LINKAGE ASSURANCE PLC

RC: 162306

# Unaudited Financial Statements

## for the Fourth Quarter Ended

# 31 December 2020

## RESULTS AT A GLANCE

| Statement of Profit or Loss | | | |
|---|---|---|---|
| | **12 months to 31 Dec. 2020** | **12 months to 31 Dec. 2019** | **YoY Changes** |
| | Nm | Nm | % |
| Gross premium written | 8,332 | 6,519 | +28 |
| Gross premium income | 7,955 | 6,327 | +26 |
| Reinsurance expenses | 3,538 | 2,613 | -35 |
| Net claims expenses | 1,342 | 1,648 | +19 |
| Underwriting expenses | 2,885 | 2,212 | -30 |
| Investment income | 3,301 | 2,238 | +48 |
| Management expenses | 1,988 | 1,758 | -13 |
| Profit before taxation | 2,547 | 1,339 | +90 |

| Statement of Financial Position | | | |
|---|---|---|---|
| | **31 Dec 2020** | **31 Dec 2019** | **YoY Changes** |
| | Nm | Nm | % |
| Total assets | 32,911 | 28,704 | +15 |
| Total liabilities | 7,827 | 5,664 | -40 |
| Total equity | 25,084 | 23,040 | +15 |

**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 |
| **Other Directors** | Mr. Tamunoye Zifere Alazigha<br>Mrs. Imo Oyewole<br>Mr. Olakunle Agbebi<br>Mr. Okanlawon Adelagun<br>Mrs. Obafunke Alade-Adeyefa<br>Mr. Bernard Nicolaas Griesel<br>Mr. Daniel Braie<br>Mrs. Funkazi Koroye-Crooks<br>Mr. Maxwell Ebibai<br>Mr. Abubakar Shehu Dahiru |
| **Managing Director** | Mr. Daniel Braie |
| **Company Secretary** | Mr. Moses Omorogbe |
| **Registered Office** | Linkage Plaza<br>Plot 20, Block 94, Providence Street<br>Off Adewunmi Adebimpe Street<br>Lekki-Epe Expressway, Lekki, Lagos |
| **Registrars** | Centurion Registrars<br>33C, Cameron Road,<br>Ikoyi, Lagos.<br>www.centurionregistrars.com |
| **Auditor** | KPMG Professional Services<br>KPMG Towers,<br>Bishop Aboyade Cole Street<br>Victoria Island, Lagos<br>www.kpmg.com/ng |
| **Reinsurers** | African Reinsurance Corporation, Lagos, Nigeria<br>Swiss Reinsurance Company, Zurich, Switzerland<br>Continental Reinsurance Plc, Lagos, Nigeria<br>WAICA Reinsurance, Sierra Leone<br>Arab Insurance Company, Bahrain<br>Cathedral @ Underwriter Syndicates No. 2010 MMX, London<br>Zep-pe (PTA Reinsurance Company), Nairobi, Kenya<br>Atrium Underwriters Limited @ Lloyd's Underwriter Syndicate, UK<br>Hannover Ruck SE, Hannover, Germany |
| **Principal Bankers** | Access Bank Plc.<br>Ecobank Nigeria Plc.<br>FCMB Limited<br>Fidelity Bank Plc.<br>First Bank of Nigeria Limited<br>Guaranty Trust Bank Plc.<br>Heritage Bank Limited.<br>Keystone Bank Limited<br>Polaris Bank Limited.<br>Stanbic IBTC Bank Limited<br>Union Bank Plc.<br>United Bank for Africa Plc.<br>Unity Bank Plc.<br>Zenith Bank Plc. |
| **Actuary** | Ernst & Young |
| **RC No.** | 162306 |
| **FRC Registered No.** | FRC/2012/0000000000339 |

| **FINANCIAL HIGHLIGHTS** | **31 Dec 2020** | **31 Dec 2019** | **Changes** |
|---|---|---|---|
| | **₦'000** | **₦'000** | **(%)** |
| **Comprehensive income statement** | | | |
| Gross premium written | 8,331,841 | 6,518,964 | 28 |
| Gross premium income | 7,954,759 | 6,326,620 | 26 |
| Net premium income | 4,416,751 | 3,713,380 | 19 |
| Underwriting profit | 815,499 | 409,240 | 99 |
| Investment and other income | 3,801,734 | 2,780,734 | 37 |
| Profit before taxation | 2,547,388 | 1,338,726 | 90 |
| Profit after taxation | 1,942,223 | 1,452,154 | 34 |
| **Statement of financial position** | | | |
| Total assets | 32,910,622 | 28,704,432 | 15 |
| Insurance contract liabilities | 5,707,986 | 4,652,881 | 23 |

| **Key Ratios** | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| | **%** | **%** |
| Claims ratio | 37 | 40 |
| Claims ratio (net) | 30 | 44 |
| Underwriting expenses ratio | 35 | 34 |
| Fees and Commission income ratio | 18 | 21 |
| Management expenses ratio | 24 | 27 |
| Underwriting Profit margin | 10 | 6 |

**Our Performance**

Gross premium written grew by 28% to N8.3billion from N6.5billion recorded in 2019. The Company recorded an Underwriting profit of N815million, increasing by 99% when compared to prior year. PBT stood at N2.5billion as at December 2020 against N1.3million in the prior period, the major driver being increase in investment income and reduction in claims expenses.

**Outlook**

We will continue to refine our strategy in line with the political, economic, sociological and technological changes in the industry particularly the impact of Coronavirus (COVID-19) pandemic on the business landscape. We will also 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.

**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 unaudited financial statements for the period ended 31 December 2020 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.

**Securities Trading Policy**

The Company has a Securities Trading Policy which governs the trading of the Company's Securities by Insiders. The Policy has been circulated to all Directors and employees and also uploaded on the Company's website. The Company has contacted the Directors and they confirmed complying with the Policy during the quarter under review.

**Mr. Daniel Braie**
**Managing Director/CEO**
**FRC/2018/CIIN/00000018082**
27 January 2021

**Emmanuel Otitolaiye**
**Chief Financial Officer**
**FRC/2014/ICAN/00000008524**
27 January 2021

**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

In preparation of these financial statements, management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

**(a) 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:

(i) Note 4.14 - Lease term: whether the Company is reasonably certain to exercise extension options.

**(b) 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) Note 13 - determining the fair value of investment properties on the basis of significant unobservable inputs.
(ii) Note 15 - determining the useful life of property and equipment.
(iii) Note 6.2 and 17- valuation of insurance contract liabilities: key actuarial assumptions.
(iv) Note 22 - measurement of defined benefits obligations; key actuarial assumptions.
(v) Note 8.4 - determining the fair value of unquoted equity instruments on the basis of significant unobservable inputs.
(vi) Note 4.17 - recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized.

**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 as noted below, the Company has consistently applied the accounting policies set out in Note 4.1 to 4.28 to all periods presented in these financial statements. The Company has adopted IFRS 16 Leases and IFRIC 23 Uncertainty over Income tax treatment. A number of other new standards are effective from 1 January 2019 but do not have a material effect on the Company's financial statements.

**Effective for the financial year commencing 1 January 2019**

**(i)** ***IFRS 16 Leases***

The Company has adopted IFRS 16, "Leases" as issued by the IASB in July 2014 with a date of transition of 1 January 2019, which resulted in changes in accounting policies.
As permitted by the transitional provision of the standard, the Company has chosen the modified retrospective approach to the application of IFRS 16 under which the cumulative effect of initial application is recognized in retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported under IAS 17 and related interpretations. The major impact of the adoption of this standard is that the Company will be required to capitalize all leases (i.e. recognize a right-of-use asset and a lease liability) with the exemption of certain short-term leases and leases of low-value assets.

However, the adoption of IFRS 16 did not have a material impact on the Company's financial statements as the Company's leases are mostly short term and low value in nature and the Company has elected to apply the exemption for such leases.

**(ii)** ***IFRIC 23 Uncertainty over Income Tax Treatments***

The amendment clarifies how to determine the accounting tax position when there is uncertainty over income tax treatments.
The Interpretation requires an entity to:
- determine whether uncertain tax positions are assessed separately or as a group; and

- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Company has adopted IFRIC 23 effective 1 January 2019.

**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 as defined above.

### 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 recognized at fair value plus (or minus) directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognized immediately in profit or loss. Financial instruments are recognized 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 amortized 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 amortized 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 amortized cost using the effective interest method.

**Notes to the financial statements**

**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.

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 recognized 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 recognized, then the previously recognized impairment loss is reversed through profit or loss.

An impairment loss on available-for-sale (AFS) financial assets is recognized by reclassifying the gains and losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayments and amortization) and the current fair value less any impairment loss previously recognized in profit or loss. If the fair value of an impaired AFS debt security subsequently increased and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized 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 recognized 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 recognized 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 amortized cost using the effective interest method, with interest expense recognized 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.

**Notes to the financial statements**

*De-recognition*

The Company de-recognizes 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 recognized 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 recognized 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.

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 maximize the use of relevant observable inputs and minimize 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 recognized 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 recognized at fair value, which is the premium received and then amortized 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 unamortized 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 recognized as impairment loss in profit or loss.

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

**Notes to the financial statements**

**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. In the course of ceding out business to reinsurers, the Company incurs expenses. This is recognized as reinsurance expense in the statement of profit or loss.

**4.7 Deferred acquisition costs**

The incremental costs directly attributable to the acquisition of new business are deferred by recognizing 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 Acquisition Revenue*

The Company recognizes commissions receivable on outwards reinsurance contracts as a deferred income and amortized over the average term of the expected premiums payable.

**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-recognized 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 recognized 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 amortization and accumulated impairment losses (where this exists). Acquired intangible assets are recognized at cost on acquisition date. Subsequent to initial recognition, these assets are carried at cost less accumulated amortization and impairment losses in value, where appropriate.

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

Amortization is recognized 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 amortized over their useful life most which do not exceed 4 years. Amortization methods are reviewed at each financial year/period-end and adjusted if appropriate.

Intangible assets are derecognized 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 recognized in profit or loss.

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

**Notes to the financial statements**

**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 capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized 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 recognized 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 recognized in profit or loss as incurred.

*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 derecognized 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:

| | |
|---|---|
| Land | Nil |
| Buildings | 50 years |
| Computer hardware and office equipment | 4 years |
| Furniture and fittings | 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

Land is not depreciated.

*De-recognition*

An item of property and equipment is derecognized 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 the asset is de-recognized.

**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 recognized 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 recognized in profit or loss. Impairment losses recognized 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 recognized in profit or loss. In respect of other non-financial assets, impairment losses recognized 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 amortization, if no impairment loss had been recognized.

**Notes to the financial statements**

**4.12 Statutory deposit**

The Company maintains a statutory deposit with the Central Bank of Nigeria (CBN) which represents 10% of the minimum capitalization 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 analyzed by accident years, but can also be further analyzed 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.

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 Leases**

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

***Policy applicable from 1 January 2019***

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

**Notes to the financial statements**

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:
– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in other liabilities in the statement of financial position.

***Short-term leases and leases of low-value assets***
The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**As a Lessor**
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract. The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.
Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

***Policy applicable before 1 January 2019***
For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:
- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output

**Notes to the financial statements**

*As a Lessee*

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

*As a Lessor*

When the Company acted a s a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

**4.15 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 recognized 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 recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**4.16 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 recognized 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 8% and 10% of the qualifying monthly emoluments (i.e. basic, housing and transport) of employees respectively. The Company's obligations for contributions to the plan are recognized as an expense in profit or loss when they are due. Prepaid contributions are recognized as asset to the extent that a cash refund or reduction in future payments is available.

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 recognized 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 recognized 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 recognized in the profit or loss.

**Notes to the financial statements**

*(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 recognizes 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 recognizes cost for a restructuring. If benefits are not expected to be settled within 12 months of the reporting date then they are discounted.

**4.17 Taxation**

**Company Income Tax**

Income tax expense comprises current tax (company income tax, tertiary education tax National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* .

**Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- National Information Technology Development Agency levy is computed on profit before tax
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year).

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. Taxes based on profit for the period are treated as income tax in line with IAS 12.

**Minimum tax**

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. The Company is subject to the Finance Act (amendments made to Companies Income Tax Act (CITA)). Total amount of tax payable under the new Finance Act shall not be less than 0.5% of the Company's gross premium.

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.

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realized.

**Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting not taxable profit or loss;
- taxable temporary differences arising on the initial recognition of goodwill; and
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future tax profits will be available against which they can be used. Future taxable profit are determined based on the reversal of relevant taxable  temporary differences. If the amount of the taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of the future taxable profits improves.

**Notes to the financial statements**

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**4.18 Other receivables and prepayments**

Other receivables include cash advance, sundry receivables, withholding tax recoverable, etc. Other receivables are carried at amortized 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 amortized on a straight line basis to the profit and loss account.

**4.19 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 recognized 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 recognized in equity, unless it reverses a decrease in the fair value of the same asset which was previously recognized as an expense, in which case it is recognized 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 recognized 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.

**4.20 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 recognized 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 recognized 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.

**4.21 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*

**Notes to the financial statements**

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 recognized 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'.

**4.22 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.
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 recognized 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 recognized on assumption of risks.

(i) *Premiums*

Premiums comprise gross written premiums on insurance contracts entered into during the year, 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 years, 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, 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 recognized.

(v) *Commissions and deferred acquisition costs*

Commissions earned and payable are recognized in the period in which relevant premiums are written. A proportion of commission payable is deferred and amortized 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 recognized 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 recognized. 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.

**Notes to the financial statements**

(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.

**4.23 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 4.22.(b)(i)

*Commission earned*

The revenue recognition policy on commission is disclosed in 4.22.(b)(v)

*Investment income*

Interest income for interest bearing financial instruments, are recognized 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 recognized 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 recognized as revenue on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

**4.24 Net claims expenses**

Net claims expenses comprise claims incurred and claims handling expenses incurred during the financial year 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.

**4.25 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.

**4.26 Operating expense**

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized on an accrual basis regardless of the time of spending cash. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably. Expenses are measured at historical cost.

**Notes to the financial statements**

Only the portion of cost of a previous period that is related to the income earned during the reporting period is recognized as an expense. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statement as assets. The portion of assets which is intended for earning income in the future periods shall be recognized as an expense when the associated income is earned.

Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming years.

**4.27 Operating segments**

IFRS 8 Operating segments 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.

**4.28 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. 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.

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

The Company has consistently applied the accounting policies set out in Note 4.1 to 4.28 to all periods presented in these financial statements except for those set out below and in note 3. The Company has adopted IFRS 16 Leases and IFRIC 23 Uncertainty over Income tax treatment. A number of other new standards are effective from 1 January 2019 but do not have a material effect on the Company's financial statements.

**(a) Effective standards not yet adopted by the Company**

**(i) *IFRS 9 Financial Instruments***

IFRS 9 became effective for financial year commencing on or after 1 January 2018 but the standard has not been adopted in preparing these financial statements as the Company elected to adopt the deferral approach available to insurance companies.

IFRS 9 is part of 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.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortized cost, fair value through OCI and fair value through profit or loss.

Furthermore for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

*Classification and measurement*

The standard uses one primary approach to determine whether to measure a financial asset at amortized cost, fair value through other comprehensive income (FVTOCI), or fair value through profit or loss (FVTPL) as against the IAS 39 classifications of FVTPL, Available-for-Sale (AFS) financial assets, Loans and Receivables and Held-to-Maturity (HTM) investments. The Company's business model is the determining factor for classifying its financial assets. Financial assets are measured at amortized cost if the business objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest (SPPI). Financial assets are measured at fair value through OCI if the business's objective is to collect contractual cash flows as well as cash flows from selling the asset.

The final category of financial assets are those assets where the business model is neither to hold for solely to collect the contractual cashflows nor selling to collect the cashflows and therefore classified as at fair value through profit or loss. These are financial assets that are held with the objective of trade and to realize fair value changes. The Company can also designate some of its financial assets at fair value through profit or loss if this helps to eliminate an accounting mismatch.

**Notes to the financial statements**

*Impairment*

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than those incurred as at year-end) are reflected at the date of reporting on all financial assets. This approach is an expected credit loss (ECL) model as opposed to the incurred credit loss model under IAS 39. This approach does not require a credit loss event to have occurred before the recognition of the loss at the reporting date. The amount of the expected credit losses is expected to be updated at each reporting date to reflect changes in credit risks since initial recognition.

ECL is determined by multiplying the Exposure At Default (EAD) by the Probability of Default (PD) and the Loss Given Default (LGD).

The Company do not currently have an Expected Credit Loss (ECL) model for financial assets; hence the potential impact of the ECL impairment on profit or loss and equity has not been estimated.

***Amendments to IFRS 4 Applying IFRS 9 financial instruments with IFRS 4 insurance contracts***

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 forth-coming 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. The effective date is 1 January 2018 or when the entity first applies IFRS 9. IFRS 4 (including the amendments) will be superseded by the forth-coming new insurance contracts standard, IFRS 17. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standard becomes effective.

In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the IASB issued amendments to IFRS 4 Insurance Contracts.
The amendments reduce the impacts, but companies need to carefully consider their IFRS 9 implementation approach to decide if and how to use them. The two optional solutions raise some considerations which require detailed analysis and management judgement.

The optional solutions are:

1. Temporary exemption from IFRS 9 – Some Companies will be permitted to continue to apply IAS 39 Financial Instruments: Recognition and Measurement. To qualify for this exemption the company's activities need to be predominantly connected with insurance. A company's activities are predominantly connected with insurance if, and only if:
(a) the amount of its insurance liabilities is significant compared with its total amount of liabilities; and
(b) the percentage of its liabilities connected with insurance relative to its total amount of liabilities is:
(i) greater than 90 percent; or
(ii) less than or equal to 90 percent but greater than 80 percent, and the Company does not engage in a significant activity unconnected with insurance.
Liabilities connected with insurance include investment contracts measured at FVTPL, and liabilities that arise because the insurer issues, or fulfils obligations arising from, these contracts (such as deferred tax liabilities arising on its insurance contracts).
2. Overlay approach – This solution provides an overlay approach to alleviate temporary accounting mismatches and volatility. For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognized in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

With respect to IFRS 9 above, 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, the Company has assessed the ratio of the Company's liabilities connected with insurance - including investment contracts liabilities - compared with it's total liabilities as at 31 December 2015. See the assessment below:

| **LIABILITIES** | **AS REPORTED (A)** | **Admissible for Predominance 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%** |

**Notes to the financial statements**

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 ₦2.65 billion which was 83.37% 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.

Based on the above, the Company will apply IFRS 9 together with IFRS 17 in 2023.

**Fair value disclosures**

i) Financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI)
The Company's financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding are as follows:

a) Cash and cash equivalents
b) Available-for-sale financial assets (Bonds)
c) Loans and receivables
d) Held-to-Maturity financial assets
e) Trade receivables
f) Reinsurance assets (less prepaid reinsurance and reinsurers' share of outstanding claims and IBNR)
g) Other receivables (only financial receivables)

ii) Financial assets with contractual terms that do not give rise to cash flows that are solely payments of principal and interest.

These are financial assets that meet the definition of financial assets designated at fair value through profit or loss in line with IFRS 9; or that are managed and whose performance is evaluated on a fair value basis. These are:

a) Financial assets measured though profit and loss (Investment in MTN shares)
b) Equity securities and Investment funds

**(ii) Insurance contracts (IFRS 17) - Effective for financial year commencing 1 January 2021**

IFRS 17 replaced IFRS 4 *Insurance Contracts*

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

• Reinsurance contracts held;
• Direct participating contracts; and
• Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The entity is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

The standard is effective for annual periods beginning on or after 1 January 2021. Early adoption is permitted.

**(iii) Amendments to IAS 1 and IAS 8 - *Definition of material* - Effective for financial year commencing 1 January 2020**

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

This amendment is not expected to have a significant impact on the Company's financial statements.

**Notes to the financial statements**

**4.3 Disclosures on COVID-19**

**(i) Background**

The COVID-19 pandemic which started in China in December 2019 and rapidly spread across the world is impacting all aspects of life in a manner that is unprecedented. The impact cuts across businesses, the economy and social interactions. These impacts seem like they will remain for the foreseeable future. In a bid to curtail the spread the virus, the Federal Government of Nigeria imposed movement restrictions in Lagos and Ogun State as well as the Federal Capital Territory on 29 March 2020. Gradual lifting of movement has commenced with daily updates announced.

In adapting to the government's response to COVID-19, the Company responded Management swiftly activated Business Continuity Management Group (BCMG) which enabled key personnel drawn from all departments to remotely work from home through secured technology, and the weekly report from members of BCMG to Executive Management (EXCO) indicates that the telecommuting is working well. Thus, we are able to provide continuous service to our customers whilst ensuring safety of employees and other stakeholders.

**(ii) Assessment of impact**

**a Impact of COVID-19 on Impairment (Expected Credit Loss) of Financial Assets**

The Company does not see a significant impairment impact on its financial assets as a result of COVID-19. The Company's financial assets are predominantly fixed income and sovereign (treasury bills and FGN bonds) in nature and are subsequently classified as stage 1. The stage allocation remains unchanged as there is no significant increase in credit risk. The impact of forward-looking information has also been considered in assessing the impact of COVID-19 on impairment of financial assets. These include GDP growth, exchange rate, country rating, bank rating, inflation, and oil price. Whilst COVID-19 has negatively impacted all of the forward-looking information, other variables in the computation ensured that the impact remains minimal.

**b Impact of COVID-19 on Revenue and Cost**

Movement restriction measures taken to limit the spread of the virus could limit sales activities across the Company. This impact will become more apparent as the year progresses. Revenues from marine insurance could be affected due to the limited economic activity during the period. Also, job losses and limited government spending due to oil price drop will impact revenue. The movement restriction could also mean reduced claimed expense as a result of reduced human and economic activities. Operating expenses is being monitored to ensure that they are well within justifiable limits.

**c Going Concern Assessment**

The Company will continue to assess the status of the fight against the pandemic and its impact on the Company's' business. However, based on current assessment, the Directors are confident that the Going Concern of the Company will not be threatened and would be able to continue to operate post COVID-19 and in the foreseeable future.

**d Outlook**

Management is confident that with the BCMG in place, we can continue with business operations uninterrupted.

Notwithstanding, since we cannot reasonably estimate the length or severity of this pandemic, or the extent to which the current lockdown would last, Management would continue to assess the material impact on the Company's financial position, results of operations, and cash flows in fiscal 2020 and would regularly make appropriate disclosures thereon to all stakeholders.

**Statement of profit or loss and other comprenhensive income**
**for the period ending December 31, 2020**

| *In thousands of Naira* | Note | 3 months to 31 Dec. 2020 | 3 months to 31 Dec. 2019 | 12 months to 31 Dec. 2020 | 12 months to 31 Dec. 2019 | Changes % |
|---|---|---|---|---|---|---|
| Gross premium written | 31 | 1,447,144 | 1,166,844 | 8,331,841 | 6,518,964 | 28 |
| Unearned premium | 32 | 704,919 | 559,615 | (377,082) | (192,344) | 96 |
| **Gross premium income** | 32 | **2,152,063** | **1,726,459** | **7,954,759** | **6,326,620** | **26** |
| Reinsurance expenses | 33 | (766,716) | (864,115) | (3,538,008) | (2,613,240) | 35 |
| **Net premium income** | | **1,385,347** | **862,344** | **4,416,751** | **3,713,380** | **19** |
| Fees and commission income | 34 | 166,167 | 140,912 | 625,261 | 555,634 | 13 |
| **Net underwriting income** | | **1,551,514** | **1,003,256** | **5,042,012** | **4,269,014** | **18** |
| Net claims expenses | 35 | (404,983) | (356,044) | (1,341,649) | (1,647,903) | (19) |
| Underwriting expenses | 36 | (705,259) | (533,089) | (2,884,864) | (2,211,871) | 30 |
| **Underwriting Profit** | | **441,271** | **114,122** | **815,499** | **409,240** | **99** |
| Investment income | 37 | 727,540 | 442,260 | 3,300,992 | 2,237,582 | 48 |
| Impairment loss on financial assets (see note 8.6(a)) | 38 | (71,577) | (99,286) | (71,577) | (99,286) | (28) |
| Net fair value (loss)/gains on financial assets at fair value through profit or loss | 39 | 406,285 | 474,471 | 446,920 | 516,768 | (14) |
| Other operating income/(loss) | 40 | 28,171 | 10,034 | 53,822 | 26,384 | 104 |
| Fair value changes on investment property | 37 | - | 6,000 | - | 6,000 | - |
| Fair value changes on property and equipment | 37 | (10,240) | - | (10,240) | - | - |
| Management expenses | 41 | (499,864) | (475,737) | (1,988,028) | (1,757,962) | 13 |
| **Profit before taxation** | | **1,021,586** | **471,864** | **2,547,388** | **1,338,726** | 90 |
| Income taxes | 23 | (204,317) | 388,375 | (605,165) | 113,428 | (634) |
| **Profit after taxation** | | **817,269** | **860,239** | **1,942,223** | **1,452,154** | **34** |
| | | | | | | |
| **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 | (1,313,256) | 3,675,990 | - | 3,672,739 | - |
| Total other comprehensive income, net of tax | | (1,313,256) | 3,675,990 | - | 3,672,739 | |
| | | | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | | | | |
| Remeasurement of defined benefit obligation | | - | (5,330) | - | (5,330) | - |
| Gain on revaluation of property and equipment | 15 | 76,690 | - | 76,690 | - | - |
| **Other comprehensive (loss)/income, net of taxes** | | **(1,236,566)** | **3,670,660** | **76,690** | **3,667,409** | **(98)** |
| | | | | | | |
| **Total comprehensive income for the year** | | **(419,297)** | **4,530,899** | **2,018,913** | **5,119,563** | **(61)** |
| | | | | | | |
| Basic and diluted earnings per share (kobo) | 43 | **5** | **11.0** | **19.4** | **18.2** | **7** |

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

**Statement of financial position**
**As at 31 December 2020**

*In thousands of Naira*

| **Assets** | **Note** | **31 Dec 2020** | **31 Dec 2019** | **Changes %** | **31 Dec 2018** |
|---|---|---|---|---|---|
| Cash and cash equivalents | 7 | 3,628,529 | 1,609,222 | 125 | 1,205,124 |
| Financial assets | 8 | 24,261,353 | 23,398,173 | 4 | 19,057,336 |
| Trade receivables | 9 | 63,974 | 65,898 | (3) | 32,090 |
| Reinsurance assets | 10 | 2,396,443 | 1,121,787 | 114 | 543,636 |
| Deferred acquisition cost | 11 | 326,513 | 262,550 | 24 | 259,098 |
| Other receivables and prepayments | 12 | 432,610 | 408,303 | 6 | 287,101 |
| Investment property | 13 | 150,000 | 150,000 | - | 144,000 |
| Intangible assets | 14 | 1,684 | 7,319 | (77) | 14,110 |
| Property and equipment | 15 | 1,349,516 | 1,381,180 | (2) | 1,303,014 |
| Statutory deposit | 16 | 300,000 | 300,000 | - | 300,000 |
| **Total assets** | | **32,910,622** | **28,704,432** | **15** | **23,145,509** |
| | | | | - | |
| **Liabilities** | | | | - | |
| Insurance contract liabilities | 17 | 5,707,986 | 4,652,881 | 23 | 4,289,254 |
| Trade payables | 19 | 681,840 | 363,724 | 87 | 144,234 |
| Other payables | 20 | 849,934 | 460,618 | 85 | 350,232 |
| Finance lease obligations | 21 | 220 | 61,923 | (100) | 56,037 |
| Defined benefit obligations | 22 | 40,102 | 49,846 | (20) | 22,905 |
| Income tax liabilities | 23 | 546,672 | 75,390 | 625 | 203,979 |
| Deferred tax liabilities | 24 | - | - | | 158,381.00 |
| **Total liabilities** | | **7,826,754** | **5,664,382** | **38** | **5,225,022** |
| | | | | - | |
| **Equity** | | | | - | |
| Authorized share capital | 25 | 15,000,000 | 4,000,000 | - | 3,999,999 |
| Issued and fully paid share capital | 25.1 | 5,000,000 | 3,999,999 | 25 | 3,999,999 |
| Share premium | 26 | 729,044 | 729,044 | - | 729,044 |
| Contingency reserve | 27 | 2,457,215 | 2,068,770 | 19 | 1,778,339 |
| Retained earnings | 28 | 2,945,953 | 2,392,175 | 23 | 1,230,452 |
| Assets revaluation reserve | 29 | 828,773 | 752,083 | - | 752,083 |
| Re-measurement reserve | 30.2 | 18,431 | 18,431 | - | 23,761 |
| Fair value reserve | 30.1 | 13,104,451 | 13,079,548 | - | 9,406,809 |
| **Total equity** | | **25,083,868** | **23,040,050** | **9** | **17,920,487** |
| | | | | - | |
| **Total liabilities and equity** | | **32,910,622** | **28,704,432** | **15** | **23,145,509** |
| | | - | - | | - |

The financial statements were approved on 27 January 2021 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**

**Emmanuel Otitolaiye**
**Chief Financial Officer**
**FRC/2014/ICAN/00000008524**

*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 ending December 31, 2020**

| *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 2020** | 4,000,000 | 729,044 | 2,068,770 | 752,083 | 18,431 | 13,079,548 | 2,392,175 | 23,040,052 |
| **Comprehensive income:** | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 1,942,223 | 1,942,223 |
| Other comprehensive income: | | | | | | | | |
| Remeasurement of defined benefit obligation | - | - | - | - | - | - | - | - |
| Net fair value changes on AFS financial assets | - | - | - | - | - | 24,903 | - | 24,903 |
| Revaluation surplus on property and equipment | - | - | - | 76,690.0 | - | | - | 76,690 |
| Deferred tax on property and equipment | - | - | - | - | - | - | - | - |
| **Total comprehensive income** | - | - | - | 76,690 | **-** | **24,903** | **1,942,223** | **2,043,816** |
| Transfer to contingency reserve | - | - | - | - | - | - | (388,445) | (388,445) |
| Transfer from retained earnings | 1,000,000.0 | - | 388,445 | - | | - | (1,000,000) | 388,445 |
| | 1,000,000.0 | - | 388,445 | - | - | - | (1,388,445) | - |
| **At 31 December 2020** | **5,000,000** | **729,044** | **2,457,215** | **828,773** | **18,431** | **13,104,451** | **2,945,953** | **25,083,868** |

**Statement of changes in equity for the year ended 31 December 2019**

| *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 2019** | 3,999,999 | 729,044 | 1,778,339 | 752,083 | 23,761 | 9,406,809 | 1,230,452 | 17,920,488 |
| **Comprehensive income** | | | | | | | | - |
| Profit for the year | - | - | - | - | - | - | 1,452,154 | 1,452,154 |
| Other comprehensive income: | | | | | | | | - |
| Remeasurement of defined benefit obligation | - | - | - | - | (5,330) | - | - | (5,330) |
| Net fair value changes on AFS financial assets | - | - | - | - | - | 3,672,739 | - | 3,672,739 |
| Revaluation surplus on property and equipment | - | - | - | - | - | | - | - |
| Deferred tax on property and equipment | - | - | - | - | - | - | - | - |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **(5,330)** | **3,672,739** | **1,452,154** | **5,119,563** |
| Transfer to contingency reserve | - | - | - | - | - | - | (290,431) | (290,431) |
| Transfer from retained earnings | - | - | 290,431 | - | | - | - | 290,431 |
| | - | - | 290,431 | - | - | - | (290,431) | - |
| **At 31 December 2019** | **3,999,999** | **729,044** | **2,068,770** | **752,083** | **18,431** | **13,079,548** | **2,392,175** | **23,040,050** |

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

**Statement of cash flows**
**for the period ending December 31, 2020**

| | Note | 31 Dec 2020<br>₦'000 | 31 Dec 2019<br>₦'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Premiums received from policy holders | 44(b) | 8,550,950 | 6,445,650 |
| Premiums received in advance | 19.1 | 2,936 | 2,868 |
| Deposit without details | 20.2 | 217,185 | 182,228 |
| Reinsurance payments | 44(d) | (3,485,967) | (2,647,840) |
| Claims paid | 35 | (2,404,456) | (2,436,577) |
| Reinsurance claim recoveries | 44(c) | 908,258 | 589,257 |
| Salvage recovery | 44(c) | 22,678 | 50,384 |
| Commission paid | 44(e) | (1,706,721) | (1,305,933) |
| Maintenance expenses paid | 41 | (1,273,943) | (882,902) |
| Commission received | 44(f) | 759,773 | 589,608 |
| Cash payment to and on behalf of employees | 44(l) | (880,067) | (709,906) |
| Other operating cash payments | 44(a) | (1,933,270) | (1,095,422) |
| Corporate tax paid | 23 | (133,883) | (173,542) |
| Net cash used in operating activities | | (1,356,526) | (1,392,127) |
| **Cash flows from Investing activities** | | | |
| Purchase of properties and equipment | 44(i) | (57,778) | (149,659) |
| Purchase of intangible assets | 14 | - | (168) |
| Proceeds from sale of property and equipment | 44(j) | 1,153 | 5,691 |
| Purchase of investment securities | 44(h) | (11,376,628) | (9,238,723) |
| Proceeds from sale of investment securities | 44(h) | 6,204,339 | 3,118,391 |
| Proceeds from redemption | 8.6 | 5,251,890 | 5,630,280 |
| Loan repayments | 44(h) | 146,348 | 249,718 |
| Dividend received | 37 | 834,841 | 785,629 |
| Rental income received | 40 | 4,500 | 11,000 |
| Interest received | 44(g) | 2,405,230 | 1,451,953 |
| Net cash from investing activities | | 3,413,894 | 1,864,112 |
| **Financing activities** | | | |
| Payment of finance lease liabilities | 44(k) | (61,704) | (66,114) |
| | | (61,704) | (66,114) |
| Net (decrease) / increase in cash and cash equivalents | | 1,995,664 | 405,871 |
| Cash and cash equivalents at the beginning of the period | | 1,609,222 | 1,205,124 |
| Impact of exchange difference on cash held | 40 | 23,642 | (1,774) |
| **Cash and cash equivalents at 31 December** | 7 | 3,628,529 | 1,609,222 |

*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:

• Fire
• Accident
• Motor
• Marine
• Aviation
• Bond
• Engineering
• Oil & Gas

The following is an analysis of the Company's revenue and result by reportable segment
for the period ending December 31, 2020

| **Income:** | **Fire** | **Accident** | **Motor** | **Marine** | **Aviation** | **Bond** | **Engineering** | **Oil & Gas** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Gross premium written | 1,285,338 | 867,508 | 1,603,328 | 682,393 | 523,866 | 5,553 | 513,088 | 2,850,767 | 8,331,841 |
| Net change in unearned premium | (81,616) | (18,573) | (131,680) | (104,642) | 14,604 | 1,829 | (90,930) | 33,926 | (377,082) |
| | **1,203,722** | **848,935** | **1,471,648** | **577,751** | **538,470** | **7,382** | **422,158** | **2,884,693** | **7,954,759** |
| Reinsurance Expenses | (878,661) | (505,481) | (4,815) | (365,914) | (307,656) | (3,176) | (256,899) | (1,417,062) | (3,739,664) |
| Movement in Prepaid-Reinsurance Cost | 81,050 | 14,449 | - | 79,382 | (54,354) | (93) | 27,653 | 53,569 | 201,656 |
| Re-insurance cost | (797,611) | (491,032) | (4,815) | (286,532) | (362,010) | (3,269) | (229,246) | (1,363,493) | (3,538,008) |
| Net premium income | **406,111** | **357,903** | **1,466,833** | **291,219** | **176,460** | **4,113** | **192,912** | **1,521,200** | **4,416,751** |
| Commision received | 247,760 | 141,264 | 839 | 84,990 | 1,974 | 952 | 98,455 | 49,027 | 625,261 |
| **Net underwriting Income** | **653,871** | **499,167** | **1,467,672** | **376,209** | **178,434** | **5,065** | **291,367** | **1,570,227** | **5,042,012** |
| **Expenses:** | | | | | | | | | |
| Acqusition cost | (241,941) | (201,556) | (209,030) | (157,209) | (87,169) | (1,371) | (71,106) | (641,539) | (1,610,921) |
| Net claims incurred | (353,897) | (188,754) | (417,165) | (48,632) | (101,124) | (1,391) | (101,779) | (128,907) | (1,341,649) |
| Maintenance expenses (Note 42) | (196,529) | (132,642) | (245,150) | (104,338) | (80,099) | (849) | (78,451) | (435,884) | (1,273,943) |
| | **(792,367)** | **(522,952)** | **(871,345)** | **(310,179)** | **(268,392)** | **(3,611)** | **(251,336)** | **(1,206,330)** | **(4,226,513)** |
| **Segment underwriting profit/(loss)** | **(138,496)** | **(23,785)** | **596,327** | **66,030** | **(89,958)** | **1,454** | **40,031** | **363,898** | **815,499** |

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 Dec 2019**

| **Income:** | **Fire** | **Accident** | **Motor** | **Marine** | **Aviation** | **Bond** | **Engineering** | **Oil & Gas** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Gross premium written | 915,982 | 735,474 | 1,136,061 | 470,513 | 436,116 | 17,098 | 262,612 | 2,545,108 | 6,518,964 |
| Net change in unearned premium | (62,198) | 3,227 | 50,319 | 1,388 | (92,584) | 3,875 | (27,091) | (69,280) | (192,344) |
| | **853,784** | **738,701** | **1,186,380** | **471,901** | **343,532** | **20,973** | **235,521** | **2,475,828** | **6,326,620** |
| Reinsurance Expenses | (543,446) | (371,974) | (5,457) | (188,509) | (286,337) | (7,475) | (199,801) | (1,268,076) | (2,871,075) |
| Movement in Prepaid-Reinsurance Cost | 42,875 | 28,770 | (16,109) | 16,896 | (2,019) | (72) | 24,996 | 162,498 | 257,835 |
| Re-insurance cost | (500,571) | (343,204) | (21,566) | (171,613) | (288,356) | (7,547) | (174,805) | (1,105,578) | (2,613,240) |
| Net premium income | **353,213** | **395,497** | **1,164,814** | **300,288** | **55,176** | **13,426** | **60,716** | **1,370,250** | **3,713,380** |
| Commision Received | 156,388 | 114,989 | 1,582 | 54,853 | 205 | 2,029 | 52,354 | 173,234 | 555,634 |
| **Net underwriting Income** | **509,601** | **510,486** | **1,166,396** | **355,141** | **55,381** | **15,455** | **113,070** | **1,543,484** | **4,269,014** |
| **Expenses:** | | | | | | | | | |
| Acqusition cost | (182,473) | (166,142) | (203,477) | (137,093) | (49,515) | (2,933) | (55,756) | (531,581) | (1,328,969) |
| Net claims incurred | (238,081) | (277,141) | (371,052) | (33,158) | (6,079) | (65,566) | 61,150 | (717,976) | (1,647,903) |
| Maintenance expenses (Note 42) | (124,057) | (99,610) | (153,863) | (63,279) | (59,511) | (2,301) | (35,583) | (344,699) | (882,902) |
| | (544,611) | (542,893) | (728,392) | (233,531) | (115,105) | (70,800) | (30,189) | (1,594,256) | **(3,859,774)** |
| **Segment underwriting profit/(loss)** | **(35,010)** | **(32,407)** | **438,004** | **121,610** | **(59,724)** | **(55,345)** | **82,881** | **(50,772)** | **409,240** |

**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 2020.

| **Analysis of shareholders funds** | | |
|---|---|---|
| *In thousand of Naira* | **31 Dec 2020** | **31 Dec 2019** |
| Total assets | 32,910,622 | 28,704,432 |
| Less: Total liabilites | 7,826,754 | 5,664,382 |
| **Shareholders funds as at year end** | **25,083,868** | **23,040,050** |
| Adjustment for non-capital items | 328,197 | 269,869 |
| **Available capital resources** | **24,755,671** | **22,770,181** |
| Changes in available capital | 9% | 29% |

The Company's 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 N24,755,671,000 (2019: N22,770,181,000) amounting to an 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 2020** | **31 Dec 2019** |
|---|---|---|
| Total shareholders' funds | 25,083,868 | 23,040,050 |
| Regulatory required capital | 3,000,000 | 3,000,000 |
| Excess over minimum capital | 22,083,868 | 20,040,050 |
| Capitalisation rate | 836% | 768% |

During the year, The National Insurance Commission in a circular dated 20 May 2019, reviewed the minimum capital requirement for Insurance companies in Nigeria. The reviewed statutory minimum capital requirement for Non-life business is N10 billion.

To ensure that the Company is compliant with the minimum capital requirements, management has come up with a recapitalization plan. The Company held an Extra Ordinary Meeting on the 25th of October 2019 to increase the authorized share capital from N7.5 billion to N15 billion. This is to allow issuance of bonus issues to existing shareholders. Consequent upon the approval of the increase in authorized share capital by the board, the Company has filed for share registration with the Corporate Affairs Commission (CAC). During the year, the Company issued a bonus issue of 2,000,000,000 ordinary shares of 50kobo each (issued from retained earnings) and this has been capitalized to ordinary share capital.

**Notes to the financial statements**

**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 year 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.

The Company's solvency margin is as follows:

| | *In thousands of naira* | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|
| | **Assets** | | |
| | Cash and cash equivalents | 3,628,529 | 1,609,222 |
| | Financial assets | 8,259,625 | 9,945,144 |
| | Trade receivables | 63,974 | 65,898 |
| | Other receivables and prepayment | 73,549 | 97,977 |
| | Reinsurance assets | 2,396,443 | 1,121,787 |
| | Deferred acquisition cost | 326,513 | 262,550 |
| | Property and equipment | 1,349,516 | 1,381,180 |
| | Statutory deposit | 300,000 | 300,000 |
| | **Total admissible assets** | **16,398,149** | **14,783,758** |
| | **Liabilities** | | |
| | Insurance contract liabilities | 5,707,986 | 4,652,881 |
| | Trade payables | 681,840 | 363,724 |
| | Other payables | 849,934 | 460,618 |
| | Defined benefit obligations | 40,102 | 49,846 |
| | Finance lease obligation | 220 | 61,923 |
| | Income tax liabilities | 546,672 | 75,390 |
| | **Total admissible liabilities** | **7,826,754** | **5,664,382** |
| | **Excess of total admissible assets over admissible liabilities (solvency margin)** | **8,571,395** | **9,119,376** |
| | Higher of (a) and (b): | | |
| | Gross premium income | 7,954,759 | 6,326,620 |
| | Less: Reinsurance expense | (3,538,008) | (2,613,240) |
| | **Net premium** | 4,416,751 | 3,713,380 |
| (a) | **15% of net premium** | 662,513 | 557,007 |
| (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** | **5,571,395** | **6,119,376** |
| | **Solvency margin ratio** | **286%** | **304%** |

**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.

**Notes to the financial statements**

***(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.

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 Dec 2020** | | | **31 Dec 2019** | | |
|---|---|---|---|---|---|---|
| *In thousands of naira* | **Gross premium** | **Reinsurance** | **Net** | **Gross premium** | **Reinsurance** | **Net** |
| Fire | 1,285,338 | (797,611) | 487,727 | 915,982 | (500,570) | 415,412 |
| Accident | 867,508 | (491,032) | 376,476 | 735,474 | (343,204) | 392,270 |
| Motor | 1,603,328 | (4,815) | 1,598,513 | 1,136,061 | (21,566) | 1,114,495 |
| Marine | 682,393 | (286,532) | 395,861 | 470,513 | (171,613) | 298,900 |
| Aviation | 523,866 | (362,010) | 161,856 | 436,116 | (288,357) | 147,759 |
| Bond | 5,553 | (3,269) | 2,284 | 17,098 | (7,547) | 9,551 |
| Engineering | 513,088 | (229,246) | 283,842 | 262,612 | (174,804) | 87,808 |
| Oil & Gas | 2,850,767 | (1,363,493) | 1,487,274 | 2,545,108 | (1,105,579) | 1,439,529 |
| | **8,331,841** | **(3,538,008)** | **4,793,833** | **6,518,964** | **(2,613,240)** | **3,905,724** |

***(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.

**Notes to the financial statements**

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

| **Line of business** | **31 Dec 2020** | | | **31 Dec 2019** | | |
|---|---|---|---|---|---|---|
| *In thousands of naira* | **Gross outstanding claims** | **Reinsurance recoveries** | **Net liabilities** | **Gross outstanding claims** | **Reinsurance recoveries** | **Net liabilities** |
| Motor | 309,827 | 47,484 | 262,344 | 255,378 | 44,695 | 210,683 |
| Fire | 855,153 | 555,327 | 299,826 | 360,297 | 228,257 | 132,040 |
| General accident | 774,082 | 412,506 | 361,576 | 470,209 | 181,973 | 288,236 |
| Engineering | 412,646 | 303,402 | 109,244 | 236,021 | 79,274 | 156,747 |
| Marine | 102,393 | 46,513 | 55,880 | 185,695 | 38,456 | 147,239 |
| Bond | 81,112 | - | 81,112 | - | - | - |
| Aviation | 61,262 | 5,000 | 56,262 | - | - | - |
| Oil & Gas | 1,054,056 | 20,171 | 1,033,885 | 1,464,908 | 7,855 | 1,457,053 |
| | **3,650,531** | **1,390,404** | **2,260,129** | **2,972,508** | **580,510** | **2,391,998** |

**Notes to the financial statements**

***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 2020** | | | **31 December 2019** | | |
|---|---|---|---|---|---|---|---|
| **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** |
| | | - | - | - | - | - | - |
| Fair value through profit or loss | +20% | 6,548,239 | 1,309,648 | 916,753 | 4,366,233 | 873,247 | 611,273 |
| Available-for-sale - Quoted | +20% | 2,548,699 | 509,740 | 356,818 | 30,227 | 6,045 | 4,232 |
| Available-for-sale - Unquoted | +40% | 13,453,029 | 2,690,606 | 1,883,424 | 13,453,029 | 5,381,212 | 3,766,848 |
| | | | | | | | |
| Fair value through profit or loss | -20% | 6,548,239 | (1,309,648) | (916,753) | 4,366,233 | (873,247) | (611,273) |
| Available-for-sale - Quoted | -20% | 2,548,699 | (509,740) | (356,818) | 30,227 | (6,045) | (4,232) |
| Available-for-sale - Unquoted | -40% | 13,453,029 | (2,690,606) | (1,883,424) | 13,453,029 | (5,381,212) | (3,766,848) |

**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.

**Valuation Model**

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.

The table below shows financial assets carried at fair value:

| | **31 December 2020** | | | **31 December 2019** | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| **Financial assets** | | | | | | |
| Quoted investments | 6,548,239 | - | - | 4,449,949 | - | - |
| Investment in unit trust scheme | 2,548,699 | - | - | 30,227 | - | - |
| Unquoted equity investments | - | - | 13,389,000 | - | - | 13,389,000 |
| | **9,096,938** | **-** | **13,389,000** | **4,480,176** | **-** | **13,389,000** |

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).

**Notes to the financial statements**

## 7 Cash and cash equivalents

| Cash and cash equivalents comprise: | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Cash in hand | 642 | 541 |
| Balances with banks & other financial institutions (see (b) below) | 3,755,306 | 1,736,102 |
| | 3,755,948 | 1,736,643 |
| Allowance for impairment (see (a) below) | (127,419) | (127,421) |
| **Cash and bank balance as at year end** | **3,628,529** | **1,609,222** |

**(a) Allowance for impairment**

| | | |
|---|---|---|
| Balance as at the beginning of the year | 127,421 | 127,421 |
| Addition | - | - |
| 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.

**(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.

## 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 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Fair value through profit or loss (note 8.1) | 6,548,239 | 4,449,949 |
| Available-for-sale (note 8.2) | 16,001,728 | 13,483,256 |
| Loans and receivables (note 8.5) | 69,959 | 276,820 |
| Held to maturity (note 8.6) | 1,641,427 | 5,188,148 |
| | **24,261,353** | **23,398,173** |

**Financial instrument classification**

| | 31 Dec 2020 | | | | |
|---|---|---|---|---|---|
| *In thousands of Naira* | **Fair Value through Profit or Loss** | **Available for Sale** | **Loans and Receivables** | **Held to Maturity** | **Total** |
| - Listed | 6,548,239 | 2,548,699 | - | - | 9,096,938 |
| - Unlisted | - | 13,453,029 | - | - | 13,453,029 |
| - Other financial assets | - | - | 69,959 | 1,641,427 | 1,711,386 |
| | 6,548,239 | 16,001,728 | 69,959 | 1,641,427 | 24,261,353 |
| Within one year | 6,548,239 | - | 69,959 | 1,641,427 | 8,259,625 |
| More than one year | - | 16,001,728 | - | - | 16,001,728 |
| | 6,548,239 | 16,001,728 | 69,959 | 1,641,427 | 24,261,353 |

**Financial instrument classification**

| | 31 December 2019 | | | | |
|---|---|---|---|---|---|
| *In thousands of Naira* | **Fair Value through Profit or Loss** | **Available for Sale** | **Loans and Receivables** | **Held to Maturity** | **Total** |
| - Listed | 4,366,233 | 30,227 | 96,630 | 5,188,148 | 9,681,238 |
| - Unlisted | 83,716 | 13,453,029 | - | - | 13,536,745 |
| - Other financial assets | - | - | 180,190 | - | 180,190 |
| | 4,449,949 | 13,483,256 | 276,820 | 5,188,148 | 23,398,173 |
| Within one year | 83,716 | - | 261,630 | 5,188,148 | 5,533,494 |
| More than one year | 4,366,233 | 13,483,256 | 15,190 | - | 17,864,679 |
| | 4,449,949 | 13,483,256 | 276,820 | 5,188,148 | 23,398,173 |

### 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 2020 | 31 Dec 2019 |
|---|---|---|
| Balance as at the beginning of the year | 4,449,949 | 3,464,033 |
| Addition during the year | 2,098,290 | 3,587,539 |
| Disposal | - | (3,118,391) |
| Redemption/repayment during the year | | |
| | 6,548,239 | 3,933,181 |
| Fair value gain/(loss) | - | 516,768 |
| Balance as at the end of the year | **6,548,239** | **4,449,949** |

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 recognized 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 2020 | 31 Dec 2019 |
|---|---|---|
| Quoted equities and unit trust schemes (note 8.4) | 2,548,699 | 30,227 |
| Unquoted equities - at fair value through OCI (note 8.4) | 13,389,000 | 13,389,000 |
| Unquoted equities - at cost (note 8.4) | 64,029 | 64,029 |
| | **16,001,728** | **13,483,256** |

**Reconciliation of carrying amount**

| *In thousands of naira* | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Balance as at the beginning of the year | 13,483,256 | 9,810,517 |
| Additions during the year | 2,518,472 | - |
| Fair value gain/(loss) (note 8.3) | - | 3,672,739 |
| Balance as at the end of the year | **16,001,728** | **13,483,256** |

**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 2020 | 31 Dec 2019 |
|---|---|---|
| Balance at the beginning of the year | | |
| Additions during the year | 2,518,472 | - |
| Fair value changes | - | 3,672,739 |
| Balance at the end of the year | **2,518,472** | **3,672,739** |

**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 2020 | 31 Dec 2019 |
|---|---|---|
| Quoted equities and unitrust schemes | 2,548,699 | 30,227 |
| Unquoted equities-at fair value through OCI | 13,389,000 | 13,389,000 |
| Unquoted equities- at cost | 64,029 | 64,029 |
| | **16,001,728** | **13,483,256** |

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 valuation of the investment as at 31 December 2020 is yet to be finalised, hence the repeat of valuation figure as at 31 December 2019. The valuation figure as at 31 December 2019 was determined using the discounted cashflow (DCF) method and level 3 inputs of the IFRS 13 *Fair Value Measurement* fair value hierarchy.

The 2019 valuation was done by Sirius Associate. The valuation report was signed by Oluwakemi A. Adeniran with FRC number FRC/2012/ICAN/00000000205.

**Notes to the financial statements**

**8.5 Loans and receivables**

| *In thousands of Naira* | **31 Dec 2020 ₦'000** | **31 Dec 2019 ₦'000** |
|---|---|---|
| Due from third parties (see note a below) | 163,269 | 309,618 |
| Loan to staff | 31,919 | 22,714 |
| Loan to policy holders | - | 13,655 |
| Ex-staff loans | 44,998 | 35,083 |
| | **240,186** | **381,070** |
| Allowance for impairment (note 8.5b) | (170,227) | (104,250) |
| | **69,959** | **276,820** |

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

| **Name of third parties** *In thousand of Naira* | **31 Dec 2020 ₦'000** | **31 Dec 2019 ₦'000** |
|---|---|---|
| Lease Fin. - Olumegbon | 297 | 297 |
| Tsf Fin. - Lease Fin. | 927 | 927 |
| Pine Hill Leasing | 35,507 | 49,437 |
| Lease-Glc Resources | 4,374 | 4,374 |
| Aquila Leasing Ltd. | 71,577 | 107,365 |
| Konikolo Trust Fund | 49,087 | 49,087 |
| Sunfair Comm. Prod. Ltd | 1,500 | 1,500 |
| Coronation Merchant Bank | - | 31,475 |
| Mixta Real Estate | - | 52,444 |
| Stanbic IBTC Bank Plc- CP | - | 12,711 |
| **Total** | **163,269** | **309,618** |

**(b) Impairment allowance**

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Balance at the beginning of the year | (104,250) | (104,250) |
| Impairment during the year | (65,977) | - |
| Balance at the end of the year | **(170,227)** | **(104,250)** |

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 N170million consists of N122million impairment on due from third parties, N13.65 million on Loans to policy holders and N34.4 million on ex-staff loans.

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

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Balance as at 1 January | 381,070 | 243,948 |
| Additions during the year | 5,465 | 386,840 |
| Disposal during the year | (146,348) | (249,718) |
| | 240,187 | 381,070 |
| Impairment loss | (170,227) | (104,250) |
| Balance as at 31 December | 69,960 | 276,820 |

**8.6 Held to maturity**

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Balance at the beginning of the year | 5,263,082 | 5,629,018 |
| Redemption | (5,251,890) | (5,630,280) |
| | **11,192** | **(1,262)** |
| Additions during the period (Treasury bills) | 1,641,427 | 5,264,344 |
| | **1,652,619** | **5,263,082** |
| Allowance for impairment | (11,192) | (74,934) |
| Balance at the end of the year | **1,641,427** | **5,188,148** |

**Notes to the financial statements**

**9 Trade receivables**

| *In thousands of Naira* | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Due from broker | 63,974 | 65,898 |
| | **63,974** | **65,898** |

**9.1 Analysis of debtors in days**

| *In thousands of Naira* | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Within 30 days | 63,974 | 114,784 |
| | **63,974** | **114,784** |

**10 Reinsurance assets**

| *In thousands of Naira* | 31 Dec 2020 | 31 Dec 2019 | Changes during the |
|---|---|---|---|
| Prepaid reinsurance (note 10(a)) | 817,301 | 615,645 | 201,656 |
| Total as per actuarial valuation | 817,301 | 615,645 | 201,656 |
| Reinsurance treaty premium (deficit)/surplus (see note (i) below) | - | (74,368) | 74,368 |
| Total prepaid reinsurance (note 10.1) | 817,301 | 541,277 | 276,024 |
| Reinsurance recoverable on outstanding claims (note 10(b) ) | 1,163,789 | 429,637 | 734,152 |
| Reinsurance recoverable on Paid claims -FAC (note 10(b) ) | 75,742 | - | 75,742 |
| Due from Reinsurers | 188,738 | - | 188,738 |
| Reinsurance projection on IBNR (note 10(c) ) | 150,873 | 150,873 | - |
| | **2,396,443** | **1,121,787** | **1,274,655** |

(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 2020 | 31 Dec 2019 |
|---|---|---|
| Balance at the beginning of the year | 615,645 | 575,942 |
| Additions during the year | 3,739,664 | 2,652,943 |
| Reinsurance expense in the year (see note 33.1) | (3,538,008) | (2,613,240) |
| Balance at the end of the year | **817,301** | **615,645** |

**(b) Movement in reinsurance recoverable on outstanding claims**

| *In thousands of Naira* | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Balance at the beginning of the year | 429,637 | 212,969 |
| Recoveries during the year (see note 17.1(a) ) | 809,894 | 216,668 |
| Balance at the end of the year | **1,239,531** | **429,637** |

**(c) Movement in reinsurance recoverable on IBNR projection**

| *In thousands of Naira* | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Balance at the beginning of the year | 150,873 | 47,225 |
| Changes during the year (see note 17.1(c) ) | - | 103,648 |
| Balance at the end of the year | **150,873** | **150,873** |

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

**10.1 Breakdown of prepaid reinsurance is as follows:**

| *In thousands of Naira* | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Motor | - | - |
| Fire | 225,308 | 144,259 |
| General accident | 102,171 | 87,722 |
| Engineering | 86,249 | 58,596 |
| Marine | 129,307 | 49,925 |
| Bond | 669 | 762 |
| Aviation | 26,762 | 81,116 |
| Oil & Gas | 246,835 | 193,266 |
| | 817,301 | 615,645 |
| Treaty premium (deficit)/surplus | - | (74,368) |
| | **817,301** | **541,277** |

**Notes to the financial statements**

**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 2020** | **31 Dec 2019** |
|---|---|---|
| Motor | 57,950 | 43,222 |
| Fire | 63,957 | 49,782 |
| Accident | 37,371 | 33,757 |
| Engineering | 27,457 | 15,235 |
| Marine | 36,463 | 18,369 |
| Bond | 213 | 475 |
| Aviation | 11,713 | 14,834 |
| Oil & Gas | 91,390 | 88,330 |
| | **326,513** | **262,550** |

**11.2 Movement in the deferred acquisition costs**

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Balance at the beginning of the year | 262,550 | 264,003 |
| (Decrease) / increase during the year (see note 36.1) | 63,963 | (1,453) |
| Balance at the end of the year | **326,513** | **262,550** |

**12 Other receivables and prepayments**

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Prepayments (see (a) below) | 328,520 | 311,546 |
| Other receivables (see (b) below) | 106,692 | 113,251 |
| | 435,212 | 424,797 |
| Allowance for impairment | (2,602) | (16,494) |
| | **432,610** | **408,303** |

**(a) Prepayments**

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Prepaid staff benefits | 73,549 | 97,977 |
| Deposits with stock broker | 2,602 | 2,602 |
| Prepaid rent | 46,808 | 11,959 |
| Other prepaid expenses | 205,561 | 199,008 |
| | **328,520** | **311,546** |

**(b) Other receivables**

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Prepaid business acquisition expenses | 272 | 647 |
| Withholding tax recoverable | 38,873 | 10,012 |
| Sundry receivables (see (i) below) | 67,547 | 102,592 |
| | 106,692 | 113,251 |
| Allowance for impairment (see (ii) below) | (2,602) | (16,494) |
| | **104,090** | **96,757** |

**(i)** This represents balance on contribution to claims pool.

**(ii)** The impairment allowance of N2.60 million represents impairment on deposits with stock brokers.

**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** | **Additions** | **Disposals** | **Reclassification** | **Fair value gain/(loss)** | **Carrying amount as at 31 Dec. 2020** |
|---|---|---|---|---|---|---|---|
| | | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| 1 | No. 9C Shekinah Green Estate, Apo District, Abuja. | 75,000 | - | - | - | - | 75,000 |
| 2 | No. 11C Shekinah Green Estate, Apo District, Abuja. | 75,000 | - | - | - | - | 75,000 |
| | | 150,000 | - | - | - | - | 150,000 |

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

**Notes to the financial statements**

**(b) Reconciliation of carrying amount**

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Balance at the beginning of the year | 150,000 | 144,000 |
| Addition during the year | - | - |
| Reclassification to property and equipment (see note 15) | - | - |
| Fair value gain/(loss) | - | 6,000 |
| Balance at the end of the year | **150,000** | **150,000** |

**(c) Measurement of fair values**

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

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| ***Level 1*** | - | - |
| ***Level 2*** | - | - |
| ***Level 3*** | 150,000 | 150,000 |
| | **150,000** | **150,000** |

***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 2019, 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.<br>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<br>-Rate of development in the area<br>-Quality of the building and repairs.<br>-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 firm FRC number FRC/2012/00000000487. The valuation report was signed by Andem Bassey (FNIVS, RSV) with FRC number FRC/2012/NIESV/00000000363.

**14 Intangible assets**

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| **Cost** | | |
| Balance at the beginning of the year | 67,147 | 66,979 |
| Addition during the year | - | 168 |
| Balance at the end of the year | **67,147** | **67,147** |
| **Accumulated Amortisation** | | |
| Balance at the beginning of the year | 59,828 | 52,870 |
| Charge for the year | 5,635 | 6,958 |
| Balance at the end of the year | 65,463 | 59,828 |
| **Net Book Value** | | |
| Balance at the end of the year | **1,684** | **7,319** |

**Notes to the financial statements**

**15 Property and equipment**

**31 Dec 2020**

| *In thousands of Naira* | Land | Buildings | Motor Vehicles | Office furniture & fittings | Office Machinery & Equipment | Building (Work in progress) | Total |
|---|---|---|---|---|---|---|---|
| **Cost/valuation** | | | | | | | |
| At 1 January 2020 | 757,200 | 291,392 | 629,510 | 145,751 | 330,428 | 105,136 | 2,259,418 |
| Additions | - | 920 | | 8,173 | 48,686 | - | 57,778 |
| Disposal | - | - | (47,800) | | (2,875) | - | (50,675) |
| Revaluation loss | - | (4,495) | - | - | - | (19,276) | (23,771) |
| Revaluation gain | 90,220 | - | - | - | - | - | 90,220 |
| 31 Dec 2020 | 847,420 | 287,817 | 581,710 | 153,924 | 376,239 | 85,860 | 2,332,971 |
| | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2020 | - | 82,083 | 388,008 | 133,171 | 274,975 | - | 878,237 |
| Charge for the year | - | 7,754 | 102,635 | 7,402 | 32,744 | - | 150,535 |
| Disposal | - | - | (43,425) | - | (1,893) | - | (45,318) |
| Reclassification | - | - | - | - | - | - | - |
| 31 Dec 2020 | - | 89,837 | 447,218 | 140,573 | 305,826 | - | 983,454 |
| | | | | | | | |
| **Net book value** | | | | | | | |
| 31 Dec 2020 | 847,420 | 197,980 | 134,492 | 13,351 | 70,412 | 85,860 | 1,349,516 |
| At 31 December 2019 | 757,200 | 209,308 | 241,496 | 12,580 | 55,460 | 105,136 | 1,381,180 |

**Property and equipment**
**At 31 December 2019**

| *In thousands of Naira* | Land | Buildings | Motor Vehicles | Office furniture & fittings | Office Machinery & Equipment | Building (Work in progress) | Total |
|---|---|---|---|---|---|---|---|
| **Cost/valuation** | | | | | | | |
| At 1 January 2019 | 757,200 | 290,564 | 567,862 | 139,037 | 311,719 | 105,136 | 2,171,518 |
| Additions | - | 828 | 194,500 | 6,714 | 19,617 | - | 221,659 |
| Disposal | - | - | (132,851) | - | (908) | - | (133,759) |
| At 31 December 2019 | 757,200 | 291,392 | 629,510 | 145,751 | 330,428 | 105,136 | 2,259,418 |
| | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2019 | - | 74,384 | 422,393 | 125,067 | 246,660 | - | 868,504 |
| Charge for the year | - | 7,699 | 98,467 | 8,104 | 28,807 | - | 143,077 |
| Disposal | - | - | (132,851) | - | (492) | - | (133,343) |
| At 31 December 2019 | - | 82,083 | 388,008 | 133,171 | 274,975 | - | 878,237 |
| | | | | | | | |
| **Net book value** | | | | | | | |
| At 31 December 2019 | 757,200 | 209,309 | 241,502 | 12,580 | 55,453 | 105,136 | 1,381,180 |
| At 31 December 2018 | 757,200 | 216,180 | 145,469 | 13,970 | 65,059 | 105,136 | 1,303,014 |

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

| Class of PPE | 31 December 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| Land | - | - | 847,420 | - | - | 757,200 |
| Building | - | - | 197,980 | - | - | 209,309 |
| Building (work in progress) | - | - | 85,860 | - | - | 105,136 |
| | **-** | **-** | **1,131,260** | **-** | **-** | **1,071,645** |

In December 2020, the Company's land and buildings were revalued. The Company engaged the services of an independent valuer, Andy Bassey & Associate Estate Surveyors & Valuers (FRC/2012/NIESV/00000000363). The Company revalues its land and buildings every three years as stated in its accounting policy. Therefore, no revaluation surplus was recognized.

**a)** There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (2019: 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 (2019: 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 2020 (31 December 2019: nil)

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

**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 | 769,680 | 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 | 98,100 | 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 | 55,000 | 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 | 208,480 | The company had applied to register the deed of assignment with the Rivers State Ministry of Lands |
| | | | | **1,131,260** | |

**Notes to the financial statements**

**16 Statutory deposit**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'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 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Provision for claims reported by policyholders (note 17.1(a)) | 2,792,883 | 2,267,862 |
| Provision for IBNR (note 17.1(c)) | 857,648 | 704,646 |
| Outstanding claims provision | 3,650,531 | 2,972,508 |
| Provision for unearned premium (note 17.2) | 2,057,455 | 1,680,373 |
| Total insurance contract liabilities | **5,707,986** | **4,652,881** |

**17.1 Analysis of claims reserve based on nature**

| | 31 Dec 2020 | | | 31 Dec 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **Gross claims** | **Reinsurance** | **Net** | **Gross claims** | **Reinsurance** | **Net** |
| Reported claims (see (a) below) | 2,792,883 | 1,239,531 | 1,553,352 | 2,267,862 | 429,637 | 1,838,225 |
| IBNR (see (c) below) | 857,648 | 150,873 | 706,775 | 704,646 | 150,873 | 553,773 |
| | **3,650,531** | **1,390,404** | **2,260,127** | **2,972,508** | **580,510** | **2,391,998** |

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

| | 31 Dec 2020 | | | 31 Dec 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **Reported claims** | **Reinsurance** | **Net** | **Reported claims** | **Reinsurance** | **Net** |
| Balance at the beginning of the year | 2,267,862 | 429,637 | 1,838,225 | 2,382,164 | 212,969 | 2,169,195 |
| Movement during the year | 525,021 | 809,894 | (284,873) | (114,302) | 216,668 | (330,970) |
| Balance at the end of the year | **2,792,883** | **1,239,531** | **1,553,352** | **2,267,862** | **429,637** | **1,838,225** |

Analysis of outstanding claims per class of business:

| | 31 Dec 2020 | | | 31 Dec 2019 | | |
|---|---|---|---|---|---|---|
| **(b)** *In thousands of Naira* | **Gross Outstanding claims** | **Reinsurance recoveries** | **Net** | **Gross Outstanding claims** | **Reinsurance recoveries** | **Net** |
| Motor | 200,482 | 27,424 | 173,058 | 165,739 | 24,635 | 141,104 |
| Fire | 703,609 | 502,694 | 200,915 | 234,389 | 175,624 | 58,765 |
| General accident | 654,828 | 383,100 | 271,727 | 375,859 | 152,567 | 223,292 |
| Engineering | 347,496 | 286,291 | 61,204 | 178,158 | 62,163 | 115,995 |
| Marine | 69,706 | 22,705 | 47,001 | 130,434 | 14,648 | 115,786 |
| Bond | 73,315 | - | 73,315 | - | - | - |
| Aviation | 32,165 | 5,000 | 27,165 | - | - | - |
| Oil & Gas | 711,281 | 12,316 | 698,965 | 1,183,283 | - | 1,183,283 |
| | **2,792,883** | **1,239,531** | **1,553,351** | **2,267,862** | **429,637** | **1,838,225** |

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

| | 31 Dec 2020 | | | 31 Dec 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **IBNR claims** | **Reinsurance** | **Net** | **IBNR claims** | **Reinsurance** | **Net** |
| At the beginning of the year | 704,646 | 150,873 | 553,773 | 419,061 | 47,225 | 371,836 |
| Movement during the year | 153,002 | - | 153,002 | 285,585 | 103,648 | 181,937 |
| At the end of the year | **857,648** | **150,873** | **706,775** | **704,646** | **150,873** | **553,773** |

Analysis of IBNR claims per class of business:

| | 31 Dec 2020 | | | 31 Dec 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | **IBNR claims** | **Reinsurance recoveries** | **Net** | **IBNR claims** | **Reinsurance recoveries** | **Net** |
| Motor | 109,345 | 20,060 | 89,285 | 89,639 | 20,060 | 69,579 |
| Fire | 151,544 | 52,633 | 98,911 | 125,908 | 52,633 | 73,275 |
| General accident | 119,255 | 29,406 | 89,849 | 94,350 | 29,406 | 64,944 |
| Engineering | 65,150 | 17,111 | 48,039 | 57,863 | 17,111 | 40,752 |
| Marine | 32,686 | 23,808 | 8,878 | 55,261 | 23,808 | 31,453 |
| Bond | 7,797 | - | 7,797 | - | - | - |
| Aviation | 29,097 | - | 29,097 | - | - | - |
| Oil & Gas | 342,775 | 7,855 | 334,920 | 281,625 | 7,855 | 273,770 |
| | **857,648** | **150,873** | **706,775** | **704,646** | **150,873** | **553,773** |

**Notes to the financial statements**

**17.2 Breakdown of unearned premium per class of business:**

| | 31-Dec-20 | | | 31-Dec-19 | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | Unearned Premium | Prepaid Reinsurance | Net | Unearned Premium | Prepaid Reinsurance | Net |
| Motor | 555,611 | - | 555,611 | 423,931 | - | 423,931 |
| Fire | 353,261 | 225,308 | 127,952 | 271,645 | 144,259 | 127,387 |
| General accident | 213,404 | 102,171 | 111,234 | 194,831 | 87,722 | 107,108 |
| Engineering | 168,689 | 86,249 | 82,440 | 77,758 | 58,596 | 19,163 |
| Marine | 210,982 | 129,307 | 81,675 | 106,341 | 49,925 | 56,415 |
| Bond | 1,217 | 669 | 548 | 3,046 | 762 | 2,284 |
| Aviation | 77,980 | 26,762 | 51,218 | 92,584 | 81,116 | 11,468 |
| Oil & Gas | 476,312 | 246,835 | 229,477 | 510,238 | 193,266 | 316,972 |
| | **2,057,455** | **817,301** | **1,240,154** | **1,680,373** | **615,645** | **1,064,728** |

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

| | 31-Dec-20 | | | 31-Dec-19 | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | Unexpired Risk reserve | Reinsurance | Net | Unexpired Risk reserve | Reinsurance | Net |
| Balance at the beginning of the year | 1,680,373 | 615,645 | 1,064,728 | 1,488,028 | 214,445 | 1,273,583 |
| Premium written in the year | 8,331,841 | 3,739,664 | 4,592,177 | 6,518,964 | 3,014,439 | 3,504,525 |
| Premium earned during the year | (7,954,759) | (3,538,008) | (4,416,751) | (6,326,619) | (2,613,239) | (3,713,380) |
| Balance at the end of the year | **2,057,455** | **817,301** | **1,240,154** | **1,680,373** | **615,645** | **1,064,728** |

| | 31-Dec-20 | | | 31-Dec-19 | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | Unexpired Risk reserve | Reinsurance | Net | Unexpired Risk reserve | Reinsurance | Net |
| Unexpired risk reserve | 1,680,373 | 615,645 | 1,064,728 | 1,488,029 | 357,810 | 1,130,219 |
| Additional unexpired risk reserve | 377,082 | 201,656 | 175,426 | 192,344 | 257,836 | (65,491) |
| Balance at the end of the year | **2,057,455** | **817,301** | **1,240,154** | **1,680,373** | **615,645** | **1,064,728** |

**18 Hypothecation**

| | 31-Dec-20 | | | 31-Dec-19 | | |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | Insurance fund | Shareholders fund | Total | Insurance fund | Shareholders fund | Total |
| **Assets** | | | | | | |
| Cash and cash equivalents | 3,278,529 | 350,000.00 | 3,628,529 | 1,259,222 | 350,000 | 1,609,222 |
| Financial assets | 4,915,547 | 19,345,807 | 24,261,354 | 5,188,148 | 18,210,025 | 23,398,173 |
| Reinsurance assets | 2,396,443 | - | 2,396,443 | 1,121,787 | - | 1,121,787 |
| Deferred acquisition cost | - | 326,513 | 326,513 | - | 262,550 | 262,550 |
| Other receivables and prepayments | - | 432,610 | 432,610 | - | 408,303 | 408,303 |
| Investment properties | - | 150,000 | 150,000 | - | 150,000 | 150,000 |
| Intangible assets | - | 1,684 | 1,684 | - | 7,319 | 7,319 |
| Property and equipment | - | 1,349,516 | 1,349,516 | - | 1,381,180 | 1,381,180 |
| Statutory deposit | - | 300,000 | 300,000 | - | 300,000 | 300,000 |
| **Total assets** | 10,590,519 | 22,256,130 | 32,846,649 | 7,569,157 | 21,069,376 | 28,638,533 |
| **Liabilities** | | | | | | |
| Insurance contract liabilities | 5,707,986 | - | 5,707,986 | 4,652,881 | - | 4,652,881 |
| Trade payables | - | 681,840 | 681,840 | - | 363,724 | 363,724 |
| Other payables | - | 849,934 | 849,934 | - | 460,618 | 460,618 |
| Finance lease obligations | - | 220 | 220 | - | 61,923 | 61,923 |
| Defined benefit obligations | - | 40,102 | 40,102 | - | 49,846 | 49,846 |
| Income tax liabilities | - | 546,672 | 546,672 | - | 75,390 | 75,390 |
| **Total liabilities** | 5,707,986 | 2,118,768 | 7,826,754 | 4,652,881 | 1,011,501 | 5,664,382 |
| **GAP** | 4,882,533 | 20,137,362 | 25,019,895 | 2,916,276 | 20,057,875 | 22,974,152 |

**Notes to the financial statements**

**19 Trade payables**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Insurance payables (note 19.1) | 681,840 | 363,724 |
| | **681,840** | **363,724** |

**19.1 Insurance payables**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Commission payables to brokers | 96,037 | 63,749 |
| Premium received in advance | 2,936 | 2,868 |
| Due to re-insurers (see 'a' below) | 475,489 | 223,235 |
| Other payables to agents and brokers (see note 19.2) | 107,378 | 73,872 |
| | **681,840** | **363,724** |

| **Movement in insurance payables** | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance at the beginning of the year | 363,724 | 144,234 |
| Addition in the year | 318,116 | 219,490 |
| Balance at the end of the year | **681,840** | **363,724** |

**(a)** This is a payable to reinsurance companies as at December 2020 (2019:N223m).

**19.2 Other payables to agents and brokers**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Due to brokers | 107,378 | 73,872 |
| | **107,378** | **73,872** |

**20 Other payables**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Due to Auditors | 25,001 | 25,000 |
| NAICOM levy | 83,318 | 65,190 |
| Expenses payable (see note 20.1 ) | 297,483 | 66,165 |
| Due to co-insurers | 29,437 | - |
| Deferred commission revenue (see (a) below) | 175,629 | 108,373 |
| Other payables (see note 20.2 ) | 239,066 | 195,891 |
| | **849,934** | **460,618** |

**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 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Deferred commission income as at 1 January | 108,373 | 74,399 |
| Fees and commission received during the year | 707,883 | 242,072 |
| Fees and commission earned during the year (see note 34.2) | (640,627) | (242,072) |
| Deferred commission income as at 31 December | 175,629 | 108,373 |

**20.1 Expenses payable**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Expenses accrued (see (i) below) | 297,483 | 66,165 |
| | **297,483** | **66,165** |

**(i)** This represents expenses incurred during the year by the Company but for which bills/invoices have not been received from vendors as at 31 December 2020.

**20.2 Other payables**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Travel insurance | 975 | 2,517 |
| National Housing Fund (NHF) | 1,025 | 1,022 |
| Provision for litigation | 9,120 | 3,000 |
| Pension for Life agents/Company | (1) | 555 |
| Deposit without details (see (a) below) | 217,185 | 182,228 |
| Sundry payables | 10,762 | 6,568 |
| | **239,066** | **195,891** |

**(a)** These are payments for which the purpose have not been identified as at reporting date.

**Notes to the financial statements**

**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.

| | Future minimum lease payments | | Interest | | Present value of future minimum lease payments | |
|---|---|---|---|---|---|---|
| | **31 Dec 2020** | **31 Dec 2019** | **31 Dec 2020** | **31 Dec 2019** | **31 Dec 2020** | **31 Dec 2019** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Not later than one year | 61,923 | 39,916 | 61,703 | 8,422 | 220 | **31,494** |
| Later than one year but not later than five year | - | 34,197 | - | 3,768 | - | **30,429** |
| | **61,923** | **74,113** | **61,703** | **12,190** | **220** | **61,923** |

**22 Defined benefit obligations**

| | **Defined benefit liability** | | **Fair value of plan assets** | | **Defined benefit liability / (asset)** | |
|---|---|---|---|---|---|---|
| | **31 Dec 2020** | **31 Dec 2019** | **31 Dec 2020** | **31 Dec 2019** | **31 Dec 2020** | **31 Dec 2019** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| At the beginning of the year | 141,078 | 104,048 | (91,231) | (81,143) | 49,847 | 22,905 |
| Current service cost | - | 22,790 | - | - | - | 22,790 |
| Interest income/(cost) | - | 15,623 | (7,348) | - | (7,348) | 15,623 |
| Benefits paid by the employer | (2,397) | (6,713) | - | (10,089) | (2,397) | (16,802) |
| - Assumptions | - | 17,742 | - | - | - | 17,742 |
| - Experience | - | (12,412) | - | - | - | (12,412) |
| At the end of the year | **138,681** | **141,078** | **(98,579)** | **(91,231)** | **40,102** | **49,846** |

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 2019) with FRC number FRC/2012/NAS/00000000738.

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

| | **31 Dec 2019** | **31 Dec 2018** |
|---|---|---|
| | **%** | **%** |
| Long term discount rate (p.a.) | 13.5% | 15.5% |
| Average pay increase (p.a.) | 12.0% | 12.0% |
| Average rate of inflation (p.a.) | 11.0% | 12.0% |

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

| ***31 December 2019*** | Change in assumption | | Impact on overall liability | |
|---|---|---|---|---|
| Discount rate | -1.00% | +1.00% | 151,683 | 131,688 |
| Future salary increases | -1.00% | +1.00% | 130,901 | 152,409 |
| Mortality experience | -1 year | +1 year | 140,835 | 141,347 |

| ***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 |

**23 Income tax liabilities**

| *In thousands of Naira* | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| At the beginning of the period | 75,390 | 203,979 |
| Charge for the year (note 23.1) | 605,165 | 44,953 |
| Payment during the period | (133,883) | (173,542) |
| At the end of the period | **546,672** | **75,390** |

**Notes to the financial statements**

**23.1 Major components of the tax expense**

| *In thousands of Naira* | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Minimum tax expense | - | 31,633 |

**23.2 Tax charge**

| *In thousands of Naira* | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Income tax (CIT) | 605,165 | - |
| Minimum tax | - | 31,633 |
| NITDA Levy | - | 13,255 |
| Police Trust Fund levy | - | 65 |
| Current income tax | 605,165 | 44,953 |
| Reversal of deductible temporary difference (note 24) | - | (158,381) |
| | **605,165** | **(113,428)** |

**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 2019**

| *In thousands of Naira* | Balance at 1 January | Recognised in OCI | Recognised in P or L | Deferred tax assets /(Liabilities) |
|---|---|---|---|---|
| Property and equipment | (121,439) | - | 121,439 | - |
| Unrealised exchange gain | (36,942) | - | 36,942 | - |
| | (158,381) | - | 158,381 | - |

**Notes to the financial statements**

| | | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|
| **25** | **Share capital** | **₦'000** | **₦'000** |
| | Authorized - ordinary shares of 50k each (30,000,000,000 units) | **15,000,000** | **4,000,000** |

At the Extraordinary General Meeting (EGM) held on 25th October 2019, the Company increased the Authorized share capital from Seven Billion, Five Hundred Million Naira (N7,500,000,000) to Fifteen Billion Naira (N15,000,000,000). The N15,000,000,000 is made up of Thirty Billion (30,000,000,000) Ordinary Shares for Fifty kobo (50k) each and the required registration fees have been paid to concerned regulatory authorities.

| | | | |
|---|---|---|---|
| **25.1** | **Issued and fully paid** | **31 Dec 2020** | **31 Dec 2019** |
| | Authorised - ordinary shares of 50k each (8,000,000,000 units) | **₦'000** | **₦'000** |
| | At the beginning of the year | **5,000,000** | **3,999,999** |
| | At the end of the year | **5,000,000** | **3,999,999** |

| | | | |
|---|---|---|---|
| **26** | **Share premium** | **31 Dec 2020** | **31 Dec 2019** |
| | | **₦'000** | **₦'000** |
| | At the end of the year | **729,044** | **729,044** |

| | | | |
|---|---|---|---|
| **27** | **Contingency reserve** | **31 Dec 2020** | **31 Dec 2019** |
| | | **₦'000** | **₦'000** |
| | At the beginning of the year | 2,068,770 | 1,778,339 |
| | Transfer from retained earnings (see Note 28) | 388,445 | 290,431 |
| | At the end of the year | **2,457,215** | **2,068,770** |

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 2020, the transfer to contingency reserves was determined based on 20% of net profit for the year (2019: 20% of net profit for the year).

| | | | |
|---|---|---|---|
| **28** | **Retained earnings** | **31 Dec 2020** | **31 Dec 2019** |
| | | **₦'000** | **₦'000** |
| | At the beginning of the year | 2,392,175 | 1,230,452 |
| | Profit for the year | 1,942,223 | 1,452,154 |
| | Transfer to contingency reserve (see Note 27) | (388,445) | (290,431) |
| | Transfer to Share capital (see 28a below) | (1,000,000) | - |
| | At the end of the year | **2,945,953** | **2,392,175** |

**28a** This represents a bonus issue of 2,000,000,000 ordinary shares of 50kobo each (issued from retained earnings) capitalized to ordinary share capital during the year.

| | | | |
|---|---|---|---|
| **29** | **Assets revaluation reserve** | **31 Dec 2020** | **31 Dec 2019** |
| | | **₦'000** | **₦'000** |
| | Balance as at 31 December | **828,773** | **752,083** |

The asset revaluation reserves comprises cumulative net revaluation change on revalued Property and Equipment. The last revaluation of land and buildings was done in December 2017. There was no revaluation done as at 31 December 2019.

**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:

| | | | |
|---|---|---|---|
| **30.1** | **Fair value reserve** | **31 Dec 2020** | **31 Dec 2019** |
| | | **₦'000** | **₦'000** |
| | Balance as at 31 December | **13,104,451** | **13,079,548** |

| | | | |
|---|---|---|---|
| **30.2** | **Re-measurement reserve** | **31 Dec 2020** | **31 Dec 2019** |
| | | **₦'000** | **₦'000** |
| | Balance as at 31 December | **18,431** | **18,431** |

**Notes to the financial statements**

**31 Gross premium written**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Direct premium (note 31.1) | 8,033,575 | 6,323,635 |
| Inward premium (note 31.1) | 298,266 | 195,329 |
| | **8,331,841** | **6,518,964** |

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

| **31 Dec 2020** | Direct premium | Inward premium | Total |
|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 |
| Fire | 1,253,081 | 32,257 | 1,285,338 |
| Accident | 847,328 | 20,180 | 867,508 |
| Motor | 1,522,097 | 81,231 | 1,603,328 |
| Marine | 592,927 | 89,466 | 682,393 |
| Aviation | 505,561 | 18,305 | 523,866 |
| Bond | 5,553 | - | 5,553 |
| Engineering | 509,955 | 3,133 | 513,088 |
| Oil & Gas | 2,797,073 | 53,694 | 2,850,767 |
| | **8,033,575** | **298,266** | **8,331,841** |

| **31 Dec 2019** | Direct premium | Inward premium | Total |
|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 |
| Fire | 881,397 | 34,585 | 915,982 |
| Accident | 718,673 | 16,801 | 735,474 |
| Motor | 1,072,448 | 63,613 | 1,136,061 |
| Marine | 443,642 | 26,871 | 470,513 |
| Aviation | 421,684 | 14,432 | 436,116 |
| Bond | 17,098 | - | 17,098 |
| Engineering | 259,109 | 3,503 | 262,612 |
| Oil & Gas | 2,509,584 | 35,524 | 2,545,108 |
| | **6,323,635** | **195,329** | **6,518,964** |

**32 Gross premium income**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Gross premium written (note 31) | 8,331,841 | 6,518,964 |
| Changes in reserve for unexpired risks (note 17.2) | (377,082) | (192,344) |
| | **7,954,759** | **6,326,620** |

| | | |
|---|---|---|
| **33 Reinsurance expenses** | **3,538,008** | **2,613,240** |

**33.1 Premium ceded to reinsurance:**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Reinsurance premium (Treaty) | 3,121,389 | 2,592,312 |
| Facultative outwards | 618,275 | 278,763 |
| Total reinsurance paid (see (a) below) | **3,739,664** | **2,871,075** |
| Decrease in prepaid reinsurance | (201,656) | (257,835) |
| | **3,538,008** | **2,613,240** |
| **(a) Local and foreign reinsurance premium** | | |
| Reinsurance premium - local | 2,571,262 | 1,671,777 |
| Reinsurance premium - foreign | 1,168,402 | 1,199,298 |
| | **3,739,664** | **2,871,075** |

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

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Fire | 797,611 | 500,570 |
| Accident | 491,032 | 343,204 |
| Motor | 4,815 | 21,566 |
| Marine | 286,532 | 171,613 |
| Aviation | 362,010 | 288,357 |
| Bond | 3,269 | 7,547 |
| Engineering | 229,246 | 174,804 |
| Oil & Gas | 1,363,493 | 1,105,579 |
| | **3,538,008** | **2,613,240** |

**Notes to the financial statements**

| | | | |
|---|---|---|---|
| **34** | **Fees and commission income** | **625,261** | **555,634** |

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

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Fire | 247,760 | 156,388 |
| Accident | 141,264 | 114,989 |
| Motor | 839 | 1,582 |
| Marine | 84,990 | 54,853 |
| Aviation | 1,974 | 205 |
| Bond | 952 | 2,029 |
| Engineering | 98,455 | 52,354 |
| Oil & Gas | 49,027 | 173,234 |
| | **625,261** | **555,634** |

**34.2 Breakdown of fees and commission income is as follows:**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Lead underwriting commission | 36,354 | 1,479 |
| Reinsurance commission (Note 20(a)) | 640,627 | 414,297 |
| Profit Comm. & Comm. Adjustment | 15,536 | 173,833 |
| Changes in deferred commission revenue | (67,256) | (33,975) |
| | **625,261** | **555,634** |

**35 Net claims expenses**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Gross claims paid | 2,404,456 | 2,436,577 |
| Movement in IBNR reserve (see note 17.1(c)) | 153,002 | 285,586 |
| Movement in reserve for outstanding claims | 525,021 | (114,303) |
| **Gross claims incurred** | **3,082,479** | **2,607,860** |
| Salvage recovery | (22,678) | (50,385) |
| Claims recovered and recoverable from reinsurers (see (a) below) | (1,718,152) | (909,572) |
| | **1,341,649** | **1,647,903** |

**a) Analysis of claims recovered and recoverable from reinsurers**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Reinsurance claims recoveries (see note 44c) | 908,258 | 662,815 |
| Change in re-insurance recoverable (see note 10b) | 809,894 | 246,757 |
| | **1,718,152** | **909,572** |

**36 Underwriting expenses**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Acquisition expenses (note 36.1) | 1,610,921 | 1,328,969 |
| Maintenance expenses (note 36.2) | 1,273,943 | 882,902 |
| | **2,884,864** | **2,211,871** |

**36.1 Analysis of acquisition expenses**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Commission expense | 1,383,219 | 1,095,743 |
| Business acquisition cost | 291,666 | 236,678 |
| Movement in deferred acquisition cost (see note 11.2) | (63,964) | (3,452) |
| | **1,610,921** | **1,328,969** |

**36.2 Analysis of maintenance expenses**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Staff costs (see note 41) | 441,186 | 327,052 |
| Directors' emoluments (see note 41) | 37,946 | 42,398 |
| Retirement benefit cost (see note 41) | 30,596 | 35,016 |
| Other operating expenses (note 41) | 764,214 | 478,436 |
| | **1,273,943** | **882,902** |

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.

Other operating expenses are expenses incurred relating to the Company's core business excluding staff costs, directors' emoluments and retirement benefit costs.

**Notes to the financial statements**

| | | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| **37** | **Investment income** | | |
| | Dividend income (see note 37a) | 834,841 | 785,629 |
| | Interest income (See note 37b) | 2,405,230 | 1,451,953 |
| | Other investment income (see note 37c) | 60,921 | - |
| | Investment income per statement of profit or loss and OCI | 3,300,992 | 2,237,582 |
| | Revaluation (loss)/gain on investment properties (see note 13b) | - | 6,000 |
| | Revaluation (loss)/gain on property and equipment | (10,240) | - |
| | Fair value change on FVTPL securities (see note 37d) | 446,920 | 516,768 |
| | Investment income for hypothecation | **3,737,672** | **2,760,350** |

| | | ₦'000 | % Contribution |
|---|---|---|---|
| **37a** | Breakdown of Dividend Income | | |
| | Stanbic IBTC Pension Ltd. | 649,059 | 78% |
| | Zenith Bank Plc | 94,494 | 11% |
| | Guaranty Trust Bank | 43,536 | 5% |
| | MTN | 10,356 | 1% |
| | United Bank for Africa | 5,156 | 1% |
| | Others | 32,240 | 4% |
| | | 834,841 | |

| | | ₦'000 | % Contribution |
|---|---|---|---|
| **37b** | Breakdown of Interest Income | | |
| | Interests from Placement with Banks and Financial Institutions | 173,059 | 7 |
| | Interest from Treasury bills | 78,441 | 3 |
| | Interest income from FGN Bonds | 530,137 | 22 |
| | Interest income from State Bonds | 113,645 | 5 |
| | Interest income from Corporate bonds | 120,916 | 5 |
| | Fair value gain/loss on FGN Bonds | 1,300,728 | 54 |
| | Fair value gain/loss on State Bonds | 64,698 | 3 |
| | Fair value gain/loss on Corporate Bonds | 23,606 | 1 |
| | | 2,405,230 | 100 |

| | | ₦'000 | |
|---|---|---|---|
| **37c** | Other investment income comprises: | | |
| | Commercial Paper | 21,197 | 35 |
| | Promissory Note | 32,094 | 53 |
| | Coupon from Deluxe Residence Ltd | 4,627 | 8 |
| | Commission from 12.98% FGN Bond | 479 | 1 |
| | Discount Amortized at 8.625% FBN Oct 2025 FOR | 24 | 0 |
| | Coupon from Sokoto Structured Debt Note | 2,500 | 4 |
| | | 60,921 | 100 |

| | | ₦'000 |
|---|---|---|
| **37d** | Fair value change on FVTPL securities includes: | |
| | FV Gain/Loss with Fund managers | 90,694 |
| | FV Gain/Loss on Equity investment | 356,226 |
| | | 446,920 |

This is an additional disclosure (Note 37a to 37d) provided during the year in line with SEC directive.

| | | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| **37.1** | **Hypothecation of investment income** | | |
| | Investment income that relate to policyholders (note 37.2) | 173,059 | 174,404 |
| | Investment income that relate to shareholders (note 37.3) | 3,503,692 | 2,585,946 |
| | | **3,676,751** | **2,760,350** |

| | | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| **37.2** | **Investment income that relate to policy holders** | | |
| | Income from money market | 173,059 | 174,404 |
| | | **173,059** | **174,404** |

| | | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| **37.3** | **Investment income that relate to shareholders** | | |
| | Dividend income | 834,841 | 785,629 |
| | Income from money market | 1,467,473 | 946,268 |
| | Income from bonds | 764,698 | 318,301 |
| | Fair value change on FVTPL securities | 446,920 | 516,768 |
| | Other investment income | - | 12,980 |
| | Revaluation (loss)/gain on Property | (10,240) | 6,000 |
| | | **3,503,692** | **2,585,946** |

**Notes to the financial statements**

**38 Net impairment loss on financial assets**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Impairment loss on financial instruments | - | 74,025 |
| Impairment loss on loans and receivables (see note (i) below) | 71,577 | 25,261 |
| | **71,577** | **99,286** |

**i)** The impairment loss on loans and receivables of N71.577 million represents investment receivable from Aquilla Leasing at 31 Decembe 2020. In the prior year, the impairment provision of N74.03 million represents impairment charge on investment in treasury bills of N63.74 million and investment receivable from Aquilla Leasing of N10.28 million.

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

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Appreciation/(Depreciation) in value of short-term investments - quoted securities | **446,920** | **516,768** |

**40 Other operating (loss)/income (net)**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Sundry income | 29,884 | 11,883 |
| (Loss)/Gain on sale of property & equipment | (4,204) | 5,275 |
| Exchange gains/(loss) | 23,642 | (1,774) |
| Rental income | 4,500 | 11,000 |
| | **53,822** | **26,384** |

**41 Maintenance and management expenses**

Maintenance and management expenses comprise:

| | 31 Dec 2020 | | 31 Dec 2019 | |
|---|---|---|---|---|
| *In thousands of Naira* | **Maintenance Expenses** | **Management Expenses** | **Maintenance Expenses** | **Management Expenses** |
| Staff cost | 441,186 | 661,779 | 327,052 | 490,578 |
| Director emoluments | 37,946 | 56,920 | 42,398 | 63,598 |
| Pension contribution | 13,371 | 20,056 | 12,804 | 19,207 |
| Retirement benefits | 17,226 | 25,838 | 22,211 | 33,317 |
| Contract staff cost | 57,939 | 86,908 | 54,099 | 81,148 |
| Advertising & publicity | 5,854 | 8,780 | 6,243 | 9,364 |
| Marketing expenses | 11,172 | 16,759 | 10,388 | 15,581 |
| Medical | 19,044 | 28,566 | 14,706 | 22,058 |
| Staff training & development | 11,945 | 17,917 | 50,804 | 76,207 |
| Corporate Expense | 658,260 | - | 342,197 | - |
| AGM expenses | - | 15,000 | - | 28,249 |
| Bank charges | - | 38,766 | - | 31,766 |
| Computer consumables | - | 111 | - | 457 |
| Depreciation & amortisation | - | 156,170 | - | 150,035 |
| Diesel and fuel | - | 53,527 | - | 59,067 |
| Entertainment | - | 1,376 | - | 2,060 |
| Fines & penalties | - | - | - | 7,250 |
| Industrial training fund | - | 4,874 | - | 8,824 |
| Insurance expenses | - | 19,646 | - | 32,956 |
| Insurance supervision fee | - | 104,135 | - | 92,514 |
| Legal and secretarial expenses | - | 19,611 | - | 16,252 |
| Retail agents expenses | - | 29,851 | - | 22,035 |
| Lighting & heating | - | 6,897 | - | 7,445 |
| Maintenance expense | - | 133,807 | - | 110,620 |
| Newspapers & periodicals | - | 872 | - | 871 |
| Postage and telephone | - | 19,872 | - | 14,359 |
| Consultancy expenses | - | 160,008 | - | 78,467 |
| Rent & rate | - | 40,388 | - | 41,608 |
| Stationaries | - | 12,178 | - | 18,252 |
| Subscriptions, contributions & donations | - | 14,671 | - | 40,813 |
| Transport and business travels | - | 10,588 | - | 19,805 |
| Fund Managers Fees | - | | - | - |
| Withholding tax & VAT | - | 84,550 | - | 41,827 |
| Audit fee | - | 25,000 | - | 25,000 |
| Finance lease cost (see note (i) below) | - | 9,503 | - | 19,978 |
| Others | - | 103,103 | - | 76,394 |
| **Total** | **1,273,943** | **1,988,028** | **882,902** | **1,757,962** |

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

**Notes to the financial statements**

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

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Fair value gain / (loss) in available-for-sale investments - quoted equities | - | (2,261) |
| Fair value gain / (loss) in available-for-sale investments - unquoted equities | - | 3,675,000 |
| | **-** | **3,672,739** |

**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 2020 | 31 Dec 2019 |
|---|---|---|
| Profit attributable to ordinary shareholders (N'000) | **1,942,223** | **1,452,154** |
| Weighted average number of ordinary shares | **10,000,000** | **7,999,999** |
| Basic and diluted earnings per share (Kobo) | **19.4** | **18.2** |

**44 Cashflow reconciliation**

**a) Other operating cash payments**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| *In thousands of Naira* | ₦'000 | ₦'000 |
| Management expenses (less staff expenses) | (1,107,960) | (1,048,056) |
| Adjustment for items not involving movement of cash: | | |
| Changes in unearned premium | (377,082) | (192,344) |
| Depreciation and amortisation expense | 156,170 | 150,035 |
| Impairment loss | - | 74,025 |
| Exchange gain/(loss) | (23,642) | - |
| Sundry loss/(income) | (29,884) | (11,883) |
| Loss on sale of PPE | 4,204 | (118) |
| Operating cash flows before movements in working capital | **(1,378,194)** | **(1,028,341)** |
| Changes in trade payables | (100,762) | (219,489) |
| Changes in insurance contract liabilities | 678,023 | 171,283 |
| Other sundry (payments)/receivables | | 201,769 |
| Changes in Other receivables and prepayment | (24,307) | (121,202) |
| Changes in outstanding claims | (678,023) | (171,283) |
| Changes in other payables | (430,007) | 71,841 |
| | **(1,933,270)** | **(1,095,422)** |

**b) Premium received from policy holders**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| *In thousands of Naira* | ₦'000 | ₦'000 |
| Trade receivable at 1 January | 65,898 | 32,090 |
| Gross premium written during the year | 8,331,841 | 6,518,964 |
| Trade receivable at 31 December | (63,974) | (65,898) |
| Premium received in advance | 217,185 | (39,506) |
| | **8,550,950** | **6,445,650** |

**c) Recovery and recoverable from reinsurers**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| *In thousands of Naira* | ₦'000 | ₦'000 |
| Reinsurance claims recoveries (note 35(a)) | 908,258 | 589,257 |
| | 908,258 | 589,257 |
| Salvage recovery (note 36) | 22,678 | 50,384 |
| | **930,936** | **639,641** |

**d) Reinsurance premium paid**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| *In thousands of Naira* | ₦'000 | ₦'000 |
| Reinsurance premium cost (note 33.1) | 3,121,389 | 2,592,312 |
| Facultative outwards (note 33.1) | 618,275 | 278,763 |
| Due to reinsurers as at 31 December | (253,697) | (223,235) |
| | **3,485,967** | **2,647,840** |

**Notes to the financial statements**

**e) Commission paid**

| *In thousands of Naira* | **31 Dec 2020 ₦'000** | **31 Dec 2019 ₦'000** |
|---|---|---|
| Commission payable to brokers at 1 January | 63,749 | 37,908 |
| Commission cost (Note 36.1) | 1,383,219 | 1,095,745 |
| Business acquisition cost prepaid 1 January (Note 12b) | 647 | - |
| Business acquisition cost (Note 36.1) | 291,666 | 236,676 |
| Business acquisition cost prepaid 31 December (Note 12b) | (272) | (647) |
| Commission payable to brokers at 31 December | (32,288) | (63,749) |
| | **1,706,721** | **1,305,933** |

**f) Commission received**

| *In thousands of Naira* | **31 Dec 2020 ₦'000** | **31 Dec 2019 ₦'000** |
|---|---|---|
| Deferred commission revenue at 1 January | (108,373) | (74,399) |
| Deferred commission revenue at 31 December | 175,629 | 108,373 |
| Movement | 67,256 | 33,974 |
| Commission income earned during the year | 692,517 | 555,634 |
| Commission income received during the year | **759,773** | **589,608** |

**g) Interest received**

| *In thousands of Naira* | **31 Dec 2020 ₦'000** | **31 Dec 2019 ₦'000** |
|---|---|---|
| Interest income earned during the year | 2,405,230 | 1,451,953 |
| Interest received during the year | **2,405,230** | **1,451,953** |

**h) Movement in financial assets** **31 Dec 2020**

| *In thousands of Naira* | **Fair value through P/L** | **Available for sale** | **Loans & receivables** | **Held to maturity** | **Total Movement** |
|---|---|---|---|---|---|
| Addition | 7,541,505 | 3,829,658 | 5,465 | - | 11,376,628 |
| Disposals | (4,893,154) | (1,311,185) | - | (3,546,721) | (9,751,060) |
| Loan repayment | - | - | (146,348) | - | (146,348) |
| Impairment | - | - | (71,576) | - | (71,576) |
| | **2,648,351** | **2,518,473** | **(212,459)** | **(3,546,721)** | **1,407,644** |

**Movement in financial assets** **31 Dec 2019**

| *In thousands of Naira* | **Fair value through profit or loss** | **Available for sale** | **Loans & receivables** | **Held to maturity** | **Total Movement** |
|---|---|---|---|---|---|
| Addition | 3,587,539 | | 386,840 | 5,264,344 | 9,238,723 |
| Disposals | (3,118,391) | - | - | (5,630,280) | (8,748,671) |
| Loan repayment | - | - | (249,718) | - | (249,718) |
| Impairment | - | - | (25,262) | - | (25,262) |
| Fair value element | 516,768 | 3,672,739 | - | - | 4,189,507 |
| | **985,916** | **3,672,739** | **111,860** | **(365,936)** | **4,404,579** |

**i) Purchase of property and equipment**

| *In thousands of Naira* | **31 Dec 2020 ₦'000** | **31 Dec 2019 ₦'000** |
|---|---|---|
| Addition for the year per movement schedule | 57,778 | 221,659 |
| Leased property and equipment (see (k) below) | - | (72,000) |
| Cash flow on addition to property and equipment | **57,778** | **149,659** |

**j) Sale of property and equipment**

| *In thousands of Naira* | **31 Dec 2020 ₦'000** | **31 Dec 2019 ₦'000** |
|---|---|---|
| Costs of assets disposed | 50,675 | 133,760 |
| Accumulated depreciation on assets disposed | (45,318) | (133,343) |
| Proceeds on sale of disposed asset | (1,153) | (5,691) |
| Profit/(Loss) on disposal | **4,204** | **(5,274)** |

**k) Finance lease obligation**

| *In thousands of Naira* | **31 Dec 2020 ₦'000** | **31 Dec 2019 ₦'000** |
|---|---|---|
| Balance at the beginning of the year | 61,923 | 56,037 |
| Additions | - | 72,000 |
| Payments made during the year | (61,704) | (66,114) |
| Balance at the end of the year (see note 21) | 220 | 61,923 |

**Notes to the financial statements**

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

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| *In thousands of Naira* | **₦'000** | **₦'000** |
| Staff cost | 661,779 | 490,578 |
| Director emolument | 56,920 | 63,598 |
| Pension contribution | 20,056 | 19,207 |
| Retirement benefits | 25,838 | 33,317 |
| Contract staff cost | 86,908 | 81,148 |
| Medical | 28,566 | 22,058 |
| | 880,067 | 709,906 |

**45 Cash and cash equivalents**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Cash in hand | 642 | 541 |
| Balances with banks & other financial | 3,627,886 | 1,608,681 |
| | **3,628,528** | **1,609,222** |

**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 2020 | 31 Dec 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Short-term benefits | 152,057 | 158,424 |
| Post-employment benefits | | |
| | **152,057** | 158,424 |

**46.2 Sale of insurance contracts**

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

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Sale of insurance contract to key management personnel | - | - |

**Notes to the financial Statements**

**47 Contravention**

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Late filing of 2017 audited accounts to Federal Reporting Council of Nigeria | - | 5,500 |
| Appointment of three principal officers without NAICOM's approval | - | 750 |
| Appointment of three Non-Executive Directors and Board Chairman without NAICOM's approval | - | 1,000 |
| | - | 7,250 |

**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 Commitments**

The Company had no capital commitments at the reporting date.

# Other National Disclosures

**Other National Disclosures**
**Revenue Account**
**For the year ending**

**31 Dec 2020**

| *In thousands of naira* | **Fire** | **Accident** | **Motor** | **Marine** | **Aviation** | **Bond** | **Engineering** | **Oil & Gas** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Direct receipted premium | 1,253,081 | 847,328 | 1,522,097 | 592,927 | 505,561 | 5,553 | 509,955 | 2,797,073 | 8,033,575 |
| Inward premium | 32,257 | 20,180 | 81,231 | 89,466 | 18,305 | - | 3,133 | 53,694 | 298,266 |
| **Gross premium written** | **1,285,338** | **867,508** | **1,603,328** | **682,393** | **523,866** | **5,553** | **513,088** | **2,850,767** | **8,331,841** |
| Changes in reserve for unexpired risk | (81,616) | (18,573) | (131,680) | (104,642) | 14,604 | 1,829 | (90,930) | 33,926 | (377,082) |
| **Gross premium earned** | **1,203,722** | **848,935** | **1,471,648** | **577,751** | **538,470** | **7,382** | **422,158** | **2,884,693** | **7,954,759** |
| Reinsurance Expenses | (878,661) | (505,481) | (4,815) | (365,914) | (307,656) | (3,176) | (256,899) | (1,417,062) | (3,739,664) |
| Movement in Prepaid-Reinsurance Co | 81,050 | 14,449 | - | 79,382 | (54,354) | (93) | 27,653 | 53,569 | 201,656 |
| Re-insurance cost | (797,611) | (491,032) | (4,815) | (286,532) | (362,010) | (3,269) | (229,246) | (1,363,493) | (3,538,008) |
| **Net earned premium** | **406,111** | **357,903** | **1,466,833** | **291,219** | **176,460** | **4,113** | **192,912** | **1,521,200** | **4,416,751** |
| Commissions received | 247,760 | 141,264 | 839 | 84,990 | 1,974 | 952 | 98,455 | 49,027 | 625,261 |
| **Total underwriting income** | **653,871** | **499,167** | **1,467,672** | **376,209** | **178,434** | **5,065** | **291,367** | **1,570,227** | **5,042,012** |
| **Underwriting expenses** | | | | | | | | | |
| Gross Claims incurred | (1,046,430) | (493,144) | (421,410) | (68,914) | (447,649) | (1,391) | (374,577) | (206,288) | (3,059,803) |
| Recovery on Claims incurred | 692,533 | 304,390 | 4,245 | 20,282 | 346,525 | - | 272,798 | 77,381 | 1,718,154 |
| Net Claims Expenses | (353,897) | (188,754) | (417,165) | (48,632) | (101,124) | (1,391) | (101,779) | (128,907) | (1,341,649) |
| Maintenance expenses | (196,529) | (132,642) | (245,150) | (104,338) | (80,099) | (849) | (78,451) | (435,884) | (1,273,943) |
| Acquisition expenses (Note 36) | (241,941) | (201,556) | (209,030) | (157,209) | (87,169) | (1,371) | (71,106) | (641,539) | (1,610,921) |
| **Underwriting (Loss)/Profit** | **(138,496)** | **(23,785)** | **596,327** | **66,030** | **(89,958)** | **1,454** | **40,031** | **363,898** | **815,499** |

**31 Dec 2019**

| *In thousands of naira* | **Fire** | **Accident** | **Motor** | **Marine** | **Aviation** | **Bond** | **Engineering** | **Oil & Gas** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Direct receipted premium | 881,397 | 718,673 | 1,072,448 | 443,642 | 421,684 | 17,098 | 259,109 | 2,509,584 | 6,323,635 |
| Inward premium | 34,585 | 16,801 | 63,613 | 26,871 | 14,432 | - | 3,503 | 35,524 | 195,329 |
| **Gross premium written** | **915,982** | **735,474** | **1,136,061** | **470,513** | **436,116** | **17,098** | **262,612** | **2,545,108** | **6,518,964** |
| Changes in reserve for unexpired risk | (62,198) | 3,227 | 50,319 | 1,388 | (92,584) | 3,875 | (27,091) | (69,280) | (192,344) |
| **Gross premium earned** | **853,784** | **738,701** | **1,186,380** | **471,901** | **343,532** | **20,973** | **235,521** | **2,475,828** | **6,326,620** |
| Reinsurance expenses (Note 33) | (500,571) | (343,204) | (21,566) | (171,613) | (288,356) | (7,547) | (174,805) | (1,105,578) | (2,613,240) |
| **Net earned premium** | **353,213** | **395,497** | **1,164,814** | **300,288** | **55,176** | **13,426** | **60,716** | **1,370,250** | **3,713,380** |
| Commissions received | 156,388 | 114,989 | 1,582 | 54,853 | 205 | 2,029 | 52,354 | 173,234 | 555,634 |
| **Total underwriting income** | **509,601** | **510,486** | **1,166,396** | **355,141** | **55,381** | **15,455** | **113,070** | **1,543,484** | **4,269,014** |
| **Underwriting expenses** | | | | | | | | | |
| Claims expenses (Note 35) | (238,081) | (277,141) | (371,052) | (33,158) | (6,079) | (65,566) | 61,150 | (717,976) | (1,647,903) |
| Maintenance expenses | (124,057) | (99,610) | (153,863) | (63,279) | (59,511) | (2,301) | (35,583) | (344,699) | (882,902) |
| Acquisition expenses (Note 36) | (182,473) | (166,142) | (203,477) | (137,093) | (49,515) | (2,933) | (55,756) | (531,581) | (1,328,969) |
| **Underwriting profit** | **(35,010)** | **(32,406)** | **438,004** | **121,610** | **(59,724)** | **(55,345)** | **82,881** | **(50,772)** | **409,240** |

**Statement of Value Added**
**For the year ending**

| | 31 Dec 2020 | | 31 Dec 2019 | |
|---|---|---|---|---|
| | **₦'000** | **%** | **₦'000** | % |
| Net premium | 4,416,751 | 114 | 3,713,380 | 154 |
| Investment income | 3,300,992 | 85 | 2,237,582 | 105 |
| Other income | 679,083 | 17 | 582,018 | 24 |
| Claims incurred, commissions paid and operating expenses (local) | (4,509,267) | (116) | (4,044,385) | (184) |
| Value added | **3,887,559** | **100** | **2,488,595** | **100** |
| Distribution: | | | | |
| Employees and directors (staff cost) | 1,184,001 | 30 | 886,406 | 37 |
| Government (taxes) | 605,165 | 16 | - | 18 |
| Asset replacement (depreciation) | 156,170 | 4 | 150,035 | 6 |
| Contingency reserve | 388,445 | 10 | 290,431 | 9 |
| Expansion (retained on the business) | 1,553,778 | 40 | 1,161,723 | 31 |
| | **3,887,559** | **100** | **2,488,595** | **100** |

**Financial Summary**

| | 31 Dec 2020 ₦'000 | 31 Dec 2019 ₦'000 | 31 Dec 2018 ₦'000 | 31 Dec 2017 ₦'000 | 31 Dec 2016 ₦'000 |
|---|---|---|---|---|---|
| ***Statement of financial position*** | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 3,628,529 | 1,609,222 | 1,205,124 | 1,843,757 | 2,843,284 |
| Financial assets | 24,261,353 | 23,398,173 | 19,057,336 | 18,659,072 | 14,829,344 |
| Trade receivables | 63,974 | 65,898 | 32,090 | 13,741 | 18,637 |
| Reinsurance assets | 2,396,443 | 1,121,787 | 543,636 | 558,813 | 784,347 |
| Deferred acquisition cost | 326,513 | 262,550 | 259,098 | 176,274 | 189,626 |
| Other receivables and prepayments | 432,610 | 408,303 | 287,101 | 238,777 | 139,769 |
| Investment property | 150,000 | 150,000 | 144,000 | 135,000 | 92,000 |
| Intangible assets | 1,684 | 7,319 | 14,110 | 26,445 | 24,101 |
| Property and equipment | 1,349,516 | 1,381,180 | 1,303,014 | 1,356,279 | 1,111,339 |
| Statutory deposit | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| **Total assets** | **32,910,622** | **28,704,432** | **23,145,509** | **23,308,158** | **20,332,447** |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 5,707,986 | 4,652,881 | 4,289,254 | 2,443,858 | 2,860,449 |
| Trade payables | 681,840 | 363,724 | 144,234 | 107,346 | 43,749 |
| Finance lease obligations | 849,934 | 460,618 | 350,232 | 307,546 | - |
| Provision and other payables | 220 | 61,923 | 56,037 | 88,222 | 264,261 |
| Retirement benefit obligations | 40,102 | 49,846 | 22,905 | 30,471 | 68,948 |
| Income tax liabilities | 546,672 | 75,390 | 203,979 | 177,941 | 337,109 |
| Deferred tax liabilities | - | - | 158,381 | 199,942 | 224,639 |
| **Total liabilities** | **7,826,754** | **5,664,382** | **5,225,022** | **3,355,326** | **3,799,155** |
| **Capital and reserves** | | | | | |
| Issued and paid-up share capital | 5,000,000 | 3,999,999 | 3,999,999 | 3,999,999 | 3,999,999 |
| Share premium | 729,044 | 729,044 | 729,044 | 729,044 | 729,044 |
| Contingency reserve | 2,457,215 | 2,068,770 | 1,778,339 | 1,616,603 | 1,038,349 |
| Retained earnings | 2,945,953 | 2,392,175 | 1,230,452 | 2,082,306 | (230,708) |
| Assets revaluation reserve | 828,773 | 752,083 | 752,083 | 752,083 | 733,656 |
| Re-measurement reserve | 18,431 | 18,431 | 23,761 | 4,484 | 42,368 |
| Fair value reserve | 13,104,451 | 13,079,548 | 9,406,809 | 10,768,313 | 10,220,584 |
| **Total equity** | **25,083,867** | **23,040,050** | **17,920,487** | **19,952,833** | **16,533,292** |
| **Total liabilities and equity** | **32,910,621** | **28,704,432** | **23,145,509** | **23,308,158** | **20,332,447** |
| **Statement of profit or loss** | | | | | |
| Net premium income | 4,416,751 | 3,713,380 | 3,477,836 | 2,840,379 | 2,835,885 |
| Underwriting results | 815,499 | 409,240 | (772,480) | 450,438 | 701,864 |
| Profit/(loss) before taxation | 2,547,388 | 1,338,726 | 134,703 | 3,001,152 | 942,682 |
| Taxation | - | - | - | (34,273) | (398,118) |
| Profit/(loss) after taxation | 2,547,388 | 1,338,726 | 134,703 | 2,896,319 | 544,564 |
| Transfer to contingency reserve | 388,445 | 578,254 | 578,254 | 578,254 | 120,962 |
| Transfer to revenue reserve | 2,158,943 | 760,472 | (443,551) | 2,318,065 | 423,602 |
| Basic earnings per share (kobo) | 19.4 | 18.2 | (3.6) | 6.8 | 6.8 |