premiums (unexpired risk) represents the proportion of premiums written in the periods up to the accounting date that relates to the unexpired terms of policies in force at the end of reporting date. This is estimated to be earned in subsequent financial periods, computed separately for each insurance contract using a time proportionate basis.

(iii) *Gross premium earned*

Gross premium earned includes estimates of premiums due but not yet received, less unearned premium.

(iv) *Claims payable*

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims and incurred but not yet reported (IBNR) claims. Claims paid represent all payments made during the year/period, whether arising from events during that or earlier years/periods.

Claims and loss adjustment expenses are charged to income statement as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the end of reporting date, but not settled at that date. Outstanding claims computed are subject to liability adequacy tests to ensure that material and reasonably foreseeable losses arising from existing contractual obligations are recognised.

(v) *Commissions and deferred acquisition costs*

Commissions earned and payable are recognised in the period in which relevant premiums are written. A proportion of commission payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent the proportion of acquisition costs which corresponds to the unearned premium and are deferred as an asset and recognised in the subsequent period.

(vi) *Liability adequacy test*

At the end of reporting date, liability adequacy tests are performed to ensure that material and reasonably foreseeable losses arising from existing contractual obligations are recognised. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses and investment income backing such liabilities are considered. Any deficiency is charged to Statement of comprehensive income by increasing the carrying amount of the related insurance liabilities.

(vii) *Salvage and Subrogation Reimbursement*

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example subrogation).

Salvaged property is recognized in other assets when the amount that can reasonably be recovered from the disposal of the property has been established and salvage recoveries are included as part of claims recoveries.

Subrogation reimbursements are recognized in claim recoveries when the amount to be recovered from the liable third party has been established.

Notes to the financial statements

4.24 Revenue

Revenue comprises insurance premium derived from the provision of risk underwriting services; and interest and dividend income earned on investment securities held by the Company.

Revenue recognition

Insurance premium revenue
The revenue recognition policy relating to insurance contracts is set out under 4.23.(b)(i)

Commission earned
The revenue recognition policy on commission is disclosed in 4.23.(b)(v)

Investment income
Interest income for interest bearing financial instruments, are recognised within 'investment & other income' in the income statement using the effective interest method. The effective interest rate is the rate that exactly discount the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the net carrying amount of the financial asset. The effective interest rate is calculated on initial recognition of the financial asset and is not revised subsequently. Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

Other operating income
Other operating income comprises income from realized profits on sale of securities, realized foreign exchange gains/(losses), rental income and other sundry income recognised when earned.

Realized gains and losses recorded in the profit or loss on investments include gains and losses on financial assets and investment property. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

Rental income from investment property is recognised as revenue on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

4.25 Net claims expenses

Net claims expenses comprise claims incurred and claims handling expenses incurred during the financial year/period and changes in the provision for outstanding claims net of recoveries/recoverable from reinsurers.

(a) Claims

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to policyholders and/or beneficiaries. They included direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not been reported to the Company.

The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors. No provision has been made for possible claims under contracts that are not in existence at the end of the reporting period.

(b) Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

4.26 Underwriting expenses

Underwriting expenses comprise acquisition costs and other underwriting expenses. Acquisition cost comprise all direct and indirect costs arising from the writing of insurance contracts. Examples include, but are not limited to, commission expense, superintendent fees and other technical expenses. Other underwriting expenses are those incurred in servicing existing policies/contracts. These are charged in the income statement.

4.27 Expense recognition

Interest
Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest method. Accrued interest is included within the carrying value of the interest bearing financial liability.

Management expenses
Management expenses are expenses other than claims, investments and underwriting expenses. They include employee benefits, depreciation charges and other operating expenses. Management expenses are charged to profit or loss when the goods are received or services rendered.

Notes to the financial statements

4.28 Operating segment

IFRS 8 Operating segment requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker (in the case of the Company, the Chief Executive) to allocate resources to the segments and to assess their performance.

The Company's reportable segments under IFRS 8 are therefore identified as follows: fire, accident, motor vehicle, engineering, oil and gas and others. The other segment relates to marine and aviation business class revenue which do not meet the quantitative threshold. (Refer to note 5).

The accounting policies of the reportable segments are the same as the Company's accounting policies. Segment result represents the result of each segment without allocation of certain expenses, finance costs and income tax. This is the measure reported to the Company's Chief Executive for the purpose of resource allocation and assessment of segment performance.

4.29 Earnings per share

The Company presents earnings per share for its ordinary shares. The basic earnings per share (EPS) are calculated by dividing the net profit attributable to shareholders' by the weighted average number of ordinary shares in issue during the year. The adjusted EPS is calculated using the number of shares in issue as at balance sheet date. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

4.30 New standards, interpretations and amendments to existing standards during the reporting year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 31 December 2018, and have not been applied in preparing these financial statements. Those that may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(a) Effective for the financial year commencing 1 January 2018

(i) Financial Instruments (IFRS 9)

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

The Company has opted to defer the adoption of IFRS 9 till 2022 when IFRS 17, Insurance Contracts will be effective as permitted by the IASB.

The following table provides an overview of the fair values as of 31 December 2018 and the amounts of change in the fair values during the reporting period separately for financial assets that meet the SPPI criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

As at 31 December 2018	Financial assets that meet the SPPI criterion		All other financial assets	
	Fair value	Fair value change during the reporting	Fair value	Fair value change during the reporting
Cash and cash equivalents	1,205,124	-	-	-
Debt securities				
Held-to-maturity	5,617,826	-	-	-
Loans and receivables	164,960	-	-	-
Trade and other receivables	32,090	-	-	-
Statutory deposits	300,000	-	-	-
Subtotal	**7,320,000**	-	-	-
Equity securities - FVOCI	-	-	9,810,517	(1,361,504)
Equity securities - FVTPL	-	-	3,464,033	328,536
Total	**7,320,000**	-	**13,274,550**	**(1,032,968)**

(ii) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard; IFRS 17. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 (i.e. the 'deferral approach') for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. Effective date is 1 January 2018 or when the entity first applies IFRS 9.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.

Notes to the financial statements

The Company is eligible to apply IFRS 9 deferral approach since IFRS 9 has not been previously applied by the Company and the activities of the Company are predominantly connected with insurance. To determine if the Company's activities are predominantly connected with insurance, we have assessed the ratio of the Company's liabilities connected with insurance. See assessment below:

LIABILITIES	As reported (A)	Admissible for predominace test (B)
	31-Dec-15	31-Dec-15
Insurance contract liabilities	2,276,752	2,276,752
Trade payables	229,316	229,316
Provision and other payables	327,273	-
Retirement benefit obligations	84,225	-
Income tax liabilities	147,355	147,355
Deferred tax liabilities	117,921	-
	3,182,842	2,653,423
	Score = (B/A)%	83.37%

Given a score of 83.4%, we assessed whether the Company engages in a significant activity unconnected with insurance. Based on our assessment, we concluded that the Company does not engage in a significant activity unconnected with insurance since majority of the activities from which the Company earns income and incur expenses are insurance-related.

The Company has elected to apply the temporary exemption from IFRS 9 (deferral approach) and qualifies for the temporary exemption based on the following;

a) Its activities are predominantly connected with insurance contracts;

b) As at 31 December 2015, which is the reporting date that immediately precedes 1 April 2016, the carrying amount of its liabilities arising from insurance contracts was N2.65 billion which was 83.4% of the total carrying amount of all its liabilities as at that date.

c) The Company's activities have remained the same and are predominantly connected with insurance contracts. The majority of the activities from which the Company earns income and incur expenses are insurance-related

(iii) IFRS 15: Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. This new standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, insurance contracts, interest and fee income intergral to financial instruments and rental income (leases) will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g. IFRS 4: Insurance contracts, IFRS 9: Financial Instruments and IFRS 16: Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferror anticipates entitlement to goods and services. The following five step model in IFRS 15 is applied in determining when to recognise revenue, and at what amount:

a) Identify the contract(s) with a customer

b) Identify the performance obligations in the contract

c) Determine the transaction price

d) Allocate the transaction price to the performance obligations in the contract

e) Recognise revenue when (or as) the entity satisfies a performance obligation.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognised earlier than under previous standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licences, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.

This standard does not have any significant impact and have been adopted by the Company.

Statement of financial position
As at 31 December 2018

In thousands of Naira			
Assets	**Note**	**31 Dec 2018**	**31 Dec 2017**
Cash and cash equivalents	7	1,205,124	1,843,757
Financial assets	8	19,057,336	18,659,073
Trade receivables	9	32,090	13,741
Reinsurance assets	10	543,636	558,813
Deferred acquisition cost	11	259,098	176,274
Other receivables and prepayments	12	287,101	238,777
Investment property	13	144,000	135,000
Intangible assets	14	14,109	26,445
Property and equipment	15	1,303,014	1,356,278
Statutory deposit	16	300,000	300,000
Total assets		**23,145,508**	**23,308,158**
Liabilities			
Insurance contract liabilities	17	4,289,254	2,443,857
Trade payables	19	144,234	107,346
Other payables	20	350,231	307,547
Finance lease obligations	21	56,037	88,222
Defined benefit obligations	22	22,905	30,471
Income tax liabilities	23	203,979	177,941
Deferred tax liabilities	24	158,381	199,942
Total liabilities		**5,225,021**	**3,355,327**
Equity			
Share capital	25	3,999,999	3,999,999
Share premium	26	729,044	729,044
Contingency reserve	27	1,778,339	1,616,603
Retained earnings	28	1,230,452	2,082,306
Assets revaluation reserve	29	752,083	752,083
Re-measurement reserve	30.2	23,761	4,484
Fair value reserve	30.1	9,406,809	10,768,313
Total equity		**17,920,487**	**19,952,832**
Total liabilities and equity		**23,145,508**	**23,308,158**

The financial statements were approved on 28 February 2019 and signed on behalf of the Board of Directors by:

Chief Joshua B. Fumudoh
Chairman
FRC/2018/IODN/00000017911

Mr. Daniel Braie
Managing Director/CEO
FRC/2018/CIIN/00000018082

Harris Oshojah
Acting Chief Financial Officer
FRC/2013/ICAN/00000001815

The summary of significant accounting policies and the accompanying notes form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
for the year ending

In thousands of Naira	Note	31 Dec 2018	31 Dec 2017
Gross premium written	31	5,391,170	4,102,253
Unearned premium	32	(448,773)	83,873
Gross premium income	32	**4,942,397**	**4,186,126**
Reinsurance expenses	33	(1,464,561)	(1,345,748)
Net premium income		**3,477,836**	**2,840,378**
Fees and commission income	34	223,011	175,633
Net underwriting income		**3,700,847**	**3,016,011**
Net claims expenses	35	(2,711,208)	(1,038,735)
Underwriting expenses	36	(1,762,119)	(1,520,415)
Underwriting profit/(loss)		**(772,480)**	**456,861**
Investment income	37	1,971,529	3,237,795
Impairment loss on financial assets (see note 8.6(a))	38	(4,619)	(75,097)
Net fair value gains on financial assets at fair value through profit or loss	39	328,536	827,341
Other operating income/(loss)	40	158,668	188,409
Fair value changes on investment property	37	9,000	(25,000)
Fair value changes on property and equipment	37	-	(4,876)
Management expenses	41	(1,555,931)	(1,609,334)
Profit before minimum taxation		**134,703**	**2,996,101**
Minimum tax	23	-	(70,560)
Profit before taxation		**134,703**	**2,925,541**
Income taxes	23	(424,821)	(34,273)
Profit/(loss) after taxation		**(290,118)**	**2,891,268**
Other comprehensive income net of tax			
Items that will be reclassified subsequently to profit or loss:			
Net fair value gain/(loss) on available-for-sale financial assets	42	(1,361,504)	547,729
Total other comprehensive income, net of tax		(1,361,504)	547,729
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation		19,277	(37,884)
Gain on revaluation of property and equipment	15	-	57,204
Deferred tax on property and equipment	24	-	(38,777)
Other comprehensive (loss)/income, net of taxes		**(1,342,227)**	**528,272**
Total comprehensive income for the year		**(1,632,345)**	**3,419,540**
Basic and diluted earnings per share (kobo)	43	(3.6)	36.1

The summary of significant accounting policies and the accompanying notes form an integral part of these financial statements.

Statement of changes in equity for the period ended 31 December 2018

In thousands of naira	Share capital	Share premium	Contingency Reserve	Asset revaluation reserve	Re-measure ment reserve	Fair value reserve	Retained earnings	Total
At 1 January 2018	3,999,999	729,044	1,616,603	752,083	4,484	10,768,313	2,082,306	19,952,833
Comprehensive income								
Profit for the year	-	-	-	-	-	-	(290,118)	(290,118)
Other comprehensive income:								
Remeasurement of defined benefit obligation	-	-	-	-	19,277	-	-	19,277
Net fair value changes on AFS financial assets	-	-	-	-	-	(1,361,504)	-	(1,361,504)
Revaluation surplus on property and equipment	-	-	-	-	-	-	-	-
Deferred tax on property and equipment	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	**19,277**	**(1,361,504)**	**(290,118)**	**(1,632,345)**
Transfer to contingency reserve	-	-	-	-	-	-	(161,736)	(161,736)
Transfer from retained earnings	-	-	161,736	-		-	-	161,736
	-	-	161,736	-	-	-	(161,736)	-
Transactions with owners of the Company								
Dividend paid	-	-	-	-	-	-	(400,000)	(400,000)
Issue of shares during the year	-	-	-	-	-	-	-	-
At 31 December 2018	**3,999,999**	**729,044**	**1,778,339**	**752,083**	**23,761**	**9,406,809**	**1,230,452**	**17,920,487**

Statement of changes in equity for the year ended 31 December 2017

In thousands of naira	Share capital	Share premium	Contingency Reserve	Asset revaluation reserve	Re-measure ment reserve	Fair value reserve	Retained earnings	Total
At 1 January 2017	3,999,999	729,044	1,038,349	733,656	42,368	10,220,584	(230,708)	16,533,292
Comprehensive income								
Profit for the year	-	-	-	-	-	-	2,891,268	2,891,268
Other comprehensive income:								
Remeasurement of defined benefit obligation	-	-	-	-	(37,884)		-	(37,884)
Fair value gain on property and equipment	-	-	-	-	-	547,729	-	547,729
Revaluation surplus on property and equipment	-	-	-	57,204	-	-	-	57,204
Deferred tax on property and equipment	-	-	-	(38,777)	-		-	(38,777)
Total comprehensive income	-	-	-	**18,427**	**(37,884)**	**547,729**	**2,891,268**	**3,419,541**
Transfer to contingency reserve	-	-	-	-	-	-	(578,254)	(578,254)
Transfer from retained earnings	-	-	578,254	-	-	-	-	578,254
	-	-	578,254	-	-	-	(578,254)	-
Transactions with owners of the Company								
Issue of shares during the year	-	-	-	-	-	-	-	-
At 31 December 2017	**3,999,999**	**729,044**	**1,616,603**	**752,083**	**4,484**	**10,768,313**	**2,082,306**	**19,952,832**

The summary of significant accounting policies and the accompanying notes form an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2018

	Note	2018 ₦'000	2017 ₦'000
Cash flows from operating activities			
Premiums received from policy holders	44(b)	5,412,327	4,198,137
Reinsurance payments	44(d)	(1,421,134)	(1,341,883)
Claims paid	35	(1,451,946)	(1,552,177)
Reinsurance claim recoveries	44(c)	194,030	380,706
Salvage recovery	44(c)	28,193	21,687
Commission paid	44(e)	(1,037,777)	(744,678)
Maintenance expenses paid - Note 41 (excluding Depreciation & Amortisation)		(764,674)	(672,572)
Commission received	44(f)	262,844	197,258
Cash payment to and on behalf of employees	44(l)	(642,004)	(625,090)
Other operating cash payments	44(a)	(702,137)	(934,491)
Corporate tax paid	23	(440,344)	(256,914)
VAT paid		-	-
Net cash used in operating activities		(562,623)	(1,330,019)
Cash flows from Investing activities			
Purchase of properties and equipment	44(i)	(64,800)	(73,385)
Purchase of intangible assets	14	(290)	(18,013)
Purchase of investment property	13(b)	-	(160,000)
Proceeds from sale of property and equipment	44(j)	1,979	23,526
Purchase of investment securities	44(h)	(5,789,542)	(3,174,454)
Proceeds from sale of investment securities	44(h)	1,200,656	530,685
Proceeds from redemption	8.7	2,990,543	4,061
Loan repayments	44(h)	162,493	185,931
Dividend received	37	1,059,145	2,514,083
Rental income received	40	5,000	2,500
Interest received	44(g)	726,620	541,366
Net cash from investing activities		291,804	376,300
Financing activities			
Payment of finance lease liabilities	44(k)	32,185	(88,742)
Proceeds from issue of shares		-	-
Dividend paid		(400,000)	-
		(367,815)	(88,742)
Net (decrease) / increase in cash and cash equivalents		(638,634)	(1,042,461)
Cash and cash equivalents at the beginning of the period		1,843,757	2,843,284
Impact of exchange difference on cash held	7	-	42,933
Cash and cash equivalents at 31 December	7	1,205,124	1,843,757

The summary of significant accounting policies and the accompanying notes form an integral part of these financial statements.

Notes to the financial statements

5. Segment reporting

Operating segments
IFRS 8 Segment Reporting requires operating segments to be identified on the basis of internal reports of reportable segments that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance The Company's reportable segments under IFRS 8 are therefore identified as follows:
- Motor
- Fire
- General accident
- Marine & aviation
- Oil & gas
- Engineering

The following is an analysis of the Company's revenue and result by reportable segment for the period ended 31 December 2018:

Income:	**Motor**	**Fire**	**General Accident**	**Marine & Aviation**	**Oil & Gas**	**Others**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Gross premium written	1,278,407	678,737	643,751	516,691	2,093,447	180,137	5,391,170
Net change in unearned premium	(122,885)	(42,204)	(60,031)	22,962	(243,188)	(3,427)	(448,773)
	1,155,522	**636,533**	**583,720**	**539,653**	**1,850,259**	**176,710**	**4,942,397**
Re-insurance cost	(26,113)	(329,804)	(229,080)	(190,582)	(581,152)	(107,829)	(1,464,561)
Net premium income	1,129,409	306,729	354,640	349,071	1,269,107	68,881	3,477,836
Commision received	34,518	71,854	42,095	50,632	379	23,533	223,011
Net underwriting Income	1,163,927	378,582	396,735	399,703	1,269,486	92,413	3,700,847
Expenses:							
Net claims incurred	(230,955)	(49,527)	(569,323)	(313,853)	(1,504,536)	(43,014)	(2,711,208)
Acqusition cost	(182,590)	(94,142)	(91,650)	(76,049)	(481,124)	(7,299)	(932,854)
Maintenance expenses (Note 42)	(118,504)	(108,040)	(148,740)	(99,502)	(313,003)	(41,476)	(829,265)
	(532,049)	(251,708)	(809,712)	(489,404)	(2,298,663)	(91,790)	(4,473,327)
Segment underwriting profit/(loss)	**631,878**	**126,874**	**(412,977)**	**(89,702)**	**(1,029,178)**	**624**	**(772,481)**

The accounting policies of the reportable segments are the same as the Company's accounting policies.
Segment result represents the result of each segment without allocation of certain expenses, finance costs and income tax. This is the measure reported to the Company's Chief Executive for the purpose of resource allocation and assessment of segment performance.
The revenue of marine & aviation segment does not meet the quantitative thresholds and therefore does not qualified as a reporting segment. The segments is accordingly reported as 'Others'.

31 December 2017

Income:	**Motor**	**Fire**	**General Accident**	**Marine & Aviation**	**Oil & Gas**	**Others**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Gross premium written	902,474	510,435	522,412	521,350	1,491,185	154,397	4,102,253
Net change in unearned premium	(87,044)	72,249	6,098	(15,591)	87,769	20,393	83,874
	815,430	**582,684**	**528,510**	**505,759**	**1,578,954**	**174,790**	**4,186,127**
Re-insurance cost	(27,977)	(276,011)	(275,348)	(180,157)	(511,041)	(75,214)	(1,345,748)
Net premium income	787,453	306,673	253,162	325,602	1,067,913	99,576	2,840,379
Commision Received	10,296	69,883	31,357	23,079	70	40,948	175,633
Net underwriting Income	797,749	376,556	284,519	348,681	1,067,983	140,524	3,016,012
Expenses:							
Acqusition cost	(314,544)	(138,690)	(118,039)	(33,089)	(414,589)	(19,784)	(1,038,735)
Net claims incurred	(98,297)	(109,053)	(105,848)	(37,078)	(362,010)	(135,557)	(847,843)
Maintenance expenses (Note 42)	(176,419)	(77,763)	(80,907)	(38,904)	(218,065)	(80,513)	(672,572)
	(589,260)	(325,506)	(304,794)	(109,071)	(994,663)	(235,854)	(2,559,150)
Segment underwriting profit/(loss)	**208,488**	**51,050**	**(20,275)**	**239,610**	**73,320**	**(95,330)**	**456,861**

Notes to the financial statements

6 Capital and Risk Management

6.1 Capital Management – Objectives, Policies and Approaches.

The objective of our capital management is to ensure that the Company is adequately capitalized at all times, even after experiencing significant adverse events. In addition, we seek to optimize the structure and sources of our capital to ensure that it consistently delivers maximum returns to our shareholders and guarantees adequate protection of our policyholders.

Our capital management policy is to hold sufficient capital to meet regulatory capital requirements (RCR) and also to sufficiently accommodate our risk exposures as determined by our risk appetite. Other objectives include to:

- maintain the required level of capital that guarantee security to our policyholders;
- maintain financial strength that would support business growth in line with strategy;
- maintain strong credit ratings and healthy capital ratios to support business objectives;
- retain financial flexibility by maintaining strong liquidity and consistent positive equity returns;
- allocate capital efficiently to ensure that returns on capital employed meet the requirements of capital providers and shareholders.

Our approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence our capital position in the light of changes in economic and market conditions, and risk characteristics.

The primary source of capital used is equity shareholders' funds. In addition, we utilize adequate and efficient reinsurance arrangements to protect shareholders' funds by reducing the need for further funding following unfavorable events such as catastrophes or just large random single claims.

The Company has had no significant changes in its policies and processes to its capital structure during the period ended 31 December 2018.

Analysis of shareholders funds		
In thousand of Naira	**31 Dec 2018**	**31 Dec 2017**
Total assets	23,145,508	23,308,158
Less: Total liabilites	5,225,021	3,355,326
Shareholders funds as at year end	**17,920,487**	**19,952,832**
Adjustment for non-capital items	273,207	202,719
Available capital resources	**17,647,280**	**19,750,113**
Changes in available capital	-11%	21%

Our available capital is based on the shareholders' equity/fund as adjusted to reflect the full economic capital base available to absorb any unexpected volatility in results of operations. Thus, available capital resources, after adjusting for non-capital assets, is N17,622,632 (2017: N19,750,113) amounting to no increase over the comparative period.

The Minimum Capital Requirement

The statutory minimum capital requirement for Non-life business is₦3billion.

In thousands of naira	**31 Dec 2018**	**31 Dec 2017**
Total shareholders' funds	17,920,487	19,952,832
Regulatory required capital	3,000,000	3,000,000
Excess over minimum capital	14,920,487	16,952,832
Capitalisation rate	597%	665%

The solvency margin requirement

Insurance industry regulator measures the financial strength of non-life insurers using a solvency margin model, NAICOM generally expect non-life insurers to comply with this capital adequacy requirement. This test compares insurers' capital against its risk profile. Section 24 (1) of the Insurance Act, 2003 requires that an insurer shall in respect of its business other than its life insurance business, maintain at all times a margin of solvency being the excess of the value of its admissible assets in Nigeria over its liabilities in Nigeria. The solvency margin shall not be less than 15 percent of the gross premium income less reinsurance premiums paid out during the yea under review or the minimum paid-up capital whichever is greater.

During the period, the Company has complied with this capital requirement. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement as deemed necessary.

Notes to the financial statements

The Company's solvency margin is as follows:

In thousands of naira	**31 Dec 2018**	**31 Dec 2017**
Assets		
Cash and cash equivalents	1,205,124	1,843,757
Financial assets	9,460,982	7,705,719
Trade receivables	32,090	13,741
Other receivables and prepayment	36,030	40,669
Reinsurance assets	543,636	558,813
Deferred acquisition cost	259,098	176,274
Property and equipment	1,303,014	1,019,578
Statutory deposit	300,000	300,000
Total admissible assets	**13,139,975**	**11,658,551**
Liabilities		
Insurance contract liabilities	4,289,254	2,443,857
Trade payables	144,234	107,346
Other payables	350,231	307,547
Defined benefit obligations	22,905	30,471
Finance lease obligation	56,037	88,222
Income tax liabilities	203,979	177,941
Total admissible liabilities	**5,066,640**	**3,155,384**
Excess of total admissible assets over admissible liabilities (solvency margin)	**8,073,335**	**8,503,168**
Higher of (a) and (b):		
Gross premium income	4,942,397	4,186,126
Less: Reinsurance expense	(1,464,561)	(1,345,748)
Net premium	3,477,836	2,840,377
(a) **15% of net premium**	521,675	426,057
(b) **Minimum paid up capital**	3,000,000	3,000,000
The higher thereof:	**3,000,000**	**3,000,000**
Excess of solvency margin over minimum capital base	**5,073,335**	**5,503,168**
Solvency margin ratio	**269%**	**283%**

6.2 Insurance risk

The Company issues contracts that transfer insurance risk. This section summarizes this risk and the way it is being managed.

(a) **Types of insurance risk contracts**

The Company principally issues the following types of general insurance contracts: Motor, Fire, General Accidents, Aviation, Marine, Engineering, Bond and Oil & Gas. The risks under this policies usually cover twelve months duration. The most significant risks in this policies arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

These risks however do not vary significantly with the risk location, type of insured and industry.

(b) Management of insurance risk

The risks facing us in any insurance contract arise from fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations; unexpected claims arising from a single source or cause; inaccurate pricing of risks or inappropriate underwriting of risks when underwritten; and inadequate reinsurance protection or other risk transfer techniques.

The principal risk that the Company faces under its insurance contracts is that the actual claims and benefits payments, or its timing thereof, exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. In addition, the Company manages this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling and investigations.

Notes to the financial statements

Our insurance underwriting strategy has been developed in such a way that the types of insurance risks accepted are diversified to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Insurance risk is increased by the lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew certain policies, it can impose excess or deductibles and has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all of claims costs.

The Company purchases reinsurance as part of its insurance risk mitigation programme. The reinsurance arrangements include excess and proportional coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses in any one year. Amount recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

The Company has a specialized claims unit that ensures mitigation of the risks surrounding all known claims. This unit investigates and adjusts all claims in conjunction with appointed loss adjusters. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments. Risk concentration is assessed per class of business. The concentration of insurance risk before and after reinsurance by class in relation to the type of insurance risk accepted is summarized below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from all non-life insurances.

(c) **Insurance risk concentration per policy type**

Line of business	**31 December 2018**			**31 December 2017**		
In thousands of naira	**Gross premium**	**Reinsurance**	**Net**	**Gross premium**	**Reinsurance**	**Net**
Motor	1,278,407	26,113	1,252,294	721,441	249,689	471,752
Fire	678,737	329,804	348,933	607,487	128,263	479,224
Accident	643,751	229,080	414,671	483,064	9,990	473,074
Engineering	180,137	107,829	72,308	273,019	108,198	164,821
Marine	516,691	190,582	326,109	485,628	85,171	400,457
Oil & Gas	2,093,447	581,152	1,512,295	1,461,444	543,214	918,230
	5,391,170	1,464,561	3,926,609	4,102,253	1,345,748	2,907,558

(d) **Key Assumptions**

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claim handling costs, claim inflation factors and claims numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming; economic conditions as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

(e) **Sensitivity Analysis**

The insurance claims liabilities above are sensitive to the key assumptions that follow. However, it has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity fund. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that the movements in these assumptions are not linear.

(f) **Insurance risk concentration per policy type**

Line of business	**31 December 2018**			**31 December 2017**		
In thousands of naira	**Gross outstanding claims**	**Reinsurance recoveries**	**Net liabilities**	**Gross outstanding claims**	**Reinsurance recoveries**	**Net liabilities**
Motor	133,877	6,103	127,774	190,900	10,187	180,713
Fire	195,971	88,897	107,075	200,860	129,730	71,130
Accident	273,774	71,713	202,061	370,265	92,782	277,483
Engineering	233,222	79,163	154,059	221,482	105,256	116,226
Marine	224,161	14,318	209,842	72,978	7,099	65,880
Oil & Gas	1,740,220	-	1,740,220	348,116	-	348,116
	2,801,226	260,194	2,541,032	1,404,601	345,054	1,059,547

Notes to the financial statements

(g) **Claims Development Table**

The Company has reported and disclosed its claims reserves based on the requirements of IFRS 4 - Insurance Contracts. Below is the claims development information over the period 2007 – 2018 as follows:

	Claims Development Table										
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	151,460	134,625	41,902	10,416	2,964	1,834	1,080	5	470	-	-
2008	271,568	285,238	51,796	8,056	3,139	334	345	162			
2009	175,944	225,955	93,091	64,576	31,461	1,507	606	1,139			
2010	280,328	257,899	117,497	136,000	16,732	1,406	1,134	3,933			
2011	188,021	209,088	119,363	172,367	2,056	5,317	947	694			
2012	206,910	265,358	85,262	83,530	6,970	110,924	35,388				
2013	184,702	380,558	36,518	8,111	672	22,874					
2014	390,700	282,279	26,057	2,437	3,344						
2015	489,844	713,617	51,116	154,059							
2016	651,881	883,519	101,188								
2017	477,341	518,482									
2018	611,826										

The claims development information over the period 2007 – 2017 is as follows:

	Claims Development Table										
Accident Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	150,467	338,281	342,915	345,141	345,151	1,834	1,080	5	470	-	-
2008	333,954	521,016	531,836	532,829	533,994	334	345	162			
2009	258,170	104,809	407,562	409,178	420,427	1,507	606	1,139			
2010	201,283	356,274	369,779	370,742	371,949	1,406	1,058	585			
2011	182,705	293,340	310,143	311,428	311,713	5,317	947				
2012	188,547	257,973	271,316	271,335	271,710	110,908					
2013	156,934	274,116	275,935	276,314	276,314						
2014	201,239	260,422	263,665	263,954							
2015	257,731	328,303	328,716								
2016	224,006	289,063									
2017	200,948										

Notes to the financial statements

***(h)* Sensitivity Analysis of Liability for Claims**

31 December 2018			Impact on variables		
Criteria	**Changes in Assumption**	**Gross Liabilities**	**Net Liabilities**	**Profit before tax**	**Equity Fund**
		₦'000	**₦'000**	**₦'000**	**₦'000**
Average claims cost	+10% increase	485	470	(15)	(11)
Number of claims	+10% increase	105,169	101,904	(3,265)	(2,285)
Average claims settlement period	Reduction by 3 months	(160,470)	(137,849)	22,622	15,835

31 December 2017			Impact on variables		
Criteria	**Changes in Assumption**	**Gross Liabilities**	**Net Liabilities**	**Profit before tax**	**Equity Fund**
		₦'000	**₦'000**	**₦'000**	**₦'000**
Average claims cost	10%	105	77	(28)	(20)
Number of claims cost	10%	15,524	11,394	(4,131)	(2,891)
Average claims settlement period	Reduction by 3 months	(522,179)	(383,240)	138,939	97,257

6.3 Financial risks

The Company is exposed to a range of financial risks through its financial instruments and reinsurance assets.

The key financial risk is that in the long term its investments proceeds are not sufficient to meet the obligations arising from its insurance contracts. The most important components of the financial risks are:

- Credit risks
- Liquidity risks
- Market risks
- Property risks.

(a) Credit risks

Credit risk is the risk of default and change in credit quality of issuers of securities, counter-parties and untimely or non-payment of premiums by policyholders as at when due.

The categories of credit risk exposed to by the Company are:

(i) Direct default risk: which is the risk of non-receipt of cash flows or assets due to the Company because brokers, policyholders and other debtors default on their obligations.

(ii) Concentration risk: which is the exposure of losses due to excessive concentration of business activities to individual counterparties, groups of individuals or related entities, counterparties in specific geographical locations, industry sector, specific products, etc.

(iii) Counterparty risk: this is the risk that a counterparty is not able or willing to meet its financial obligations as they fall due.

In managing credit exposures to counterparties, the Company had instituted the following policies and procedures:

(i) A credit risk management policy, which sets out the assessment and determination of credit risk components. In addition, it sets out the net exposure limits for each counterparty, based on geographical and industry segmentation. The policy is regularly reviewed for pertinence and for changes in the risk environment.

(ii) Reinsurance arrangement is entered with counterparties that have a good credit rating. Concentration risk is avoided by following policy guidelines on counterparties' limits that are set each year by the board of directors and reviewed regularly. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment, if need be.

(iii) The credit risk in respect of customer balances incurred on non-payment of premiums will only persist during the grace period specified in Section 50 of the Insurance Act.

(iv) The Company sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

Notes to the financial statements

Credit risk exposure and concentration

The Company's maximum credit risk exposure as per its statement of financial position as at 31 December 2018 and 31 December 2017 is the carrying amounts of each component. The maximum risk exposure presented below does not include the exposure that arises in the future as a result of the changes in values. Credit risk is spread across many industries, firms and individuals. The Company monitors concentration of credit risk by sector as shown below.

In summary, our credit exposure is highly concentrated in the financial institutions sector – commercial banks, insurance companies, finance houses, etc. The maximum exposure is shown gross, before the effect of mitigation through the use of netting and collateral agreements, below.

31 December 2018

In thousands of Naira	**Financial institutions**	**Manufacturing**	**Aviation**	**Others**	**Total**
Cash and cash equivalents	1,205,124	-	-	-	1,205,124
Financial assets:					
Fair value through profit or loss	3,464,033	-	-	-	3,464,033
Available-for-sale	9,746,488	-	-	64,028	9,810,517
Loans and receivables	110,573	-	-	54,387	164,960
Held to maturity	14,665	5,603,161	-	-	5,617,826
Reinsurance assets (less unearned premium)	618,004	-	-	-	618,004
Trade receivables	32,090	-	-	-	32,090
Other receivables	15,287	-	-	223,490	238,777
Statutory deposit	300,000	-	-	-	300,000
Gross credit risk exposure	15,506,264	5,603,161	-	341,905	21,451,331

31 December 2017

In thousands of Naira	**Financial institutions**	**Manufacturing**	**Aviation**	**Others**	**Total**
Cash and cash equivalents	1,843,757	-	-	-	1,843,757
Financial assets:					
Fair value through profit or loss	2,142,033	1,923,074	92,947	171,538	4,329,592
Available-for-sale	10,996,907	-	-	175,114	11,172,021
Loans and receivables	-	-	-	147,754	147,754
Held to maturity	14,665	2,995,041	-	-	3,009,706
Reinsurance assets (less unearned premium)	559,501	-	-	-	559,501
Trade receivables	13,741	-	-	-	13,741
Other receivables	15,287	-	-	223,490	238,777
Statutory deposit	300,000	-	-	-	300,000
Gross credit risk exposure	15,885,890	4,918,116	92,947	717,896	21,614,848

Notes to the financial statements

Credit Risk Quality

One of the principal criteria used to judge the risk of default (or quality) of our credit risk exposure is credit quality of the counterparty we are exposed to. This we determine by using our internal credit rating criteria, which is benchmarked against Global Credit Rating Co.'s rating criteria as comparatively shown below:

Credit Quality	GRC Rating Scale	Linkage Rating Scale	Definition of Criteria
LOW	AAA AA+ - AA-	AAA	Highest Credit Quality: The risk factors are negligible, being only slightly more than risk-free government instruments.
	A+ - A-	AA	Very High Credit Quality: Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk, although not significant.
MEDIUM	BBB+ - BBB-	BBB	Adequate protection factors and considered sufficient for prudent investment. However, there is considerable variability in risk during economic cycles.
	BB+ - BB-		Below investment grade but capacity for timely repayment exists. Present or prospective financial protection factors fluctuate according to industry's conditions or company's fortunes. Overall, quality may move up or down frequently within this categories.
	B+ - B-	BB	Below investment grade and possessing risk that obligations will not be met when due. Financial protection factors will fluctuate widely according to economic cycles, industry conditions and/or company fortunes.
HIGH	CCC	NOT RATED	Well below investment grade securities. Considerable uncertainty exists as to timely payment of principal or interest. Protection factors are narrow and risk can be substantial with unfavourable economic/industry conditions, and/or with unfavourable company development.
	DD		Defaulted debt obligations. The issuer failed to meet scheduled principals and/or interest payments. Company has been, or is likely to be, placed under the order of the court.

Using the above rating table, the position of the Company's credit quality as at 31 December 2018 is as shown below. Overall, our credit risk exposure has maintained a low risk profile. This is because our exposure to high risk counterparties has been low in order to protect policyholder funds and secure the liquidity of operating funds.

Credit Risk Quality

31 December 2018 *In thousands of Naira*	**AAA**	**AA**	**BBB**	**BB**	**Not rated**	**Total**
Assets						
Cash and cash equivalents	-	502,565	78,562	193,156	430,841	1,205,124
Financial assets:						
- FVTPL	3,166,728	180,592	-	-	116,712	3,464,032
- Available-for-sale	9,746,488	15,838	16,650	-	31,540	9,810,517
- Held-to-maturity	-	5,603,161	14,665	-	-	5,617,826
- Loans and receivable	-	150,295.00	-	-	14,665	164,960
Reinsurance assets	-	618,004	-	-	-	618,004
Trade receivables	-	-	-	-	32,090	32,090
Other receivables	-	-	-	-	238,777	238,777
Statutory deposit	300,000	-	-	-	-	300,000
Total credit exposure	**13,213,216**	**7,070,456**	**109,877**	**193,156**	**864,625**	**21,451,331**

Notes to the financial statements

31 December 2017

In thousands of Naira	AAA	AA	BBB	BB	Not rated	Total
Assets						
Cash and cash equivalents	93,735	453,829	89,623	322,986	883,584	1,843,757
Financial assets:						
- *FVTPL*	1,854,670	2,040,468	-	418,064	16,390	4,329,591
- *Available-for-sale*	-	11,095,029	-	12,963	64,029	11,172,021
- *Held-to-maturity*	2,990,566	-	-	-	19,141	3,009,706
- *Loans and receivable*	-	-	-	-	147,754	147,754
Reinsurance assets	-	559,501	-	-	-	559,501
Trade receivables	-	-	-	-	13,741	13,741
Other receivables	-	-	-	-	238,777	238,777
Statutory deposit	300,000	-	-	-	-	300,000
Total credit exposure	**5,238,972**	**14,148,827**	**89,623**	**754,013**	**1,383,415**	**21,614,848**

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geography and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

During the year, no credit exposure limit was exceeded.

We provide a further analysis of our credit risk exposure in terms of counterparty's financial instruments as investment grades or non-investment grades, as well as Neither Past Due or Past Due but Not Impaired. All our financial assets during the period are neither past due or past due but not impaired with the exception of trade receivables as shown below.

As at 31 December 2018

	Niether Past Due nor Impaired				
In thousands of Naira	Investment	Non-Investment Grades		Past Due but	Total
Assets	Grades	Satisfactory	Unsatisfactory	not Impaired	
Cash and cash equivalents	1,204,472	652	-	-	1,205,124
Financial assets:					
- *FVTPL*	3,464,033	-	-	-	3,464,033
- *Available-for-sale*	9,810,517	-	-	-	9,810,517
- *Held-to-maturity*	5,617,826	-	-	-	5,617,826
- *Loans and receivables*	95,211	69,749	-	-	164,960
Reinsurance assets	-	618,004	-	-	618,004
Trade receivables	-	32,090	-	-	32,090
Other receivables	-	238,777	-	-	238,777
Statutory deposit	300,000	-	-	-	300,000
Total credit exposure	20,492,059	959,272	-	-	21,451,331

As at 31 December 2017

	Niether Past Due nor Impaired				
In thousands of Naira	Investment	Non-Investment Grades		Past Due but	Total
Assets	Grades	Satisfactory	Unsatisfactory	not Impaired	
Cash and cash equivalents	1,843,757	-	-	-	1,843,757
Financial assets:					
- *FVTPL*	4,329,592	-	-	-	4,329,592
- *Available-for-sale*	11,172,021	-	-	-	11,172,021
- *Held-to-maturity*	3,009,706	-	-	-	3,009,706
- *Loans and receivables*	121,120	26,634	-	-	147,754
Reinsurance assets	-	559,501	-	-	559,501
Trade receivables	-	13,741	-	-	13,741
Other receivables	-	238,777	-	-	238,777
Statutory deposit	300,000	-	-	-	300,000
Total credit exposure	20,776,195	838,653	-	-	21,614,848

Notes to the financial statements

Impaired Financial Assets

As at 31 December 2018, there were no impaired reinsurance assets (31 December 2017: Nil) and impaired loans and receivables amounted to N74.37million (31 December 2017: ₦74.37million).

For assets to be classified "past-due and impaired" contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

Credit Collateral

The amount and type of collateral required depends on an assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Collateral is mainly obtained for securities lending and for cash purposes. Credit risk is also mitigated by entering into collateral agreements.

Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The collateral can be sold or replaced by the Company, where necessary and is repayable if the contract terminates or the contract's fair value decreases. No collateral received from the counterparty has been sold or repledged this year/period.

Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The characteristic nature of our business requires the availability of adequate cash flow to meet our contractual obligations to policyholders (and other third parties) in the event of claim settlement.

This is the risk of loss arising due to insufficient liquid assets to meet cash flow requirements or to fulfil financial obligation once claims crystallize. In the case of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

Our exposure to liquidity risk comprises of:

(i) Funding (Cash-flow) Liquidity Risk:
This is the risk of not meeting current and future cash flow and collateral needs, both expected and unexpected, without materially affecting daily operations or overall financial condition of the Company.

(ii) Market (Asset) Liquidity Risk:
This is the risk of loss which is occasioned by the incapacity to sell assets at or near their carrying value at the time needed.

The Company mitigates its exposure to liquidity risk through the following mechanisms:

- Liquidity policy, which sets out the assessment and determination of what constitutes the Company's liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Assets and Liability Management Committee. The policy is regularly reviewed for pertinence ad for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- Our catastrophe excess–of–loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Below is a maturity profile summary of the Company's undiscounted contractual obligations cash flows of financial assets matched with financial liabilities. For insurance contract liabilities and reinsurance assets, maturity profile estimates are based on timing of net cash flows from the recognized insurance liabilities.

Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

In addition, the Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Notes to the financial statements

Maturity Analysis (Undiscounted cashflow basis)
The table below summarizes the undiscounted cashflow profile of the Company's financial assets and liabilities :

As at 31 December 2018
In thousands of Naira

Assets	Notes	Carrying Amount	Gross Amount	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	> 5 years
Cash and cash equivalents	7	1,205,124	1,205,124	1,205,124	-	-	-	-
Financial assets:								
- *FVTPL*	8.1	3,464,033	4,411,898	272,711	3,789,496	223,372	126,319	-
- *Available-for-sale*	8.2	9,810,517	9,810,517	-	-	-	9,810,517	-
- *Held-to-maturity*	8.3	5,617,826	5,954,896	248	237,948	5,657,151	59,549	-
- *Loans and receivable*	8.6	164,960	147,754	-	147,754	-	-	-
Reinsurance assets	10	543,636	543,636	-	-	543,636	-	-
Trade receivables	9	32,090	32,090	32,090	-	-	-	-
Other receivables	12	287,101	287,101	-	287,101	-	-	-
Total undiscounted liquid assets		**21,125,287**	**22,393,016**	**1,510,173**	**4,462,299**	**6,424,159**	**9,996,385**	-
Liabilities								
Trade payables	19	144,234	144,234	144,234	-	-	-	-
Other payables	20	350,231	350,231	350,231	-	-	-	-
Finance lease obligations	21	56,037	138,891	13,021	13,021	26,042	86,807	-
Total undiscounted liabilities		**550,502**	**633,356**	**507,486**	**13,021**	**26,042**	**86,807**	-

Notes to the financial statements

As at 31 December 2017
In thousands of Naira

Assets		Carrying Amount	Gross Amount	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	> 5 years
Cash and cash equivalents	7	1,843,757	1,843,757	1,843,757	-	-	-	-
Financial assets:								
- *FVTPL*	8.1	4,336,153	4,411,898	272,711	3,789,496	223,372	126,319	-
- *Available-for-sale*	8.2	11,172,021	11,172,021	-	-	-	11,172,021	-
- *Held-to-maturity*	8.3	3,003,145	3,209,764	248	129,038	3,063,149	17,329	-
- *Loans and receivable*	8.6	147,754	147,754	-	147,754	-	-	-
Reinsurance assets	10	558,813	558,813	-	-	558,813	-	-
Trade receivables	9	13,741	13,741	13,741	-	-	-	-
Other receivables	12	238,777	238,777	-	238,777	-	-	-
Total undiscounted liquid assets		**21,314,160**	**21,596,524**	**2,130,457**	**4,305,065**	**3,845,334**	**11,315,668**	-
Liabilities								
Trade payables	19	107,346	107,346	107,346	-	-	-	-
Other payables	20	307,547	307,547	307,547	-	-	-	-
Finance lease obligations	21	88,222	138,891	13,021	13,021	26,042	86,807	-
Total undiscounted liabilities		**503,115**	**553,784**	**427,914**	**13,021**	**26,042**	**86,807**	-

Notes to the financial statements

Maturity Analysis (on Expected maturity basis)
The table below summarizes the expected utilization or settlement of assets and liabilities:

	31 December 2018			31 December 2017		
In thousands of Naira	Current	Non-Current	Total	Current	Non-Current	Total
Assets						
Cash and cash equivalents	1,205,124	-	1,205,124	1,843,757	-	1,843,757
Financial assets	5,617,826	13,439,510	19,057,336	7,487,052	11,172,021	18,659,073
Trade receivables	32,090	-	32,090	13,741	-	13,741
Reinsurance assets	543,636	-	543,636	558,813	-	558,813
Deferred acquisition cost	259,098	-	259,098	176,274	-	176,274
Other receivables & prepayments	287,101	-	287,101	238,777	-	238,777
Investment property	-	144,000	144,000	-	135,000	135,000
Intangible assets		14,109	14,109	26,445	-	26,445
Property & equipment	-	1,303,014	1,303,014	-	1,356,278	1,356,278
Statutory deposit	300,000	-	300,000	300,000	-	300,000
Total Assets	8,244,875	14,900,633	23,145,508	10,644,858	12,663,299	23,308,158
Liabilities						
Insurance liabilities	4,289,254	-	4,289,254	2,443,857	-	2,443,857
Trade payables	144,234	-	144,234	107,346	-	107,346
Finance lease obligation	44,419	11,618	56,037	35,368	52,854	88,222
Other payables	350,231	-	350,231	307,547	-	307,547
Retirement benefit obligations	-	22,905	22,905	-	30,471	30,471
Income tax liabilities	203,979	-	203,979	177,941	-	177,941
Deferred tax liabilities	-	158,381	158,381	-	199,942	199,942
Total Liabilities	5,032,117	192,904	5,225,021	3,072,059	283,268	3,355,327

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The identification, management, control, measurement and reporting of market risk are aligned towards the sub-risk categories namely:

- Equity price risk
- Foreign exchange risk
- Interest-rate risk

The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Asset Liability Management Committee and Board through its Audit, Compliance and Risk Management Committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

- Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and those assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.
- The Company stipulates diversification benchmarks by type of instrument and geographical area based on exposure to variations in interest rates, equity prices and foreign exchange.
- There is strict control over hedging activities.

(i) Currency (Foreign Exchange) Risk

Currency risk is the potential risk of loss from fluctuating foreign exchange rates as a result of the Company's exposure to foreign currency denominated transactions. It is also the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Naira and its exposure to foreign exchange risk arises primarily with respect to transactions denominated in foreign currencies. The Company's financial assets are primarily denominated in local currency as its insurance contract liabilities and investment. This mitigates the foreign currency exchange rate risk for its operations. Thus, the main foreign exchange risk arises from translation of recognized assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled.

Notes to the financial statements

Analysis of assets and liability by major currencies
The table below summarizes the Company's financial assets and liabilities by major currencies:

31 December 2018	Naira	Euro	Pound Sterling	US Dollars	Total
Assets	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	447,247	63,896	52	693,930	1,205,124
Financial assets	19,057,336	-	-	-	19,057,336
Trade receivables	32,090	-	-	-	32,090
Reinsurance assets	543,636	-	-	-	543,636
Deferred acquisition cost	259,098	-	-	-	259,098
Other receivables	211,189	-	-	-	211,189
Statutory deposit	300,000	-	-	-	300,000
TOTAL ASSETS	**20,850,596**	**63,896**	**52**	**693,930**	**21,608,473**
Liabilities					
Trade payables	144,234	-	-	-	144,234
Finance lease obligation	56,037				56,037
Other payables	350,231	-	-	-	350,231
TOTAL LIABILITIES	**550,502**	-	-	-	**550,502**

31 December 2017	Naira	Euro	Pound Sterling	US Dollars	Total
Assets	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	1,085,879	63,896	52	693,930	1,843,757
Financial assets	18,642,873	-	-	16,200	18,659,073
Trade receivables	13,741	-	-	-	13,741
Reinsurance assets	558,813	-	-	-	558,813
Deferred acquisition cost	176,274	-	-	-	176,274
Other receivables	142,138	-	-	-	142,138
Statutory deposit	300,000	-	-	-	300,000
TOTAL ASSETS	**20,919,718**	**63,896**	**52**	**710,130**	**21,693,795**
Liabilities					
Trade payables	107,346	-	-	-	107,346
Finance lease obligation	88,222				88,222
Other payables	307,547	-	-	-	307,547
TOTAL LIABILITIES	**503,115**	-	-	-	**503,115**

The Company has no significant concentration of foreign currency risk.

Sensitivity analysis - foreign currency risk
The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. The movements in these variables are non–linear.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

Sensitivity analysis of major currencies

	31 December 2018			31 December 2017		
Major Currencies	**Changes in exchange rate (%)**	**Impact on Profit before tax**	**Impact on equity**	**Changes in exchange rate (%)**	**Impact on Profit before tax**	**Impact on equity**
EURO	+10%	319	94	+10%	1,089	762
GBP	+10%	26	11	+10%	1	0
USD	+10%	6,453	2,145	+10%	4,996	3,497
EURO	-10%	(319)	(94)	-10%	(1,089)	(762)
GBP	-10%	(26)	(11)	-10%	(1)	(0)
USD	-10%	(6,453)	(2,145)	-10%	(4,996)	(3,497)

*Note * = impact on equity reflects adjustments for tax, where possible.*

Notes to the financial statements

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Investment in fixed interest rate instruments exposes the Company to cash flow interest risk and fair value interest risk. This is because the Company's investment approach is conservative with high investment in fixed income instruments. The Company does not have interest-rate based liabilities. However, the Company's investment income moves with interest rate over the time creating unrealized gains or losses.

The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Any gap between fixed and variable rate instruments and their maturities are effectively managed by the Company through derivative financial instruments. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity or terminated.

The Company has no significant concentration of interest rate risk.

I Sensitivity analysis - interest rate risk

The table below details analysis of the impact of interest rate changes on reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of floating rate financial assets and liabilities, including the effect of fair value hedges) and equity (that reflects adjustments to profit before tax). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

31 December 2018

Interest earning assets	Basis points	Impact on Profit before tax	Up to 1 Year	1 -3 Years	3 - 5 Years	> 5 years	Total
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Short term deposit	+100	19	19	-	-	-	19
Tresury Bill	+100	43	43	-	-	-	43
Bonds	+100	2,794	-	2,794	-	-	2,794
Short term deposit	-100	(19)	(19)	-	-	-	(19)
Treasury Bill	-100	(43)	(43)	-	-	-	(43)
Bonds	-100	(2,794)	-	(2,794)	-	-	(2,794)

31 December 2017

Interest earning assets	Basis points	Impact on Profit before tax	Up to 1 Year	1 -3 Years	3 - 5 Years	> 5 years	Total
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Short term deposit	+100	35	35	-	-	-	35
Tresury bill	+100	51	51	-	-	-	51
Bonds	+100	(111,868)	-	(111,868)	-	-	(111,868)
Short term deposit	-100	(35)	(35)	-	-	-	(35)
Tresury bill	-100	(51)	(51)	-	-	-	(51)
Bonds	-100	111,868	-	111,868	-	-	111,868

Notes to the financial statements

(iii) ***Equity Risk***

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally quoted stocks and shares securities.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

The Company has no significant concentration of price risk.

Sensitivity Analysis - equity price risk

The following table contains the fair value and related equity price risk sensitivity of the Company's listed and non-listed equity securities. The equity price risk sensitivity has been calculated based on what the Company views to be reasonably possible changes in the equity prices for the coming year. For listed equities a 20% change in the equity price has been used in the calculation of the sensitivity as at 31 December 2018. For non-listed securities a 40% change in the equity prices has been used in the calculation of the sensitivity.

Sensitivity Analysis - equity price risk

		31 December 2018			31 December 2017		
Market Indices	**Changes in variables**	**Fair Value**	**Impact on Profit before tax**	**Impact on Equity**	**Fair Value**	**Impact on Profit before tax**	**Impact on Equity**
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Fair value through profit or loss	+20%	3,464,033	692,807	484,965	4,336,153	867,231	607,061
Available-for-sale - Quoted	+20%	32,488	6,498	4,548	36,992	7,398	5,179
Available-for-sale - Unquoted	+40%	9,778,029	1,955,606	1,368,924	11,135,029	2,227,006	1,558,904
Fair value through profit or loss	-20%	3,464,033	(692,807)	(484,965)	4,336,153	(867,231)	(607,061)
Available-for-sale - Quoted	-20%	32,488	(6,498)	(4,548)	36,992	(7,398)	(5,179)
Available-for-sale - Unquoted	-40%	9,778,029	(1,955,606)	(1,368,924)	11,135,029	(2,227,006)	(1,558,904)

(d) Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

(e) Valuation Bases

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Fair values are determined at prices quoted in active markets. In the current environment, such price information is typically not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee. The Company has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

Notes to the financial statements

The table below shows financial assets carried at fair value:

In thousands of Naira	31 December 2018 Level 1	Level 2	Level 3	31 December 2017 Level 1	Level 2	Level 3
Financial assets						
Quoted investments	3,464,033	-	-	4,336,153	-	-
Investment in unit trust scheme	32,488	-	-	36,992	-	-
Unquoted equity investments	-	-	9,714,000	-	-	11,071,000
	3,496,521	-	9,714,000	4,373,145	-	11,071,000

Fair value measurements recognized in the statement of financial position. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Company into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised

31-Dec-18

In thousands of Naira	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Assets					
Cash and cash equivalents	-	1,205,124	-	1,205,124	1,205,124
Financial assets:					
Loans and receivables	-	164,960	-	164,960	164,960
Held to maturity	5,669,878	-	12,602	5,682,480	5,617,826
Trade receivables	-	32,090	-	32,090	32,090
Other receivables and prepayments	-	287,101	-	287,101	287,101
				7,435,784	7,371,130
Liabilities					
Insurance contract liabilities	-	4,289,254	-	4,289,254	4,289,254
Trade payables	-	144,234	-	144,234	144,234
Other payables	-	350,231	-	350,231	350,231
Finance lease obligations	-	56,037	-	56,037	56,037
Defined benefit obligations	-	22,905	-	22,905	22,905
				4,862,661	4,862,661
31-Dec-17					
Assets					
Cash and cash equivalents	-	1,843,757	-	1,843,757	1,843,757
Financial assets:					
Loans and receivables	-	151,040	-	151,040	147,754
Held to maturity	3,033,957	-	17,329	3,051,286	3,003,145
Trade receivables	-	13,741	-	13,741	13,741
Other receivables and prepayments	-	238,777	-	238,777	238,777
				5,362,630	5,311,202
Liabilities					
Insurance contract liabilities	-	2,443,857	-	2,443,857	2,443,857
Trade payables	-	107,346	-	107,346	107,346
Other payables	-	307,547	-	307,547	307,547
Finance lease obligations	-	88,222	-	88,222	88,222
Defined benefit obligations	-	30,471	-	30,471	30,471
				2,977,443	2,977,443

7 Cash and cash equivalents

Cash and cash equivalents comprise:

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Cash in hand	652	373
Balances with banks & other financial institutions (see (b) below)	1,331,893	1,970,805
	1,332,545	1,971,178
Allowance for impairment (see (a) below)	(127,421)	(127,421)
Cash and bank balance as at year end	**1,205,124**	**1,843,757**

Notes to the financial statements

(a) Allowance for impairment

Balance as at the beginning of the year	127,421	52,324
Addition	-	75,097
Balance as at the end of the year (see '(c) below for details)	127,421	127,421

(b) These are cash balances and short-term placements with banks and other financial institutions with tenor of 90 days or less. Cash & cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and have a maturity of three months or less from the date of acquisition.
The balances with banks and other financial institutions includes a N123.1 million foreign exchange gain relating to translation of foreign currency bank balances and short-term investments held by the company as at reporting date.

(c) Amount relates to short term investments with Resort Savings and Loans (N75million), Triumph Bank (N20 million), Profound Finance and Investment Ltd (N9.5 million), Assurance bank (N9.3million) and others (N13.6 million) which recoverability are in doubt. During the year under review, the Directors of Linkage Assurance Plc appointed a recovery agent to ensure recovery of the Funds.

8 Financial assets

The Company's financial assets comprise fair value through profit or loss financial assets, available-for-sale financial assets, loans and receivables and unquoted equity at cost.

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Fair value through profit or loss (note 8.1)	3,464,033	4,336,153
Available-for-sale (note 8.2)	9,810,517	11,172,021
Loans and receivables (note 8.6)	164,960	147,754
Held to maturity (note 8.7)	5,617,826	3,003,145
	19,057,336	18,659,073

Financial instrument classification

In thousands of Naira	Fair Value through Profit or Loss	Available for Sale	Loans and Receivables	Held to Maturity	Total
	31 December 2018				
- Listed	3,464,033	32,488	-	-	3,496,521
- Unlisted	-	9,778,029	-	-	9,778,029
- Other financial assets	-	-	164,960	5,617,826	5,782,786
	3,464,033	9,810,517	164,960	5,617,826	19,057,336
Within one year	3,464,033	-	164,960	5,617,826	9,246,819
More than one year	-	9,810,517	-	-	9,810,517
	3,464,033	9,810,517	164,960	5,617,826	19,057,336

Financial instrument classification

In thousands of Naira	Fair Value through Profit or Loss	Available for Sale	Loans and Receivables	Held to Maturity	Total
	31 December 2017				
- Listed	4,336,153	36,992	-	-	4,373,146
- Unlisted	-	11,135,029	-	-	11,135,029
- Others	-	-	147,754	3,003,145	3,150,899
	4,336,153	11,172,021	147,754	3,003,145	18,659,074
Within one year	4,336,153	-	147,754	3,003,145	7,487,052
More than one year	-	11,172,021	-	-	11,172,021
	4,336,153	11,172,021	147,754	3,003,145	18,659,073

8.1 Fair value through profit or loss

The movement in the investment at fair value through profit or loss is as follows:

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance as at the beginning of the year	4,336,153	4,039,496
Disposal	(1,200,656)	(530,685)
	3,135,497	3,508,812
Fair value gain	328,536	827,341
Balance as at the end of the year	3,464,033	4,336,153

The fair value of quoted financial instruments is determined by reference to published price quotations in an active market. The resulting fair value changes have been recognised in profit or loss.

Notes to the financial statements

8.2 Available for sale

Available for sale financial assets comprise:

In thousands of Naira	31 Dec 2018	31 Dec 2017
Quoted equities and unit trust schemes (note 8.3)	32,488	36,992
Unquoted equities - at fair value through OCI (note 8.4)	9,714,000	11,071,000
Unquoted equities - at cost (note 8.5)	64,029	64,029
	9,810,517	11,172,021

Reconciliation of carrying amount

In thousands of naira	31 Dec 2018	31 Dec 2017
Balance as at the beginning of the year	11,172,021	10,624,292
Fair value gain/(loss)	(1,361,504)	584,782
Exchange difference	-	(37,053)
Balance as at the end of the year	9,810,517	11,172,021

8.3 The fair value of available for sale quoted equities and unit trust schemes was derived as follows:

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance at the beginning of the year	36,992	27,210
Fair value changes	(4,504)	9,782
Balance at the end of the year	32,488	36,992

8.4 The fair value of available for sale unquoted equities measured at fair value through OCI was derived as follows:

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance at the beginning of the year	11,071,000	10,496,000
Fair value change	(1,357,000)	575,000
Balance at the end of the year	9,714,000	11,071,000

The unquoted equity carried at fair value above represent the 117,647,058 ordinary shares of N1 each of Stanbic IBTC Pension Managers Limited held by Linkage Assurance Plc.

The fair value of the investment as at 31 December 2018 was N9,714 billion (31 December 2017: N11.071 billion) and was determined using the discounted cashflow (DCF) method and level 3 inputs of the IFRS 13 fair value heirarchy.

Summary of Significant Assumptions

Description	31 Dec 2018	31 Dec 2017
Growth in gross income (GI) % over the next 5 years	-8, -1, 16, 15, 14	12, 8, 8, 8, 8
Operating expenses / Gross income %	29	29
Depreciation and amortisation / Gross income %	2	1
Effective tax rate (Tax / Profit before tax) %	32	32
Capital expenditure / Gross income %	44, 23, 38, 1, 1	10,10,12,12,12
Perpetual growth rate %	5.2	5.55
Period counts	0.5, 1.5, 2.5, 3.5, 4.5	0.5,1.5,2.5,3.5,4.5
Expected market rate of return %	24.04	21.87
Risk-free rate %	15.54	13.87
Market risk premium %	8.5	8
Beta	1	1
Weighted average cost of capital %	24.04	21.87
Equity value of Stanbic IBTC Pension Managers Limited (see note 8.4(a))	103,248	117,681
Equity value of 11.76% holding	12,142	13,839
Illiquidity discount %	20	20
Value of Linkage Assurance PLC's equity stake	N9.714 billion	N11.071 billion

Notes to the financial statements

(a) Sensitivity Analysis

At 31 December 2018

	Equity Value (₦ million)									
	Terminal growth rate of FCF									
		3.20%	3.70%	4.20%	4.70%	5.20%	5.70%	6.20%	6.70%	7.20%
WACC	22.04%	108,255	110,232	112,321	114,531	116,871	119,355	121,995	124,808	127,810
	22.54%	105,120	106,969	108,919	110,978	113,156	115,463	117,912	120,515	123,287
	23.04%	102,153	103,884	105,707	107,629	109,659	111,806	114,080	116,494	119,060
	23.54%	99,340	100,963	102,669	104,466	106,362	108,363	110,480	112,722	115,102
	24.04%	96,671	98,194	99,794	101,476	**103,248**	105,117	107,090	109,177	111,388
	24.54%	94,134	95,565	97,067	98,645	100,304	102,051	103,893	105,839	107,897
	25.04%	91,721	93,068	94,480	95,961	97,516	99,152	100,875	102,692	104,610
	25.54%	89,424	90,693	92,021	93,413	94,873	96,407	98,020	99,719	101,511
	26.04%	87,234	88,430	89,682	90,992	92,364	93,804	95,317	96,908	98,584

At 31 December 2017

	Equity Value (N million)									
	Terminal growth rate of FCF									
		3.55%	4.05%	4.55%	5.05%	5.55%	6.05%	6.55%	7.05%	7.55%
WACC	19.87%	123,052	125,219	127,528	129,992	132,629	135,456	138,496	141,772	145,315
	20.37%	119,665	121,674	123,810	126,085	128,514	131,112	133,898	136,894	140,123
	20.87%	116,474	118,340	120,320	122,425	124,667	127,061	129,622	132,368	135,320
	21.37%	113,463	115,198	117,037	118,989	121,063	123,274	125,633	128,157	130,864
	21.87%	110,616	112,234	113,944	115,757	**117,681**	119,726	121,905	124,230	126,718
	22.37%	107,921	109,431	111,026	112,712	114,499	116,395	118,411	120,559	122,851
	22.87%	105,366	106,778	108,266	109,838	111,501	113,262	115,131	117,119	119,236
	23.37%	102,941	104,262	105,653	107,121	108,670	110,309	112,046	113,839	115,849
	23.87%	100,635	101,874	103,176	104,548	105,995	107,522	109,139	110,851	112,668

Notes to the financial statements

8.5 The carrying amount of available for sale unquoted equities*measured at cost is* as follows:

In thousands of Naira	**31 Dec 2018**	**31 Dec 2017**
Cost	214,765	251,818
Addition	-	-
Disposal	-	-
Exchange difference	-	(37,053)
	214,765	214,765
Impairment allowance	(150,736)	(150,736)
Carrying amount	**64,029**	**64,029**

Impairment allowance

In thousands of Naira	**31 Dec 2018**	**31 Dec 2017**
Balance at the beginning of the year	150,736	150,736
Reversal on disposal	-	-
Addition	-	-
Balance at the end of the year	**150,736**	**150,736**

The unquoted equities are carried at cost less impairment charges. This is because the fair values cannot be reliably determined.

8.6 **Loans and receivables**

In thousands of Naira	**31 Dec 2018 ₦'000**	**31 Dec 2017 ₦'000**
Due from third parties (see note a below)	161,160	171,707
Loan to staff	32,918	24,990
Loan to policy holders	13,655	13,654
Ex-staff loans	36,215	11,772
	243,948	**222,123**
Allowance for impairment	(78,988)	(74,369)
	164,960	**147,754**

(a) **Breakdown of Due from third parties**

Name of third parties *In thousand of Naira*	**31 Dec 2018 ₦'000**	**31 Dec 2017 ₦'000**
Lease Fin. - Olumegbon	297	297
Tsf Fin. - Lease Fin.	927	927
Pine Hill Leasing	33,364	33,280
Lease-Glc Resources	4,374	4,374
Eternal Plc CP	17,559	-
Aquila Leasing Ltd.	54,052	77,241
Konikolo Trust Fund	49,087	49,087
Sunfair Comm. Prod. Ltd	1,500	1,500
Worthy Ventures Ltd.	-	5,000
Total	**161,161**	**171,707**

(b) **Impairment allowance**

In thousands of Naira	**31 Dec 2018**	**31 Dec 2017**
Balance at the beginning of the year	74,369	74,369
Additions (note 38)	4,619	-
Write back	-	-
Balance at the end of the year	**78,988**	**74,369**

Loans and receivables are measured at amortised cost using the effective interest rate. The effective interest rate for the purpose of staff loan valuation is the applicable market lending rates at the time of availment. The impairment allowance of N78.988 million consists of N56.19 million impairment on due from third parties, N13.65 million on Loans to policy holders and N9.14 million on ex-staff loans.

(c) The movement in loans and receivables during the year was as follows:

In thousands of Naira	**31 Dec 2018**	**31 Dec 2017**
Balance as at 1 January	222,123	218,535
Additions during the year	184,318	188,638
Repayment during the year	(162,493)	(185,931)
Accrued interest	-	881
	243,948	222,123
Impairment loss	(78,988)	(74,369)
Balance as at 31 December	164,960	147,754

Notes to the financial statements

8.7 Held to maturity

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance at the beginning of the year	3,014,337	32,582
Redemption	(2,990,543)	(4,061)
Investment in Nigerian Aviation Handling Company's (NAHCO) (see note (i) below)	23,794	28,521
Additions during the period (Treasury bills)	5,605,224	2,985,816
Unearned interest on treasury bills	-	-
	5,629,018	3,014,337
Allowance for impairment	(11,192)	(11,192)
Balance at the end of the year	5,617,826	3,003,145

(i) This represents amortised cost of the Company's investment in the Nigerian Aviation Handling Company's (NAHCO) 7-year bond. Interest on the instrument is payable half-yearly at 15.25%.

9 Trade receivables

In thousands of Naira	31 Dec 2018	31 Dec 2017
Due from broker	32,090	13,741
Due from agents	-	-
	32,090	13,741

9.1 Analysis of debtors in days

In thousands of Naira	31 Dec 2018	31 Dec 2017
Within 30 days	32,091	13,741
More than 30 days	-	-
	32,091	13,741

10 Reinsurance assets

In thousands of Naira	31 Dec 2018	31 Dec 2017	Changes during the year
Prepaid reinsurance	357,810	214,446	143,364
Reinsurance projection on UPR	-	-	-
Total as per actuarial valuation	357,810	214,446	143,364
Reinsurance treaty premium (deficit)/surplus (see note (i) below)	(74,368)	(688)	(73,680)
Total prepaid reinsurance (note 10.1)	283,442	213,758	69,684
Reinsurance recoverable on outstanding claims (note 10(b))	212,969	218,314	(5,345)
Reinsurance projection on IBNR (note 10(c))	47,225	126,741	(79,516)
	543,636	558,813	(15,176)

(i) This represents the net impact of reinsurance premium expense payable, commission revenue receivable/received and Claims recovery from reinsurers. The balance in the account is a payable to reinsurance companies as at year end.

(a) Movement in prepaid reinsurance costs

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance at the beginning of the year	214,446	189,188
Additions during the year	1,607,925	1,371,006
Reinsurance expense in the year (see note 33.1)	(1,464,561)	(1,345,748)
Balance at the end of the year	357,810	214,446

(b) Movement in reinsurance recoverable on outstanding claims

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance at the beginning of the year	218,314	481,413
Recoveries during the year (see note 17.1(a))	(5,345)	(263,099)
Balance at the end of the year	212,969	218,314

(c) Movement in reinsurance recoverable on IBNR projection

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance at the beginning of the year	126,741	85,311
Changes during the year (see note 17.1(b))	(79,516)	41,430
Balance at the end of the year	47,225	126,741

Reinsurance assets are valued after an allowance for recoverability has been assessed.

Notes to the financial statements

10.1 Breakdown of prepaid reinsurance is as follows:

In thousands of Naira	31 Dec 2018	31 Dec 2017
Motor	16,109	19,146
Fire	101,383	84,276
General accident	58,952	31,115
Engineering	33,599	24,606
Marine	33,863	53,944
Oil & Gas	113,904	1,359
	357,810	214,446
Treaty premium (deficit)/surplus	(74,368)	(688)
	283,442	213,758

11 Deferred acquisition cost

11.1 Deferred acquisition costs represent commissions on unearned premium relating to the unexpired period of risks and comprise:

In thousands of Naira	31 Dec 2018	31 Dec 2017
Motor	57,401	43,189
Fire	42,610	33,258
Accident	39,288	26,843
Engineering	11,945	9,660
Marine	19,911	25,468
Oil & Gas	87,943	37,856
	259,098	176,274

11.2 Movement in the deferred acquisition costs

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance at the beginning of the year	176,274	189,626
(Decrease) / increase during the year (see note 36.1)	82,824	(13,352)
Balance at the end of the year	259,098	176,274

12 Other receivables and prepayments

In thousands of Naira	31 Dec 2018	31 Dec 2017
Prepayments (see (a) below)	75,912	96,639
Other receivables (see (b) below)	217,400	148,349
	293,312	244,988
Allowance for impairment	(6,211)	(6,211)
	287,101	238,777

(a) Prepayments

In thousands of Naira	31 Dec 2018	31 Dec 2017
Prepaid staff benefits	36,030	40,669
Deposits with stock broker	2,602	2,602
Prepaid rent	10,990	9,465
Other prepaid expenses	26,290	43,903
	75,912	96,639

(b) Other receivables

In thousands of Naira	31 Dec 2018	31 Dec 2017
Prepaid business acquisition expenses	5,423	5,323
Withholding tax recoverable	75,946	76,749
Sundry receivables (see (i) below)	136,031	66,278
	217,400	148,349
Allowance for impairment	(6,211)	(6,211)
	211,189	142,138

(i) This represents receivables from other insurance companies for unsettled claims and deposit due from agents in the normal cause of business.

Movement in allowance for impairment

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance at the beginning of the year	6,211	4,831
Addition	-	1,380
Balance at the end of the year	6,211	6,211

Notes to the financial statements

13 Investment properties

(a) The balance in this account can be analysed as follows:

S/N	Location of asset	Carrying amount as at January 1 N'000	Additions N'000	Disposals N'000	Reclassification N'000	Fair value gain/(loss) N'000	Carrying amount as at 31 December N'000
1	No. 9C Shekinah Green Estate, Apo District, Abuja.	67,500	-	-	-	4,500	72,000
2	No. 11C Shekinah Green Estate, Apo District, Abuja.	67,500	-	-	-	4,500	72,000
		135,000	-	-	-	9,000	144,000

The Company possess Deed of Conveyance for the investment properties 2 and 3 above.

(b) Reconciliation of carrying amount

In thousands of Naira	31 Dec 2018	31 Dec 2017
Balance at the beginning of the year	135,000	92,000
Addition during the year	-	160,000
Reclassification to property and equipment (see note 15)	-	(92,000)
Fair value gain/(loss)	9,000	(25,000)
Balance at the end of the year	**144,000**	**135,000**

(c) Measurement of fair values

(i) Fair value hierarchy of the investment properties are as follows:

In thousands of Naira	31 Dec 2018	31 Dec 2017
Level 1	-	-
Level 2	-	-
Level 3	144,000	135,000
	144,000	**135,000**

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property as at 31 December 2018, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The fair values are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	-Rentals for similar property -Rate of development in the area -Quality of the building and repairs. -Influx of people and/or businesses to the area	The estimated fair value would increase (decrease) if the rate of development in the area increases (decreases), quality of the building increases (decreases), influx of people and/or business to the area increases (decreases).

The valuation was done by Andy Bassey & Associate Estate Surveyors & Valuers with FRC number FRC/2012/0000000000438

14 Intangible assets

In thousands of Naira	31 Dec 2018	31 Dec 2017
Cost		
Balance at the beginning of the year	66,689	48,676
Addition during the year	290	18,013
Balance at the end of the year	**66,979**	**66,689**
Accumulated Amortisation		
Balance at the beginning of the year	40,244	24,575
Charge for the year	12,626	15,669
Balance at the end of the year	52,870	40,244
Net Book Value		
Balance at the end of the year	**14,109**	**26,445**

Notes to the financial statements

15 Property and equipment

At 31 December 2018

In thousands of Naira	Land	Buildings	Motor Vehicles	Office furniture & fittings	Office Machinery & Equipment	Building (Work in progress)	Total
Cost/valuation							
At 1 January 2018	757,200	284,469	553,362	136,764	273,447	105,136	2,110,378
Additions	-	6,095	19,500	2,273	38,911	-	66,779
Reclass from Work In Progress	-	-	-	-	-	-	-
Reclass from investment properties	-	-	-	-	-	-	-
Disposal	-	-	(5,000)	-	(639)	-	(5,639)
At 31 December 2018	757,200	290,564	567,862	139,037	311,719	105,136	2,171,518
Accumulated depreciation							
At 1 January 2018	-	66,870	348,954	116,641	221,634	-	754,099
Charge for the year	-	7,514	76,460	8,426	25,298	-	117,698
Disposal	-	-	(3,021)	-	(272)	-	(3,293)
At 31 December 2018	-	74,384	422,393	125,067	246,660	-	868,504
Net book value							
At 31 December 2018	757,200	216,180	145,469	13,970	65,059	105,136	1,303,014
At 31 December 2017	757,200	217,599	204,408	20,123	51,813	105,136	1,356,279

Property and equipment
At 31 December 2017

In thousands of Naira	Land	Buildings	Motor Vehicles	Office furniture & fittings	Office Machinery & Equipment	Building (Work in progress)	Total
Cost/valuation							
At 1 January 2017	543,336	218,002	433,088	123,914	257,424	237,353	1,813,117
Additions	-	-	204,369	12,850	28,931	4,200	250,349
Reclass from Work In Progress	145,453	-	-	-	-	(145,453)	-
Reclass from investment properties	54,876	37,124	-	-	-	-	92,000
Disposal	-	-	(84,095)	-	(12,908)	-	(97,003)
Written off	(7,836)	-	-	-	-	-	(7,836)
Revaluation loss	(4,876)						(4,876)
Revaluation gain	26,247	29,343	-	-	-	9,036	64,626
At 31 December 2017	757,200	284,469	553,362	136,764	273,447	105,136	2,110,378
Accumulated depreciation							
At 1 January 2017	-	53,442	332,965	107,234	208,137	-	701,778
Charge for the year	-	6,006	80,400	9,407	22,220	-	118,033
Disposal	-	-	(64,411)	-	(8,723)	-	(73,134)
Written off	-	7,422	-	-	-		7,422
At 31 December 2017	-	66,870	348,954	116,641	221,634	-	754,100
Net book value							
At 31 December 2017	757,200	217,599	204,408	20,123	51,813	105,136	1,356,278
At 31 December 2016	543,336	164,560	100,123	16,680	49,287	237,353	1,111,339

The fair value hierarchy of the property and equipment according IFRS 13 is shown below:

Class of PPE	31 December 2018			31 December 2017		
In thousands of Naira	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Land	-	-	757,200	-	-	757,200
Building	-	-	216,180	-	-	217,599
Building (work in progress)	-	-	105,136	-	-	105,136
	-	-	1,078,516	-	-	1,079,935

(a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2017: nil)

(b) In the opinion of the directors, the market value of the Company's property and equipment is not less than the value shown in the financial statements as at year end.

(c) The Company had no capital commitments as at the reporting date (2017: nil)

(d) There was no item of property and equipment that has been pledged as security for borrowings as at the year ended 31 December 2018 (31 December 2017: nil)

(e) An impairment assessment was conducted and no impairment indicator was identified.

Notes to the financial statements

(f) The Company did not revalue the items of property and equipment in current year.

Below table shows the details of the property and equipment carried at revalued amount:

Name of property	Date of acquisition	Title document	Location	Carrying amount	Steps taken for perfection of document
Land and Building In Lekki express way	20-Nov-05	Deed of Assignment	Plot 20, Block 94, Lekki express way	741,816	Lagos State Governor Concent obtained on 26/09/2016
Land and Building at Ilupeju	12-Mar-02	Deed of Assignment	11A, Coker road, ilupeju, Lagos State	88,500	The company had applied to register the deed of assignment with the Lagos State Lands Registry
Land in Yenagoa	30-Apr-12	Letter of allocation by Bayelsa State Government	Central business district Swali, Yenagoa, Bayelsa State	44,550	The company had applied to register the allocation letter with the Bayelsa State Lands Registry
Linkage Millennium Tower, Port Harcourt	26-Sep-03	Deed of Assignment	Amadi layout along Port Harcourt/ Aba Express road	203,650	The company had applied to register the deed of assignment with the Rivers State Ministry of Lands
				1,078,516	

16 Statutory deposit

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Statutory deposit with CBN	300,000	300,000

The statutory deposit represents the Company's deposit with the Central Bank of Nigeria in compliance with the Insurance Act of Nigeria. The amount is not available for the day-to-day funding operations of the Company. It is therefore regarded as restricted cash.

17 Insurance contract liabilities

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Provision for claims reported by policyholders (note 17.1)	2,382,164	961,780
Provision for IBNR (note 17.1)	419,061	442,821
Outstanding claims provision	2,801,225	1,404,601
Provision for unearned premium (note 17.2)	1,488,029	1,039,256
Total insurance contract liabilities	**4,289,254**	**2,443,857**

17.1 Analysis of claims reserve based on nature

	31 December 2018			31 December 2017		
In thousands of Naira	Gross claims	Reinsurance	Net	Gross claims	Reinsurance	Net
Reported claims (see (a) below)	2,382,164	212,969	2,169,195	961,780	218,314	743,466
IBNR (see (b) below)	419,061	47,225	371,836	442,821	126,741	316,080
	2,801,225	**260,194**	**2,541,031**	**1,404,601**	**345,055**	**1,059,546**

(a) The movement in claims reported by policy holders is shown below:

	31 December 2018			31 December 2017		
In thousands of Naira	Reported claims	Reinsurance	Net	Reported claims	Reinsurance	Net
Balance at the beginning of the year	961,780	218,314	743,466	1,267,284	481,413	785,871
Movement during the year	1,420,384	(5,345)	1,425,729	(305,504)	(263,099)	(42,405)
Balance at the end of the year	**2,382,164**	**212,969**	**2,169,195**	**961,780**	**218,314**	**743,466**

Analysis of outstanding claims per class of business:

	31 December 2018			31 December 2017		
In thousands of Naira	Gross Outstanding claims	Reinsurance recoveries	Net	Gross Outstanding claims	Reinsurance recoveries	Net
Motor	111,653	5,527	106,126	102,556	125	102,431
Fire	166,354	72,128	94,226	130,723	65,597	65,126
General accident	228,326	53,735	174,591	270,491	63,164	207,327
Engineering	194,506	75,235	119,271	184,240	84,829	99,411
Marine	184,033	6,344	177,689	38,126	4,599	33,527
Oil & Gas	1,497,292	-	1,497,292	235,644	-	235,644
	2,382,164	**212,969**	**2,169,195**	**961,780**	**218,314**	**743,467**

Notes to the financial statements

(b) Age analysis of outstanding claims at the end of the year is shown below:

Days outstanding	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
0 - 90 days	375,052	116,860
91 - 180 days	99,122	62,604
181 - 270 days	277,084	84,681
271 - 365 days	1,208,330	162,375
Over 365 days	422,576	535,260
Total	**2,382,164**	**961,780**

Below are further breakdown of the outstanding claims and the reasons for their existence:

Outstanding claims days	Amount	Remarks
0 - 90 days	372,315	Claim reported but incomplete documentation
0 - 90 days	1,988	Claim reported but no documentation
0 - 90 days	749	Claim reported but being adjusted
91 - 180 days	1,300	Claim accepted but not yet paid
91 - 180 days	81,243	Claim reported but incomplete documentation
91 - 180 days	6,411	Claim reported but no documentation
91 - 180 days	4,043	Claim reported, adjusted but not yet accepted
91 - 180 days	6,125	Claim reported but being adjusted
181 - 270 days	13,163	Claim accepted but not yet paid
181 - 270 days	37,188	Claim reported but incomplete documentation
181 - 270 days	9,100	Claim reported but no documentation
181 - 270 days	9,032	Claim reported, adjusted but not yet accepted
181 - 270 days	208,601	Claim reported but being adjusted
271 - 365 days	718,876	Claim accepted but not yet paid
271 - 365 days	94,740	Claim reported but incomplete documentation
271 - 365 days	5,106	Claim reported but no documentation
271 - 365 days	475	Claim reported, adjusted but not yet accepted
271 - 365 days	374,978	Claim reported, being adjusted
271 - 365 days	14,155	Undergoing arbitration
Over 365 days	228,656	Claim reported but incomplete documentation
Over 365 days	95,799	Claim reported but no documentation
Over 365 days	1,596	Claim reported, adjusted but not yet accepted
Over 365 days	94,427	Claim reported, being adjusted
Over 365 days	2,098	Claim repudiated
	2,382,164	

(c) The movement in Incurred But Not Reported (IBNR) reserves is shown below:

	31 December 2018			31 December 2017		
In thousands of Naira	**IBNR claims**	**Reinsurance**	**Net**	**IBNR claims**	**Reinsurance**	**Net**
At the beginning of the year	442,821	126,741	316,080	470,036	85,311	384,725
Movement during the year	(23,760)	(79,516)	55,756	(27,215)	41,430	(68,645)
At the end of the year	**419,061**	**47,225**	**371,836**	**442,821**	**126,741**	**316,080**

Analysis of IBNR claims per class of business:

	31 December 2018			31 December 2017		
In thousands of Naira	**IBNR claims**	**Reinsurance recoveries**	**Net**	**IBNR claims**	**Reinsurance recoveries**	**Net**
Motor	22,224	576	21,648	88,344	10,062	78,282
Fire	29,617	16,769	12,848	70,138	64,134	6,004
General accident	45,448	17,978	27,470	99,774	29,618	70,156
Engineering	38,716	3,928	34,788	37,242	20,427	16,815
Marine	40,128	7,974	32,154	34,852	2,500	32,352
Oil & Gas	242,928	-	242,928	112,471	-	112,471
	419,061	**47,225**	**371,836**	**442,821**	**126,741**	**316,080**

The Liability Adequacy Test (LAT) was carried out by Ernst & Young, a firm of certified actuaries with FRC number FRC/2012/NAS/00000000738. The claims reserve was calculated using the Discounted Inflation Adjusted Basic Chain Ladder method. Assumptions used in the valuation are as follows:

	31 Dec 2018	31 Dec 2017
Projected inflation rate (assume rate will remain unchanged into the future)	12%	15%
Current short-term yield	19%	19%
Discount rate	13%	15%

* Run off period of five years.
* Future claims follow a trend pattern from the historical data, thus payment pattern will be broadly similar in each accident year.
* Past official inflation rates used and assumes a 11% rate for future which is expected to remain unchanged.

Notes to the financial statements

17.2 Breakdown of unearned premium per class of business:

In thousands of Naira	31 December 2018 Unearned Premium	Prepaid Reinsurance	Net	31 December 2017 Unearned Premium	Prepaid Reinsurance	Net
Motor	351,019	16,109	334,910	245,156	19,146	226,010
Fire	317,237	101,383	215,854	221,562	84,276	137,286
General accident	185,283	58,952	126,331	129,403	31,115	98,288
Engineering	89,817	33,599	56,218	62,729	24,606	38,123
Marine	148,456	33,863	114,593	103,683	53,944	49,739
Oil & Gas	396,218	113,904	282,314	276,723	1,359	275,364
	1,488,029	**357,810**	**1,130,220**	**1,039,256**	**214,446**	**824,810**

(a) The movement in the unexpired risk reserves is shown below:

In thousands of Naira	31 December 2018 Unexpired Risk reserve	Reinsurance	Net	31 December 2017 Unexpired Risk reserve	Reinsurance	Net
Balance at the beginning of the year	1,039,256	214,446	824,810	1,123,129	189,188	933,941
Premium written in the year	5,391,170	1,607,925	3,783,245	4,102,253	1,371,006	2,731,247
Premium earned during the year	(4,942,397)	(1,464,561)	(3,477,836)	(4,186,126)	(1,345,748)	(2,840,378)
Balance at the end of the year	**1,488,029**	**357,810**	**1,130,219**	**1,039,256**	**214,446**	**824,810**

In thousands of Naira	31 December 2018 Unexpired Risk reserve	Reinsurance	Net	31 December 2017 Unexpired Risk reserve	Reinsurance	Net
Unexpired risk reserve	1,039,256	214,446	824,810	1,123,129	189,188	933,941
Additional unexpired risk reserve from actuarial valuation	448,773	143,364	305,409	(83,873)	25,258	(109,131)
Balance at the end of the year	**1,488,029**	**357,810**	**1,130,219**	**1,039,256**	**214,446**	**824,810**

18 Hypothecation

In thousands of Naira	31-Dec-18 Insurance fund	Shareholders fund	Total	31-Dec-17 Insurance fund	Shareholders fund	Total
Assets						
Cash and cash equivalents	1,205,124	-	1,205,124	1,843,757	-	1,843,757
Financial assets	5,617,826	13,439,509	19,057,336	3,003,145	15,655,928	18,659,073
Reinsurance assets	543,636	-	543,636	558,813	-	558,813
Deferred acquisition cost	-	259,098	259,098	-	176,274	176,274
Other receivables and prepayments	-	287,101	287,101	-	238,777	238,777
Investment properties	-	144,000	144,000	-	135,000	135,000
Intangible assets	-	14,109	14,109	-	26,445	26,445
Property and equipment	-	1,303,014	1,303,014	-	1,356,278	1,356,278
Statutory deposit	-	300,000	300,000	-	300,000	300,000
Total assets	7,366,586	15,746,831	23,113,418	5,405,715	17,888,702	23,308,158
Liabilities						
Insurance contract liabilities	4,289,254	-	4,289,254	2,443,857	-	2,443,857
Trade payables	-	144,234	144,234	-	107,346	107,346
Other payables	-	350,231	350,231	-	307,547	307,547
Finance lease obligations	-	56,037	56,037	-	88,222	88,222
Defined benefit obligations	-	22,905	22,905	-	30,471	30,471
Income tax liabilities	-	203,979	203,979	-	177,941	177,941
Deferred tax liabilities	-	158,381	158,381	-	199,942	199,942
Total liabilities	4,289,254	935,767	5,225,021	2,443,857	911,470	3,355,326
GAP	3,077,332	14,811,064	17,888,397	2,961,858	16,977,232	19,952,832

Notes to the financial statements

19 Trade payables

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Insurance payables (note 19.1)	144,234	107,346
	144,234	107,346

19.1 Insurance payables

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Commission payables to brokers	37,908	2,630
Premium received in advance	39,506	1,778
Other payables to agents and brokers (see note 19.2)	66,820	102,938
	144,234	107,346

Movement in insurance payables

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Balance at the beginning of the year	107,346	43,749
Addition in the year	44,002	153,428
Reclass of commission liability to other income (see (a) below)	(7,114)	(89,831)
Balance at the end of the year	144,234	107,346

(a) The board approved the write back to income of the related commission liability for long outstanding premium receivable from brokers which was considered irrecoverable and fully provided for as at year end (see note 40).

19.2 Other payables to agents and brokers

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Due to agents	-	-
Due to brokers	66,820	102,938
Due to insurance companies- claims overpayment	-	-
	66,820	102,938

20 Other payables

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Due to Auditors	24,945	22,500
NAICOM levy	39,850	26,752
Expenses payable (see note 20.1)	47,069	93,101
Due to co-insurers	9,193	9,306
Deferred commission revenue (see (a) below)	74,399	53,627
Other payables (see note 20.2)	154,775	102,261
	350,231	307,547

a) Deferred commission revenue represents the acquisition commission income received in advance on insurance contract policies ceded to reinsurers and co-insurers with maturity beyond the reporting period. The movement during the year is shown below:

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Deferred commission income as at 1 January	53,627	53,627
Fees and commission received during the year	262,844	186,445
Fees and commission earned during the year (see note 34.2)	(242,072)	(186,445)
Deferred commission income as at 31 December	74,399	53,627

20.1 Expenses payable

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Expenses accrued	47,069	93,101
	47,069	93,101

20.2 Other payables

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
National Social Trust Fund (NSITF)	239	239
Travel insurance	3,252	8,262
National Housing Fund (NHF)	1,025	1,025
Pension for Life agents/Company	603	605
Cheque without details (see (a) below)	142,073	89,210
Sundry payables	7,583	2,920
	154,775	102,261

(a) These are premium received during the year for which complete documentation are yet to be provided.

21 Finance lease obligation

The Company leased four motor vehicles under finance lease during the year. The average lease term is 3 years. The Company has the option to purchase the motor vehicles for a nominal amount at the end of the lease term. The Company's obligation under finance leases are secured by the lessor's title to the leased assets.

The interest rate underlying the obligation under finance lease is fixed at 23% per annum in line with the terms of the lease contract.

Notes to the financial statements

	Future minimum lease payments		Interest		Present value of future minimum lease payments	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Not later than one year	52,084	52,084	7,665	16,716	44,419	35,368
Later than one year but not later than five years	11,862	60,764	244	7,910	11,618	52,854
	63,946	112,848	7,909	24,626	56,037	88,222

22 Defined benefit obligations

	Defined benefit liability		Fair value of plan assets		Defined benefit liability / (asset)	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At the beginning of the year	100,993	68,948	(70,522)	-	30,471	68,948
Current service cost	24,476	15,076	-	-	24,476	15,076
Past service cost	13,826	-	-	-	13,826	-
Interest cost (income)	-	11,063	(10,621)	(522)	(10,621)	10,541
Contribution by employer	-	-	-	(70,000)	-	(70,000)
Benefits paid by the employer	(15,970)	(31,978)	-	-	(15,970)	(31,978)
Actuarial (gain)/loss on liability arising from:						-
- Assumptions	(11,605)	15,577	-	-	(11,605)	15,577
- Experience	(7,672)	22,307	-	-	(7,672)	22,307
At the end of the year	104,048	100,993	(81,143)	(70,522)	22,905	30,471

The Company operates a defined benefit plan for qualifying employees on services rendered. With effect from 1 January 2014, employees who have served at least 5 years are entitled to a gratuity on a defined benefit scale which is graduated. The new benefit formula applies to benefit accruing from services rendered in the prior and future years. The Company commenced funding of plan in 2017.

Actuarial valuation of the defined benefit obligation was carried out by Ernst & Young (acquirers of HR Nigeria Limited, who carried out the previous actuarial valuation as at 31 December 2018) with FRC number FRC/2012/NAS/00000000738.

The principal assumptions used for the purpose of the actuarial valuations were as follows.

	31 Dec 2018	31 Dec 2017
	%	%
Long term discount rate (p.a.)	15.5%	14.0%
Average pay increase (p.a.)	12.0%	12.0%
Average rate of inflation (p.a.)	12.0%	12.0%

The sensitivity of defined employee benefits (gratuity) liability to changes in the principal assumptions is:

31 December 2018	Change in assumption		Impact on overall liability	
Discount rate	-1.00%	+1.00%	111,552	97,360
Future salary increases	-1.00%	+1.00%	96,670	112,226
Mortality experience	-1 year	+1 year	103,790	104,335

31 December 2017	Change in assumption		Impact on overall liability	
Discount rate	-1.00%	+1.00%	109,189	93,742
Future salary increases	-1.00%	+1.00%	93,139	109,753
Mortality experience	-1 year	+1 year	100,779	101,230

23 Income tax liabilities

In thousands of Naira	31 Dec 2018	31 Dec 2017
At the beginning of the period	177,941	337,109
Payment during the year	(440,344)	(256,914)
Charge for the year (note 23.1)	466,382	97,746
At the end of the period	203,979	177,941

23.1 Tax charge

In thousands of Naira	31 Dec 2018	31 Dec 2017
Income tax (CIT)	453,282	60,282
Tertiary education tax	11,737	8,677
NITDA Levy	1,363	28,788
	466,382	97,746
Deferred tax (note 24)	(41,561)	(63,473)
Total income tax	424,821	34,273
Minimum tax	-	70,560
	424,821	104,833

Notes to the financial statements

23.2 Reconciliation of tax charge

The income tax expense for the year can be reconciled to the accounting profit as follows;

	31 Dec 2018		31 Dec 2017	
	Rate	₦'000	Rate	₦'000
Profit before tax		134,703		2,996,101
Expected income tax expense at statutory rate	30%	40,411	30%	898,830
Information technology levy	1%	1,363	1%	28,788
Tertiary education tax	9%	11,737	0%	8,677
Disallowable expenses	349%	470,759	13%	397,832
Other untaxed income	-74%	(99,449)	-43%	(1,299,854)
Effect of minimum tax	0%	-	2%	70,560
	315%	424,821	3%	104,833

24 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The net deferred tax assets/(liabilities) are attributable to the following:

31 Dec 2018

In thousands of Naira	Balance at 1 January	Recognised in OCI	Recognised in P or L	Deferred tax assets /(Liabilities)
Defined benefit obligation	-	-	-	-
Property and equipment	(160,682)	-	39,243	(121,439)
Investment property	-	-	-	-
Fair value through profit or loss investments	-	-	-	-
Unrealised exchange gain	(39,260)	-	2,318	(36,942)
	(199,942)	-	41,561	(158,381)

31 Dec 2017

In thousands of Naira	Balance at 1 January	Recognised in OCI	Recognised in P or L	Deferred tax assets /(Liabilities)
Defined benefits obligations	(1,208)	-	1,208	-
Property and equipment	(60,416)	(38,777)	(61,490)	(160,682)
Investment property	(4,845)	-	4,845	-
Fair value through profit or loss investments	(122,582)	-	122,582	-
Unrealised exchange gain	(35,588)	-	(3,672)	(39,260)
	(224,639)	(38,777)	63,473	(199,942)

Notes to the financial statements

		31 Dec 2018	31 Dec 2017
25	**Share capital**	₦'000	₦'000
	Authorised - ordinary shares of 50k each		
	(8,000,000,000 units)	4,000,000	4,000,000
	Issued and fully paid	2018	2017
		₦'000	₦'000
	At the beginning of the year	3,999,999	3,999,999
	Additions	-	-
	At the end of the year	3,999,999	3,999,999
26	**Share premium**	2018	2017
		₦'000	₦'000
	At the end of the year	729,044	729,044
27	**Contingency reserve**	2018	2017
		₦'000	₦'000
	At the beginning of the year	1,616,603	1,038,349
	Transfer from retained earnings (see Note 28)	161,736	578,254
	At the end of the year	1,778,339	1,616,603

Contingency reserve for general insurance business is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act of Nigeria, as the higher of 3% of gross premiums and 20% of net profit for the year. For the year ended 2018, the transfer to contigency reserves was determined based on 3% of gross premiums for the year (2017: 20% of net profit).

		2018	2017
28	**Retained earnings**	₦'000	₦'000
	At the beginning of the year	2,082,306	(230,708)
	Dividend paid	(400,000)	-
	Profit for the year	(290,118)	2,891,268
	Transfer to contingency reserve (see Note 27)	(161,736)	(578,254)
	At the end of the year	1,230,452	2,082,306
29	**Assets revaluation reserve**	2018	2017
		₦'000	₦'000
	Balance as at 31 December	752,083	752,083

The asset revaluation reserves comprises cumulative net revaluation change on revalued Property and Equipment.

30 Other reserves

Other reserves include fair value and re-measurement reserves. The fair value reserve comprises the cumulative net change in the fair value of the Company's available-for-sale investments while the re-measurement reserve comprises the actuarial gains and losses on defined benefits post employment plan. These are presented below:

		2018	2017
30.1	**Fair value reserve**	₦'000	₦'000
	Balance as at 31 December	9,406,809	10,768,313
30.2	**Re-measurement reserve**	2018	2017
		₦'000	₦'000
	Balance as at 31 December	23,761	4,484

Notes to the financial statements

31 Gross premium written

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Direct premium (note 31.1)	5,170,013	3,981,681
Inward premium (note 31.1)	221,157	120,572
	5,391,170	4,102,253

31.1 Breakdown of gross premium written per business class is as follows:

31 December 2018	Direct premium	Inward premium	Total
	₦'000	₦'000	₦'000
Fire	632,166	46,571	678,737
Accident	625,541	18,210	643,751
Motor	1,207,794	70,613	1,278,407
Marine	487,329	29,362	516,691
Engineering	171,682	8,455	180,137
Oil & Gas	2,045,501	47,946	2,093,447
	5,170,013	221,157	5,391,170

31 December 2017	Direct premium	Inward premium	Total
	₦'000	₦'000	₦'000
Fire	490,749	19,687	510,435
Accident	653,149	15,729	668,878
Motor	888,404	14,573	902,977
Marine	335,392	51,803	387,196
Engineering	137,452	4,130	141,581
Oil & Gas	1,476,535	14,650	1,491,185
	3,981,681	120,572	4,102,253

32 Gross premium income

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Gross premium written (note 31)	5,391,170	4,102,253
Changes in reserve for unexpired risks (note 17.2)	(448,773)	83,873
	4,942,397	4,186,126

33 Reinsurance expenses

Reinsurance expenses	1,464,561	1,345,748

33.1 Premium ceded to reinsurance:

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Reinsurance premium paid	1,367,590	1,288,431
Facultative outwards	127,224	82,575
Total reinsurance paid (see (a) below)	1,494,814	1,371,006
Decrease in prepaid reinsurance	(30,253)	(25,258)
	1,464,561	1,345,748
(a) Local and foreign reinsurance paid		
Reinsurance premium paid local	187,684	814,721
Reinsurance premium paid foreign	1,307,130	556,285
	1,494,814	1,371,006

33.2 Breakdown of premium ceded to reinsurer per business class is as follows:

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Fire	329,804	276,011
Accident	229,080	275,348
Motor	26,113	27,977
Marine	190,582	180,157
Engineering	107,829	75,214
Oil & Gas	581,152	511,041
	1,464,561	1,345,748

34 Fees and commission income

Fees and commission income	223,011	175,633

Notes to the financial statements

34.1 Breakdown of fees and commission income per business class is as follows:

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Fire	67,968	69,883
Accident	39,819	31,357
Motor	15,972	10,296
Marine	31,814	40,948
Engineering	22,260	23,079
Oil & Gas	358	70
	223,011	175,633

34.2 Breakdown of fees and commission income is as follows:

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Lead underwriting commission	1,712	-
Reinsurance commission (Note 20(a))	242,072	186,445
Changes in deferred commission revenue	(20,773)	(10,812)
	223,011	175,633

35 Net claims expenses

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Gross claims paid	1,451,946	1,552,177
Movement in IBNR reserve (see note 17.1(b))	(23,760)	(27,215)
Movement in reserve for outstanding claims	1,420,384	(305,504)
Gross claims incurred	**2,848,570**	**1,219,458**
Salvage recovery	(28,193)	(21,687)
Claims recovered and recoverable from reinsurers (see (a) below)	(109,169)	(159,037)
	2,711,208	1,038,735

a) Analysis of claims recovered and recoverable from reinsurers

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Reinsurance claims recoveries (see note 44c)	194,030	380,706
Change in re-insurance recoverable (see note 10b)	(5,345)	(263,099)
Change in recoverable in IBNR (see note 10c)	(79,516)	41,430
	109,169	159,037

36 Underwriting expenses

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Acquisition expenses (note 36.1)	997,445	847,843
Maintenance expenses (note 36.2)	764,674	672,572
	1,762,119	1,520,415

36.1 Analysis of acquisition expenses

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Commission expense	1,048,861	799,297
Business acquisition cost	31,408	35,194
Movement in deferred acquisition cost (see note 11.2)	(82,824)	13,352
	997,445	847,843

36.2 Analysis of maintenance expenses

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Staff costs (see note 41)	288,696	300,553
Directors' emoluments (see note 41)	37,655	36,152
Retirement benefit cost (see note 41)	43,608	25,702
Other operating expenses (note 41)	394,715	310,165
	764,674	672,572

The above expenses represent part of the entity's operating expenses that were allocated to operations. Non-specific operating expense of the entity are allocated between operational and administrative expenses in the ratio 40:60 respectively.

Notes to the financial statements

36.3 The average number of persons employed by the Company during the period was as follows:

	2018	2017
	Number	Number
Managing Director	1	1
Executive Director	-	1
Management	9	10
Non-Management	154	154
	164	166

The number of employees of the Company, other than directors, who received emoluments in the following ranges (excluding pension contributions) were:

	31 Dec 2018	31 Dec 2017
	Number	Number
N300,001 - N2,000,000	11	77
N2,000,001 - N2,800,000	56	28
N2,800,000 - N3,500,000	10	31
N3,500,001 - N4,000,000	30	2
N4,000,001 - N5,500,000	19	16
N5,500,001 - N6,500,000	16	1
N6,500,001 - N7,800,000	12	3
N7,800,001 - N9,000,000	4	1
N9,000,001 and above	6	7
	164	166

36.4 Directors' emoluments

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Non-executive directors	88,567	84,939
Executive directors	45,532	49,500
	134,099	134,439

Amount disclosed for non-executives above includes amount paid to chairman as follows; 31 December 2018: N5.92million; 31 December 2017: N5.02million.

Highest paid director	29,499	28,332

The fees and other emoluments (excluding pension contributions) fell within the following ranges:

	Number	Number
Less than N5,000,000	10	4
N5,000,001 - N25,000,000	7	10
Above N25,000,000	1	1
	18	15

37 Investment income

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Dividend income	1,059,145	2,514,083
Interest income	912,384	723,712
Investment income per statement of profit or loss and OCI	1,971,529	3,237,795
Other investment income		
Revaluation (loss)/gain on investment properties (see note 13b)	9,000	(25,000)
Revaluation (loss)/gain on property and equipment	-	(4,876)
Fair value change on FVTPL securities	328,536	827,341
Investment income for hypothecation	2,309,065	4,035,260

Notes to the financial statements

37.1 Hypothecation of investment income

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Investment income that relate to policyholders (note 37.2)	199,427	301,253
Investment income that relate to shareholders (note 37.3)	2,109,638	3,734,008
	2,309,065	4,035,261

37.2 Investment income that relate to policy holders

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Income from money market	199,427	301,253
Fair value change on FVTPL securities	-	-
	199,427	301,253

37.3 Investment income that relate to shareholders

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Dividend income	1,059,145	2,514,083
Income from money market	698,396	418,150
Income from bonds	14,561	4,309
Fair value change on FVTPL securities	328,536	827,341
Revaluation (loss)/gain on investment properties	9,000	(25,000)
Revaluation (loss)/gain on property and equipment	-	(4,876)
	2,109,638	3,734,008

38 Net impairment loss on financial assets

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Impairment loss on placement with financial institutions	-	75,097
Impairment loss on loans and receivables (note 8.6(b))	4,619	-
	4,619	75,097

39 Net fair value gains/(loss) on financial assets at fair value through profit or loss

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Appreciation in value of short-term investments - quoted securities	328,536	827,341

40 Other operating (loss)/income (net)

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Sundry (loss)/income	23,782	(34,445)
Loss on sale of property & equipment	(367)	(342)
Exchange gains	123,139	130,865
Rental income	5,000	2,500
Write back of provision no longer required	7,114	89,831
	158,668	188,409

41 Maintenance and management expenses

Maintenance and management expenses comprise:

	31 Dec 2018		31 Dec 2017	
In thousands of Naira	Maintenance Expenses	Management Expenses	Maintenance Expenses	Management Expenses
Staff cost	288,696	433,044	300,553	450,829
Director emoluments	37,655	56,483	36,152	54,228
Pension contribution	11,266	16,900	15,733	23,599
Retirement benefits	32,341	48,512	9,969	14,954
Contract staff cost	48,036	72,054	44,357	66,535
Advertising & publicity	4,395	6,592	34,951	52,426
Marketing expenses	10,390	15,584	10,350	15,524
Medical	10,008	15,012	10,226	15,339
Staff training & development	19,513	29,270	23,927	35,890
Corporate Expense	302,373	-	186,355	-
AGM expenses	-	13,652	-	22,196
Bank charges	-	21,506	-	21,222
Computer consumables	-	303	-	4,623
Depreciation & amortisation	-	130,324	-	133,703
Diesel and fuel	-	45,939	-	48,031
Entertainment	-	2,119	-	25,663

Notes to the financial statements

Maintenance and management expenses (cont'd)

In thousands of Naira	31 Dec 2018 Maintenance Expenses	31 Dec 2018 Management Expenses	31 Dec 2017 Maintenance Expenses	31 Dec 2017 Management Expenses
Fines & penalties	-	5,450	-	3,936
Industrial training fund	-	9,054	-	12,047
Insurance expenses	-	26,423	-	21,088
Insurance supervision fee	-	49,140	-	34,901
Legal and secretarial expenses	-	37,021	-	13,511
Lighting & heating	-	8,020	-	7,755
Maintenance expense	-	96,054	-	95,055
Newspapers & periodicals	-	847	-	1,168
Postage and telephone	-	36,103	-	28,322
Consultancy expenses	-	99,066	-	140,520
Rent & rate	-	38,411	-	36,375
Stationaries	-	19,263	-	11,040
Subscriptions, contributions & donations	-	23,520	-	38,980
Transport and business travels	-	12,086	-	17,082
Withholding tax & VAT	-	40,250	-	31,893
Audit fee	-	25,000	-	22,500
Finance lease cost (see note (i) below)	-	18,642	-	22,304
Asset derecognition	-	-	-	7,836
Others	-	104,287	-	78,257
Total	**764,674**	**1,555,931**	**672,572**	**1,609,334**

(i) Finance lease cost shown above represents the interest expense on the the lease along with other lease related expenses.

42 Net fair value (loss)/gain on available-for-sale financial assets

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Fair value gain / (loss) in available-for-sale investments - quoted equities	(4,504)	9,782
Fair value gain / (loss) in available-for-sale investments - unquoted equities	(1,357,000)	575,000
Exchange difference	-	(37,053)
	(1,361,504)	**547,729**

43 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the reporting date. The following reflects the income and share data used in the basic and diluted earnings per share computations:

	31 Dec 2018	31 Dec 2017
Profit attributable to ordinary shareholders (N'000)	**(290,118)**	**2,891,268**
Weighted average number of ordinary shares	**7,999,999**	**7,999,999**
Basic and diluted earnings per share (Kobo)	**(3.6)**	**36.1**

44 Cashflow reconciliation

a) Other operating cash payments

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Management expenses (less staff expenses)	(913,926)	(1,310,796)
Adjustment for items not involving movement of cash:		
Changes in unearned premium	(448,773)	83,873
Depreciation and amortisation expense	130,324	133,703
Impairment loss	-	75,097
Exchange gain	123,139	130,865
Sundry loss/(income)	(23,782)	34,445
Loss on sale of PPE	(367)	(342)
Operating cash flows before movements in working capital	**(1,133,385)**	**(853,156)**
Increase in trade payables	36,888	63,597
Changes in insurance contract liabilities	1,396,624	(332,719)
Decrease in other receivables and prepayment	(48,324)	(99,008)
Changes in outstanding claims	(1,396,624)	332,719
Changes in other payables	442,684	(45,924)
	(702,137)	**(934,491)**

Notes to the financial statements

b) Premium received from policy holders

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Trade receivable at 1 January	13,741	13,741
Gross premium written during the year	5,391,170	4,102,253
Trade receivable at 31 December	(32,090)	(13,741)
Premium received in advance	39,506	1,778
Premium received in advance (cheque without details)	-	89,210
	5,412,327	4,193,241

c) Recovery and recoverable from reinsurers

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Reinsurers' share of claims reserve at 1 January (note 17.1)	345,055	345,055
Claims recovered and recoverables from reinsurers (note 35)	109,169	159,037
Reinsurers' share of claims reserve at 31 December (note 17.1)	(260,194)	(345,055)
	194,030	159,037
Salvage recovery (note 36)	28,193	21,687
	222,223	180,723

d) Reinsurance premium paid

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Reinsurance premium payable at 1 January	-	-
Reinsurance premium paid (note 33.1)	1,367,590	1,288,431
Facultative outwards (note 33.1)	127,224	82,575
Movement in treaty premium surplus	(73,680)	-
	1,421,134	1,371,006

e) Commission paid

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Commission payable to brokers at 1 January	2,630	3,463
Commission expense (Note 36.1)	1,048,861	799,297
Business acquisition cost prepaid 1 January (Note 12b)	5,323	5,322
Business acquisition cost (Note 36.1)	31,408	35,194
Business acquisition cost prepaid 31 December (Note 12b)	(5,423)	(5,322)
Write-off in commission payable to brokers (note 40)	(7,114)	(89,831)
Commission payable to brokers at 31 December	(37,908)	(2,630)
	1,037,777	745,493

f) Commission received

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Deferred commission revenue at 1 January	(53,627)	(53,627)
Deferred commission revenue at 31 December	74,399	53,627
Movement	20,772	-
Commission income earned during the year	242,072	186,445
Commission income received during the year	262,844	186,445

g) Interest received

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Reclassification of investment payable to interest income	-	-
Net receivable during the year	185,764	182,346
Interest income earned during the year	912,384	723,712
Interest received during the year	726,620	541,366

h) Movement in financial assets

In thousands of Naira	Fair value through profit or loss	Available for sale	Loans & receivables	Held to maturity	Total Movement
Exchange gain	-	-	-	-	-
Addition	-	-	184,318	5,605,224	5,789,542
Disposals	(1,200,656)	-	-	(2,990,543)	(4,191,199)
Loan repayment	-	-	(162,493)	-	(162,493)
Impairment	-	-	(4,619)	-	(4,619)
Fair value element	328,536	(1,361,504)	-	-	(1,032,968)
	(872,120)	(1,361,504)	17,206	2,614,681	398,263

Notes to the financial statements

i) Purchase of property and equipment

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Addition for the year per movement schedule	66,779	250,349
Less: Salvage value of motor vehicle taken over	(1,979)	-
Leased property and equipment (see (k) below)	-	(176,964)
Cash flow on addition to property and equipment	64,800	73,385

j) Sale of property and equipment

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Costs of assets disposed	5,639	97,003
Accumulated depreciation on assets disposed	(3,293)	(73,134)
Proceeds on sale of disposed asset	(1,979)	(23,526)
Loss on disposal	367	342

k) Finance lease obligation

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Balance at the beginning of the year	88,222	-
Additions	-	176,964
Payments made during the year	(32,185)	(88,742)
Balance at the end of the year (see note 21)	56,037	88,222

l) Cash payment to and on behalf of employees (excluding maintenance expenses)

In thousands of Naira	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Staff cost	433,044	450,436
Director emolument	56,483	54,228
Pension contribution	16,900	23,599
Retirement benefits	48,512	14,954
Contract staff cost	72,054	66,535
Medical	15,012	15,339
	642,004	625,090

45 Cash and cash equivalents

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Cash in hand	652	373
Balances with banks & other financial	1,204,472	1,843,384
	1,205,124	1,843,757

46 Related party disclosures

Transactions are entered into by the Company during the year with related parties. Unless specifically disclosed, these transactions occurred under terms that are no less favourable than those with third parties. Details of transactions between Linkage Assurance Plc and related parties are disclosed below:

46.1 Compensation of key management personnel

Key management personnel refers to those persons having authority and responsibility for planning, directing and controlling the activities of Linkage Assurance Plc. It comprises both executive and non-executive directors. The remuneration of directors and other members of key management personnel during the year was as follows:

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Short-term benefits	134,099	134,438
Post-employment benefits	39,576	3,441
	173,675	137,879

46.2 Sale of insurance contracts

During the year, the Company entered into the following contracts with related parties:

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Sale of insurance contract to key management personnel	-	-

Notes to the financial Statements

47 Contravention

	31 Dec 2018	31 Dec 2017
	₦'000	₦'000
Extension of display of Wall Drape without approval	-	936
Default filing of 2017 audited accounts to the Nigerian Stock Exchange	3,500	-
Late filing of 2017 audited accounts to the Securities & Exchange Commission	1,950	3,000
Stage carriage without permission	-	20
	5,450	3,956

48 Other related party transactions

Linkage Assurance Plc is represented on the Board of IBTC Pension Manager by a member of the key management personnel. IBTC Pension Managers is one of the Pension Funds Administrators (PFAs) to some of the Company's staff.

49 Events after the reporting period

There were no major events after the reporting period that require adjustments or disclosure in the financial statements.

50 Contingencies

50.1 Contingent liabilities

The Company is involved in pending litigations with claims of N148.3million (31 December 2017: N149.8million). Based on legal advice, the directors are of the opinion that no liability will eventuate therefrom.

51 Commitments

The Company had no capital commitments at the reporting date.

Other National Disclosures

Other National Disclosures
Statement of Value Added
For the year ending

	31 December 2018		31 December 2017	
	₦'000	%	₦'000	%
Net premium	3,477,836	326	2,840,378	81
Investment income	1,971,529	185	3,237,795	92
Other income	381,679	36	364,042	10
Claims incurred, commissions paid and operating expenses (local)	(4,762,629)	(446)	(2,941,316)	(84)
Value added	**1,068,415**	**100**	**3,500,899**	**100**
Distribution:				
Employees and directors (staff cost)	774,927	73	738,088	21
Government (taxes)	453,282	42	70,560	2
Asset replacement (depreciation)	130,324	12	133,702	4
Contingency reserve	161,736	16	511,710	15
Expansion (retained on the business)	(451,854)	(42)	2,046,839	58
	1,068,415	**100**	**3,500,899**	**100**

Other National Disclosures
Financial Summary

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000	31 Dec 2016 ₦'000	31 Dec 2015 ₦'000	31 Dec 2014 ₦'000	31 Dec 2013 ₦'000
Statement of financial position						
Assets						
Cash and cash equivalents	1,205,124	1,843,757	2,843,284	2,414,144	2,239,372	1,895,754
Financial assets	19,057,336	18,659,073	14,829,344	14,806,482	13,521,354	13,660,786
Trade receivables	32,090	13,741	18,637	18,432	3,895	3,494
Reinsurance assets	543,636	558,813	784,347	315,694	398,213	136,513
Deferred acquisition cost	259,098	176,274	189,626	188,128	119,415	188,159
Deferred tax assets	-	-	-	-	197,167	362,407
Other receivables and prepayments	287,101	238,777	139,769	130,865	83,546	118,010
Investment property	144,000	135,000	92,000	97,000	71,700	57,382
Intangible assets	14,109	26,445	24,101	26,069	34,765	-
Property and equipment	1,303,014	1,356,278	1,111,339	1,195,422	1,006,795	1,015,995
Statutory deposit	300,000	300,000	300,000	300,000	300,000	300,000
Total assets	**23,145,508**	**23,308,158**	**20,332,447**	**19,492,236**	**17,976,222**	**17,738,500**
Liabilities						
Insurance contract liabilities	4,289,254	2,443,857	2,860,449	2,276,752	1,623,963	1,694,587
Trade payables	144,234	107,346	43,749	229,316	244,617	441,950
Finance lease obligations	350,231	307,547	-	-	-	-
Provision and other payables	56,037	88,222	264,261	327,273	249,361	84,326
Retirement benefit obligations	22,905	30,471	68,948	84,225	128,279	-
Income tax liabilities	203,979	177,941	337,109	147,355	142,313	149,679
Deferred tax liabilities	158,381	199,942	224,639	117,921	-	-
Total liabilities	**5,225,021**	**3,355,327**	**3,799,155**	**3,182,842**	**2,388,533**	**2,370,542**
Capital and reserves						
Issued and paid-up share capital	3,999,999	3,999,999	3,999,999	3,999,396	3,999,396	3,999,396
Share premium	729,044	729,044	729,044	729,044	729,044	729,044
Contingency reserve	1,778,339	1,616,603	1,038,349	917,387	803,712	712,070
Retained earnings	1,230,452	2,082,306	(230,708)	(654,310)	(1,049,054)	(1,285,709)
Assets revaluation reserve	752,083	752,083	733,656	733,656	567,004	541,987
Re-measurement reserve	23,761	4,484	42,368	13,547	10,537,587	-
Fair value reserve	9,406,809	10,768,313	10,220,584	10,570,674	-	10,671,170
Total equity	**17,920,487**	**19,952,832**	**16,533,292**	**16,309,394**	**15,587,689**	**15,367,958**
Total liabilities and equity	**23,145,508**	**23,308,158**	**20,332,447**	**19,492,236**	**17,976,222**	**17,738,500**
Statement of profit or loss						
Net premium income	3,477,836	2,840,378	2,835,885	2,436,231	1,950,854	1,585,706
Underwriting results	(772,480)	456,861	701,864	1,267	402,498	183,021
Profit/(loss) before taxation	134,703	2,996,101	942,682	929,109	580,846	563,062
Taxation	-	(70,560)	(398,118)	(416,862)	(255,849)	(148,780)
Profit/(loss) after taxation	134,703	2,925,541	544,564	512,247	324,997	414,282
Transfer to contingency reserve	161,736	578,254	120,962	113,675	91,642	82,857
Dividend	(400,000)	-	-	-	-	-
Transfer to revenue reserve	372,967	2,347,287	423,602	398,572	233,355	331,425
Basic earnings per share (kobo)	(3.6)	36.1	6.8	6.4	4.1	5.2

Other National Disclosures
Revenue Account
For the year ending

31 December 2018

In thousands of naira	Fire	Accident	Motor	Marine & Aviation	Engineering	Oil & Gas	Total
Direct receipted premium	632,166	625,541	1,207,794	487,329	171,682	2,045,501	5,170,013
Inward premium	46,571	18,210	70,613	29,362	8,455	47,946	221,157
Gross premium written	**678,737**	**643,751**	**1,278,407**	**516,691**	**180,137**	**2,093,447**	**5,391,170**
Changes in reserve for unexpired risk	(42,204)	(60,031)	(122,885)	22,962	(3,427)	(243,188)	(448,773)
Gross premium earned	**636,533**	**583,720**	**1,155,522**	**539,653**	**176,710**	**1,850,259**	**4,942,397**
Reinsurance expenses (Note 33)	329,804	229,080	26,113	190,582	107,829	581,152	1,464,561
Net earned premium	**306,729**	**354,640**	**1,129,409**	**349,071**	**68,881**	**1,269,107**	**3,477,836**
Commissions received	71,854	42,095	34,518	50,632	23,533	379	223,011
Total underwriting income	**378,582**	**396,735**	**1,163,927**	**399,703**	**92,413**	**1,269,486**	**3,700,847**
Underwriting expenses							
Claims expenses (Note 35)	(49,527)	(569,323)	(230,955)	(313,853)	(43,014)	(1,504,536)	(2,711,208)
Maintenance expenses	(94,142)	(91,650)	(182,590)	(76,049)	(7,299)	(481,124)	(932,854)
Acquisition expenses (Note 36)	(108,040)	(148,740)	(118,504)	(99,502)	(41,476)	(313,003)	(829,265)
Underwriting profit	**126,874**	**(412,977)**	**631,878**	**(89,702)**	**624**	**(1,029,178)**	**(772,480)**

31 December 2017

In thousands of naira	Fire	Accident	Motor	Marine & Aviation	Engineering	Oil & Gas	Total
Direct receipted premium	490,749	653,149	888,404	335,392	137,452	1,476,535	3,981,681
Inward premium	19,687	15,729	14,573	51,803	4,130	14,650	120,572
Gross premium written	**510,435**	**668,878**	**902,977**	**387,196**	**141,581**	**1,491,185**	**4,102,253**
Changes in reserve for unexpired risk	72,249	6,098	(87,044)	20,393	(15,591)	87,769	83,873
Gross premium earned	**582,684**	**674,976**	**815,933**	**407,589**	**125,990**	**1,578,954**	4,186,126
Reinsurance expenses (Note 33)	276,011	275,348	27,977	180,157	75,214	511,041	1,345,748
Net earned premium	**306,673**	**399,628**	**787,956**	**227,432**	**50,776**	**1,067,913**	**2,840,378**
Commissions received	69,883	31,357	10,296	40,948	23,079	70	175,633
Total underwriting income	**376,557**	**430,985**	**798,252**	**268,380**	**73,855**	**1,067,983**	**3,016,011**
Underwriting expenses							
Claims expenses (Note 35)	(138,690)	(118,039)	(314,544)	(19,784)	(33,089)	(414,589)	(1,038,735)
Maintenance expenses	(77,763)	(80,907)	(176,419)	(80,513)	(38,904)	(218,065)	(672,572)
Acquisition expenses (Note 36)	(109,053)	(105,848)	(98,297)	(135,557)	(37,078)	(362,010)	(847,843)
Underwriting profit	**51,050**	**126,191**	**208,992**	**32,526**	**(35,216)**	**73,320**	**456,861**