



RC2176

AFRICAN ALLIANCE INSURANCE PLC

UNAUDITED FINANCIAL STATEMENTS
30 SEPTEMBER 2018

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Statement of Directors' Responsibilities on Unaudited Financial Statements for the Period Ended 30 September 2018

The Directors of African Alliance Insurance plc are responsible for the preparation of financial statements that give a true and fair view of the financial position of the group and company as at 30 September 2018, and the results of its operations, cash flows and changes in equity for the period ended, in compliance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Companies and Allied Matters Act of Nigeria, the Insurance Act, CAP I17 LFN 2004, relevant guidelines and circulars issued by the National Insurance Commission (NAICOM) and Financial Reporting Council Act 2011.

In preparing the Consolidated and Separate financial statements, the Directors are responsible for:

- Properly selecting and applying accounting policies
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance; and
- Making an assessment of the Group's and Company's ability to continue as a going concern.

The Directors are responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group's and Company's;
- Maintaining adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and which enable them to ensure that the Consolidated and Separate financial statements of the company comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group and Company; and
- Preventing and detecting fraud and other irregularities

By order of the Board

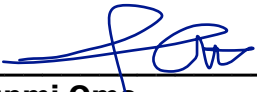

Funmi Omo
Managing Director
FRC/2014/CIIN/00000008645
Olabisi Adekola
Chief Financial Officer
FRC/2013/ICAN/00000001179

CERTIFICATION PURSUANT TO SECTION 60(2) OF INVESTMENT AND SECURITIES ACT NO. 27 OF 2007

We the undersigned hereby certify the following with regards to the unaudited financial statements reported for the period ended 30 September 2018 that:

- a. We have reviewed the report:
- b. To the best of our knowledge, the report does not contain:
 - i. Any untrue statement of a material fact, or
 - ii. Omit to state a material fact, which would make the statements, misleading in the light of circumstances under which such statements were made;
- c. To the best of our knowledge, the consolidated and separate financial statement and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Group and company as of, and for the years presented in the report.
- d. We;
 - (i) Are responsible for establishing and maintaining internal controls.
 - (ii) Have designed such internal controls to ensure that material information relating to the company and its consolidated subsidiaries is made known to such officers by others within those entries particularly during the period in which the periodic reports are being prepared;
 - (iii) Have evaluated the effectiveness of the Group and company's internal controls as of date within 90 days prior to the report;
 - (iv) Have, presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;
- e. We have disclosed to the auditors of the Group and company audit committee:
 - (i) All significant deficiencies in the design or operation of internal controls which would adversely affect the Group and ability to record, process, summarise and report financial data and have identified for the Group and company's auditors any material weakness in internal controls, and
 - (ii) Any fraud, whether or not material, that involves management or other employees who have significant role in the Group and company's internal controls.
- f. 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.

On behalf of the Directors of the Group and Company


Funmi Omo
Managing Director
FRC/2014/CIIN/00000008645


Olabisi Adekola
Chief Financial Officer
FRC/2013/ICAN/00000001179

AFRICAN ALLIANCE INSURANCE PLC
SIGNIFICANT ACCOUNTING POLICIES
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

1.1 Reporting Entity

African Alliance Insurance Company is a public limited company incorporated and domiciled in Nigeria. The registered office is located at 112 Broad Street, Marina, Lagos. The company is principally engaged in the business of providing risk underwriting for life, related financial and pension services, aviation and hospitality services to its customers.

1.2 Principal Activities

The principal business of the company is providing risk underwriting and related financial and hospitality services to its customers. Such services include provision of life insurance services to both corporate and individual customers.

The Subsidiaries activities are:

- Ghana Life Insurance Company Limited, a Life assurance company in Ghana.
- Axiom Air Limited, a cargo airline company

1.3 Components of Financial Statements

The Financial statements comprise the Consolidated and Separate Statements of Comprehensive income, Consolidated and Separate statements of Financial Position, Consolidated and Separate Statement of Changes in Equity, Consolidated and Separate Statements of Cash Flows, and the accompanying Notes.

Income and expenses (excluding the components of other comprehensive income) are recognised in the profit or loss segment of comprehensive income to arrive at the profit for the year.

Other comprehensive income is recognised in the other comprehensive segment of the statement of other comprehensive income and comprises items of income and expenses that are not recognised in the statement of profit or loss as required or permitted by IFRS.

The addition of the loss for the year and the other comprehensive income gives the total comprehensive income for the year.

1.4 Basis of preparation and measurement

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Allied Matters Act, Insurance Act CAP I17 LFN 2004, the Financial Reporting Council of Nigeria Act 2011 and regulatory guidelines as pronounced from time to time by National Insurance Commission (NAICOM). Historical cost basis was used in preparation of the financial statements as modified by the measurement of certain items at revalued amounts as stated below:

- Property, plant and equipment at valuation
- Investment property at fair value
- Investment at fair value
- Impaired assets at their recoverable amounts

1.5 Compliance with IFRS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations have been included where appropriate

1.6 Going Concern status

The company's solvency margin is below the regulatory requirement as stated in the Insurance Act CAP I17, LFN 2004.

The board of directors and management performed an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. This conclusion, based on the Group executive management's plan of restructuring the assets of the Group, divesting from some of the subsidiary companies and inject fresh capital to improve the liquidity position and upturn the current negative indices in our financials with respect to shareholders fund, asset cover and solvency margin to positive position in the shortest time.

1.7 Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Group, the Directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors should include:

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- **Claims arising from insurance contracts**
Liabilities for unpaid claims are estimated on a case by case basis. The liabilities recognised for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and the Group deems liabilities reported as adequate.
- **Fair value of unquoted equity financial instruments**
The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data using valuation models.
- **Property, Plant and equipment**

Property, Plant and equipment represent one of the most significant proportion of the asset base of the Group, accounting for about 4% of the Group's total assets. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in the reduced depreciation charge in the statement of comprehensive income.

The useful lives and residual values of the property, plant and equipment are determined by management based on historical experience as well as anticipation of future events and circumstances which may impact their useful lives.

- **Taxation**

Whether it is probable that future taxable profits will be available against which temporary differences can be utilized; and

- **Fair value of HTM financial instruments**

Whether the Group has the ability to hold 'held-to maturity' investments until they mature. If the Group were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available for-sale' and measure them at fair value.

1.8 Functional and presentation currency

The financial statements are presented in Nigerian Naira (Naira), rounded to the nearest thousand, this is also the functional currency of the Group.

1.9 Presentation of financial statements

The Group presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Notes.

2.0 Changes in accounting policy and disclosures

2.1 Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2017

A number of standards, interpretations and amendments thereto, had been issued by the IASB which are effective but do not impact on these consolidated financial statements as summarised in the table below:

The following amendments to IFRSs became mandatorily effective in the current year. The amendments generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

- Amendments to IAS 7 Disclosure Initiative;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses; and

- Amendments to IFRS 12 included in Annual Improvements to IFRS Standards 2014-2016 Cycle.

New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2017:

- i. IFRS 9 Financial Instruments;
- ii. IFRS 15 Revenue from Contracts with Customers;
- iii. IFRS 16 Leases
- iv. Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- v. Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- vi. Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- vii. Amendments to IAS 40 Transfers of Investment Property;
- viii. Annual Improvements to IFRS Standards 2014-2016 Cycle; and
- ix. IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- x. The IASB has also issued Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts', which is effective for annual periods beginning on or after 1 January 2018.

2.2 IFRS 13 Fair Value Measurement (Amendment)

Amendments to the standard provide clarification that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). It also clarifies the scope of the portfolio exception in paragraph 52. This amendment does not have any effect on the Group as it does not discount its short-term receivable and payable balances.

2.3 Consolidation

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3.3 Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 Foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Group operates or transact business), which is Nigerian Naira. Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities at the statement of financial position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the income statements in the year in which they arise, except for difference arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

2.4 Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing related products or services (business segment), or in providing products or

services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance of the same entity)
- For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues for example start-up operations may be operating segments before earning revenues.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. cash equivalents have a maturity period of less than or equal to three months.

2.6 Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provision of the instrument. Financial assets are recognised and derecognised on the basis of trade date (the date at which the agreement has been entered) accounting.

2.6.1 Recognition of financial assets

Financial instruments are recognised initially at fair value. The Group classifies its financial instruments in the following categories:

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

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates such designation at every reporting date.

2.6.1a Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading, for investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- The assets and liabilities are part of a portfolio of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information regarding these instruments are reported to the key management personnel on a fair value basis.
- These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gain and loss are recognised in the statement of profit or loss.

The company's investment in quoted equities are carried at fair-value through profit or loss.

2.6.1b Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. Loans and receivables are disclosed on the face of the statements. Loans and receivables are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and subsequently, measured at amortised cost using the effective interest method, less any impairment loss, interest on loans is included in the income statement and is reported as interest income. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. When the asset is impaired, they are carried on the statement of financial position as a deduction from the carrying amount of the loan and receivable and recognised in profit or loss as impairment losses.

2.6.1c Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair plus transaction costs for all financial assets not carried at fair value through profit or loss. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gains and losses on held to maturity assets are recognised on impairment, de-recognition and through the amortization process.

2.6.1d Available-for-sale investments

Available-for-sale financial assets are non-derivative financial assets that are designed as available for-sale or are not classified in any of the three preceding categories. They include investment in non-quoted shares. These investments are initially recorded at fair value. Where equity instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured the instruments have been measured at cost. After initial measurement, available-for-sale financial assets are measured at fair value. Fair value gains and losses are reported as a separate component in other comprehensive income until the investment is derecognised or the investment is determined to be impaired.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the statement of profit or loss.

2.6.2 Derecognition of financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement, and either:
 - The Group has transferred substantially all the risks and rewards of the asset; or
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

2.6.3 Amortised cost

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

2.6.4 Fair value

The fair value of quoted investments is based on current market prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

These include:

- The use of recent arm's length transactions,
- reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

2.6.5 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortization and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from equity to the income statement, reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments classified at available-for-sale are reversed through the income statement if the increase in the

fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

2.7 Trade Receivables

Receivables are recognised when due. These include amounts due from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivables impaired using the same methodology adopted for financial assets held at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

2.8 Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses.

2.9 Reinsurance assets

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims or insurance contract liabilities associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss recorded in the statement of profit or loss and other comprehensive income.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligation to policy holders.

2.10 Reinsurance Liabilities

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Group has the right to set-off reinsurance payables against amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

2.11 Deferred Policy Acquisition Costs (DAC)

Acquisition cost comprise all direct and indirect costs arising from the writing of non-life insurance contracts. Deferred acquisition costs represent a proportion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying to the acquisition expenses that ratio of unearned premium to written premium.

2.12 Prepayment

Prepayments are carried at cost less accumulated impairment losses.

2.13 Investment in Associates

As associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 - Noncurrent Asset Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated and separate statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. when the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Groups net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.14 Investment Properties

Investment property is property held on earn rentals or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the statement of financial position date determined by annual valuation carried out by external registered valuers'. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

Investment properties are derecognized when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use

When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

2.15 Intangible Assets

Software license costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortization and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Group are recognised as intangible assets.

Amortization is calculated using the straight line method to write down the cost of each license or item of software to its residual value over its estimated useful life.

Amortization begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortization ceases at the earlier date that the asset is classified as held for sale and the date that the asset is derecognized and ceases temporarily, while the residual value exceeds or is equal to the carrying value.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognized.

Intangibles recognised as assets are amortized over their useful lives, which does not exceed five years.

2.16 Property, Plant and Equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment

Work in progress owner-occupied property that are included in property, plant and equipment are stated at cost to date and are not yet de-componentised as the asset has not been put into use.

Subsequent cost is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be

measured reliably. Repairs and maintenance expenses are charged to the income statement in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the statement of profit or loss.

Freehold land is not depreciated. Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

Leasehold land	0%
Buildings	2%
Motor Vehicles	25%
Computer Equipment	20%
Furniture & Fittings	10%
Computer Equipment	20%
Office Equipment	20%
Plant & Machinery	10%
Aircraft (Componentized)	
▪ Aircraft Engines	4%
▪ Airframes (Body)	3%
▪ Landing gears	10%
▪ APU, Avionic & other electronic parts	15%

Depreciation on an item of property, plant and equipment commences when it is available for use and continues to depreciate until it is derecognized, even if during that period the item is idle. Depreciation of an item ceases when the item is retired from active use and is being held for disposal

Where no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

2.17 Statutory Deposits

Statutory Deposit represents 10% of the paid up capital of the Company deposited with the Central Bank of Nigeria (CBN) pursuant to Section 10(3) of the Insurance Act CAP I17 LFN 2004.

Statutory deposit is measured at cost.

2.18 Insurance Liabilities

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

2.19 Classification of contracts

A contract is classified as an insurance contract where the Group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

2.19a Recognition and measurement

(i) Short-term insurance contracts

Short-duration life insurance contracts protect the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. They are usually short-duration life insurance contracts ranging between 12 to 24 months period of coverage. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include 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 yet been reported to the Group. The Group 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 Group and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors.

The liability reserve on short term insurance contract is made up of an unexpired premium reserve (UPR) and reserve for 'Incurred but not reported' claims (IBNR). The UPR are calculated after adjusting for acquisition expenses. IBNR reserves are required to take account of the delay in reporting claims. These are determined by considering ultimate claims ratios for the life schemes on the Group's books. The ratios differ by industry and have been determined following a historical analysis of portfolio claims experience. The IBNR reserves are calculated by adjusting the ultimate claims amounts to allow for claims already paid and those outstanding for payment, and again adjusted to allow for the

holding of a separate UPR reserve. As the short term insurance contract experience of FBN builds up we will be able to adjust for Group-specific claims settlement patterns.

(ii) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used (the valuation premiums). The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviations is included in the assumptions.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

The long term insurance contracts insure events associated with human life. They include individual insurance contracts.

Individual insurance contracts

The reserve has been calculated using the gross premium valuation approach. This reserving methodology adopts a cash flow approach taking into account all expected future cash flows including premiums, expenses and benefit payments to satisfy the liability adequacy test. The test also considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees (where applicable).

2.19b Insurance contract liabilities

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in the policy liabilities. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit. Insurance liabilities are presented without offsetting them against related reinsurance assets.

Insurance liabilities are retained in the statement of financial position until they are discharged or cancelled and/or expire. The Group performs a liability adequacy test to determine the recognised insurance liabilities and an impairment test for reinsurance assets held at each reporting date.

2.19c Technical reserves

These are the reserves computed in compliance with the provision of Section 20, 21, and 22 of the Insurance Act 2003. They are:

Life business

Life fund

This is made up of net liabilities on policies in force as computed by the actuaries at the time of the actuarial valuation.

Liability adequacy test

At the end of the reporting period, liability adequacy tests are performed by an Actuary to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows including office premiums, expenses and benefit payments satisfying the liability adequacy test, are used. Any deficiency is immediately charged to statement of comprehensive income.

2.20 Trade and other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one-year discounting is omitted.

2.21 Retirement Benefit Obligations

a) Defined Contribution Plan

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In accordance with the provisions of the Pension Reform Act 2014, the company and its employees contributes a minimum of 18% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated pension fund administrators. "

b) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the company has a present legal or constructive

obligation to pay this amount as a result of past service provided by the employee and obligation can be estimated reliably.

c) Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

2.22 Provisions

General Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.23 Current Income Tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Nigeria Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

2.24 Deferred Income Tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability.

Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the statement of financial position date and expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax

rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off such:

- * Current tax assets against current income tax liabilities and
- * The deferred taxes relate to the same taxable entity and
- * The same taxation authority

2.25 Share Capital and Share Premium

Ordinary shares are recognized at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

2.26 Statutory Contingency Reserve

The Group maintains contingency reserves in accordance with the provisions of Insurance Act 2003 to cover fluctuations in securities and variations in statistical estimates at the rate equal to the higher of 3% of total premium or 20% of the net profit.

2.27 Retained Earnings

The retained earnings represent the amount available for dividend distribution to the equity shareholders of the company. See statement of changes in equities for movement in retained earnings.

2.28 Assets Revaluation Reserve

This represents the Group's revaluation reserve emanating from revaluation of certain assets

2.29 Income Recognition

2.29.1 Gross Premiums

Gross premiums on insurance contract are recognized as revenue when payable by the policy holder.

For single premium business revenue is recognised on the date on which the policy is effect.

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums

are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

2.29.2 Reinsurance Premiums

Gross reinsurance premium on insurance contracts are recognized as an expense when payable or on the date on which the policy is effective. Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are deferred over the term of the underlying direct insurance policies for risks attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

2.29.3 Commission income

Commission are recognized on ceding business to the reinsurers and are credited to the income statements.

2.29.4 Investment Income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividend income which is recognised when the right to receive the payment is established.

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

2.30 Management and Administrative Fees

The management and administrative fee consist primarily of investment contract fee income, asset management fee, policyholder administrative fee and other contract fees

2.31 Realized/Unrealized Gains and Losses

Realized or unrealized gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original carrying or amortized cost and are recorded on occurrence of the sale transaction

2.32 Gross Benefits and Claims

Claims incurred in respect of Insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims as well as changes in the gross valuation of insurance and investment contract liabilities. All claims paid and incurred are charged against revenue as expenses when incurred.

2.33 Reinsurance Claims

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

2.34 Interest Income and Expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash (or, where appropriate, the next re-pricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the entity estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received transaction costs and discounts or premium that are integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the financial statement include:

- * Interest on financial assets and liabilities measured at amortized cost calculated on an effective interest basis
- * Interest on financial assets measured at fair value through profit or loss calculated on an effective interest rate basis.

2.35 Expenses

Expenses are recognised in the income statement when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment)

When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are recognised in the income statement on the basis of systematic and rational allocation procedures.

This is often necessary in recognizing the equipment associated with the using up of assets such as property, plant and equipment in such cases the expense is referred to as a depreciation or amortization. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire. An expense is recognised immediately in the income statement when expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

2.36 Underwriting Expenses

Underwriting expenses comprise acquisition costs and other underwriting expenses. Acquisition costs comprise all direct and indirect costs arising from writing insurance contracts. These cost are charged in the income statement in the period they are incurred.

2.37 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to comprehensive income. In this case the impairment is also recognised in comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

AFRICAN ALLIANCE INSURANCE PLC

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	Note	Group		Company	
		30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
ASSETS					
Cash and cash equivalents	6	6,204,072	6,006,807	5,939,354	5,799,468
Financial assets :					
- fair value through profit or loss	7.1	1,095,791	2,182,921	1,095,791	2,182,921
- Available-for-sale	7.2	115,310	111,998	92,225	91,525
- Held-to-maturity	7.3	19,251,221	20,373,177	19,251,221	20,373,177
- Loans and receivables	7.4	132,716	84,944	25,104	18,131
Trade receivables	8	111,172	41,918	-	-
Reinsurance assets	9	53,717	53,717	53,717	53,717
Other receivables and prepayments	10	582,778	341,178	665,545	324,286
Deferred acquisition costs	11	-	-	-	-
Investment properties	12	10,505,621	10,794,603	9,275,535	9,285,488
Investment in subsidiary	13	-	-	553,805	553,805
Investment in Associate	14	1,578,331	1,605,405	1,578,331	1,605,405
Retirement benefit assets	22	6,271	7,063	6,271	7,063
Deferred Tax Asset	25b	147,881	147,881	146,476	146,476
Intangible assets	15	41,076	63,959	35,018	20,913
Property plant and equipment	16	1,832,799	1,666,110	823,906	627,277
Statutory deposit	17	336,956	348,965	200,000	200,000
Total assets		41,995,712	43,830,646	39,742,298	41,289,651
LIABILITIES					
Insurance contract liabilities	18	37,227,712	36,378,453	35,657,452	34,536,368
Investment contract liabilities	19	6,543,795	4,927,104	6,543,795	4,927,104
Trade payable	20	1,233,995	1,177,117	940,966	914,215
Other payables and accruals	21	528,203	563,265	356,150	344,085
Employee benefit liabilities	22	24,551	29,335	24,551	29,335
Borrowings	23	585,887	287,652	517,177	182,714
Tax payable	24	725,276	594,024	692,186	545,285
Deferred tax liability	25	330,743	384,874	92,107	92,107
Total liabilities		47,200,163	44,341,825	44,824,385	41,571,212
EQUITY					
Share capital	26	10,292,500	10,292,500	10,292,500	10,292,500
Share premium	26	14,365,133	14,365,133	14,365,132	14,365,133
Contingency reserves	27	949,308	908,259	870,145	839,681
Retained earnings	28	(31,931,601)	(27,275,850)	(30,985,627)	(26,146,738)
Translation reserve	43	193,171	186,441	-	-
Non-controlling interest	44	(85,387)	7,815	-	-
Fair value reserves	29	1,012,426	1,004,524	375,763	367,862
Total equity		(5,204,451)	(511,179)	(5,082,087)	(281,562)
Total equities and liabilities		41,995,712	43,830,646	39,742,298	41,289,651

Signed on behalf of the Board of Directors on 13 November, 2018 by:


FUNMI OMO
 MANAGING DIRECTOR
 FRC/2014/CIIN/00000008645


Olajisi Adekola
 Chief Financial Officer
 FRC/2013/ICAN/00000001179

AFRICAN ALLIANCE INSURANCE PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Note	Group				Company			
		30-Sep-18		30-Sep-17		30-Sep-18		30-Sep-17	
		3 months N'000	9 months N'000	3 months N'000	9 months N'000	3 months N'000	9 months N'000	3 months N'000	9 months N'000
Gross premium written	30	1,065,050	4,036,787	1,893,217	5,104,512	793,744	3,046,475	1,695,050	4,278,604
Unearned premium	30	(95,523)	(205,012)	133,840	(137,340)	(95,523)	(205,012)	133,840	(137,340)
Gross premium income		969,527	3,831,775	2,027,057	4,967,172	698,221	2,841,463	1,828,890	4,141,264
Insurance premium ceded to reinsurers	31	(57,136)	(167,591)	(6,826)	(50,429)	(57,167)	(165,821)	(6,259)	(49,863)
Net premium income		912,391	3,664,183	2,020,231	4,916,743	641,054	2,675,641	1,822,630	4,091,401
Fees and commission income	32	34,203	41,331	1,177	5,212	34,203	41,331	1,177	5,212
Net underwriting income		946,593	3,705,514	2,021,408	4,921,954	675,257	2,716,972	1,823,807	4,096,613
Insurance claims incurred and loss adjustments expenses	29b	(1,589,494)	7,550,080	2,791,547	6,920,182	3,400,015	7,010,389	2,468,512	6,167,825
Insurance claims incurred recovered from reinsurers	29b	-	(108,002)	-	-	-	(108,002)	-	-
Underwriting expenses	34	253,474	774,999	384,147	795,946	218,945	681,551	359,406	707,439
Changes in long term insurance contracts	35	(27,987)	(73,562)	(113,296)	13,147	(25,034)	(142,331)	(133,056)	(69,887)
Net underwriting expenses		(1,364,007)	8,143,514	3,062,398	7,729,276	3,593,926	7,441,607	2,694,862	6,805,877
Net underwriting profit		2,310,600	(4,438,000)	(1,040,990)	(2,807,321)	(2,918,669)	(4,724,634)	(871,054)	(2,709,264)
Other income	36	3,650	72,974	67,971	119,781	2,749	71,925	55,361	106,370
Impairment charges	38	-	-	-	1,250	(297)	953	-	1,250
Fair value gain/(loss) on investment properties	12	-	216,346	-	-	-	216,346	-	-
Fair value through profit or loss	7.1	-	(1,087,130)	18,849	49,427	-	(1,087,130)	18,849	49,427
Investment income	37	707,194	2,394,581	822,560	2,597,921	697,083	2,353,878	811,140	2,554,280
Loss from investment contracts	37a	(25,321)	(77,954)	(21,467)	(98,120)	(26,101)	(77,954)	(21,467)	(98,120)
Share of profit of equity accounted investee	14	-	484,976	-	-	-	484,976	-	-
Employee benefit expenses	39	(215,757)	(720,671)	(303,357)	(735,123)	(215,757)	(594,306)	(215,972)	(496,539)
Other operating and administrative expenses	40	(370,208)	(1,344,000)	(527,352)	(1,264,106)	(389,690)	(1,247,035)	(376,093)	(888,740)
Finance cost	41	(22,756)	(45,052)	-	-	(20,774)	(42,839)	-	-
Profit before tax		2,387,402	(4,543,930)	(983,786)	(2,144,796)	(2,871,456)	(4,645,820)	(599,237)	(1,481,335)
Income tax expense	42	(123,422)	(164,113)	10,772	(42,175)	(123,422)	(162,604)	10,017	(44,439)
Profit for the year		2,263,980	(4,708,043)	(973,014)	(2,186,971)	(2,994,878)	(4,808,424)	(589,220)	(1,525,774)
Profit attributable to:									
- Owners of the parent		2,218,700	(4,613,882)	(953,554)	(2,143,231)				
- Non-controlling interests		45,280	(94,161)	(19,460)	(43,739)				
		2,263,980	(4,708,043)	(973,014)	(2,186,971)				
Other comprehensive income:									
Items that may be subsequently reclassified to profit or loss									
Change in value of available for sale financial assets (net of taxes)		4,510	5,210	-	-	-	700	-	-
Foreign exchange translation gain/(loss)		(175,412)	6,867	(337)	(322,805)	-	-	-	-
		(170,902)	12,077	(337)	(322,805)	-	700	-	-
Items that will not be subsequently reclassified to profit or loss									
Gain on revaluation of property, plant and equipment (net of taxes)		-	7,201	-	-	-	7,201	-	-
Deferred tax on revaluation gain/(loss)		-	-	-	-	-	-	-	-
		-	7,201	-	-	-	7,201	-	-
Other comprehensive income for the year		(170,902)	19,278	(337)	(322,805)	-	7,901	-	-
Total comprehensive income for the year		2,093,078	(4,688,765)	(973,351)	(2,509,776)	(2,994,878)	(4,800,523)	(589,220)	(1,525,774)
Total comprehensive income attributable to:									
- Owners of the parent		2,051,216	(4,594,989)	(953,884)	(2,459,580)	(2,994,878)	(4,800,523)	(589,220)	(1,525,774)
- Non-controlling interests		41,862	(93,775)	(19,467)	(50,196)				
		2,093,078	(4,688,765)	(973,351)	(2,509,776)	(2,994,878)	(4,800,523)	(589,220)	(1,525,774)

AFRICAN ALLIANCE INSURANCE PLC

STATEMENT OF CHANGES IN EQUITY - GROUP
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Share capital N'000	Share premium N'000	Fair value reserve N'000	Contingency reserve N'000	Translation reserve N'000	Retained earnings N'000	Non-controlling interest N'000	Total equity N'000
Balance at 1 January 2018	10,292,500	14,365,133	1,004,525	908,259	186,441	(27,275,850)	7,815	(511,176)
<i>Total comprehensive income for the year</i>								
Profit for the year	-	-	-	-	-	(4,613,882)	(94,161)	(4,708,043)
Other comprehensive income for the period	-	-	700	-	6,730	-	137	7,567
Total Comprehensive income for the year	-	-	700	-	6,730	(4,613,882)	(94,024)	(4,700,476)
Disposal of interest in Frenchies and Africa Realty						-		-
Transfer to contingency reserve	-	-	-	41,049	-	(41,870)	821	0
Transfer from properties revaluation reserve			7,201					7,201
Total transactions with owners, recognised directly in equity	-	-	7,201	41,049	-	(41,870)	821	7,201
Balance at 30 September 2018	10,292,500	14,365,133	1,012,426	949,308	193,171	(31,931,601)	(85,387)	(5,204,451)
Balance at 1 January 2017	10,292,500	14,365,133	2,457,317	834,464	430,305	(22,634,734)	-	5,744,985
<i>Total comprehensive income for the year</i>								
Profit for the year	-	-	-	-	-	(2,186,970)	-	(2,186,970)
Other comprehensive income for the year	-	-	-	-	(322,805)	-	-	(322,805)
Total Comprehensive income for the year	-	-	-	-	(322,805)	(2,186,970)	-	(2,509,775)
Disposal of interest in Frenchies and Africa Realty						-		-
Transfer to contingency reserve				51,039		(51,039)	-	-
Transfer from properties revaluation reserve	-	-	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	-	-	-	51,039	-	(51,039)	-	-
Balance at 30 September 2017	10,292,500	14,365,133	2,457,317	885,503	107,500	(24,872,743)	-	3,235,210

AFRICAN ALLIANCE INSURANCE PLC

STATEMENT OF CHANGES IN EQUITY - COMPANY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Share capital N'000	Share premium N'000	Contingency reserve N'000	Fair value reserve N'000	Retained earnings N'000	Total N'000
Balance at 1 January 2018	10,292,500	14,365,133	839,681	367,862	(26,146,738)	(281,562)
Total comprehensive income for the year						
Profit for the year	-				(4,808,424)	(4,808,424)
Other comprehensive income for the year	-			7,901		7,901
Total Comprehensive income for the period	-	-	-	7,901	(4,808,424)	(4,800,523)
Transactions with owners, recorded directly in equity						
Transfer to contingency reserve	-		30,465		(30,465)	-
equity	-	-	30,465	-	(30,465)	-
Balance at 30 September 2018	10,292,500	14,365,133	870,146	375,763	(30,985,627)	(5,082,085)
	Share capital N'000	Share premium N'000	Contingency reserve N'000	Fair value reserve N'000	Retained earnings N'000	Total N'000
Balance at 1 January 2017	10,292,500	14,365,133	776,327	318,304	(22,149,514)	3,602,750
Prior year adjustment					-	-
	10,292,500	14,365,133	776,327	318,304	(22,149,514)	3,602,750
Total comprehensive income for the period						
PPE Revaluation						-
Profit for the year					(1,525,775)	(1,525,775)
Total Comprehensive income for the period	-	-	-	-	(1,525,775)	(1,525,775)
Transactions with owners, recorded directly in equity						
Transfer to contingency reserve			42,786		(42,786)	-
equity	-	-	42,786	-	(42,786)	-
Balance at 30 September 2017	10,292,500	14,365,133	819,113	318,304	(23,718,075)	2,076,975

AFRICAN ALLIANCE INSURANCE PLC

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Notes	Group			Company	
		30-Sep-18 N'000	30-Sep-17 N'000	30-Sep-18 N'000	30-Sep-17 N'000	
Cash flows from operating activities						
Cash premium received		4,036,787	4,967,172	3,046,475	4,278,603	
Cash received from deposit contract liabilities		1,727,190	649,121	1,727,190	649,121	
Cash withdrawals from deposit contract liabilities		(189,573)	(742,445)	(189,573)	(742,445)	
Cash Claims recovered		-	-	-	-	
Dividend received		472,564	346,407	472,564	346,407	
Claims paid		(6,491,677)	(6,820,182)	(5,951,986)	(6,167,825)	
Cash paid to reinsurers/ coinsurers		167,591	(50,429)	165,821	(49,863)	
Commission received		41,331	5,212	41,331	5,212	
Maintenance expenses paid		(581,116)	(795,946)	(487,667)	(707,440)	
Acquisition costs		(193,883)	-	(193,883)	-	
Employee benefits paid		(720,671)	-	(594,306)	-	
Other operating expenses paid		(1,288,243)	(1,430,558)	(1,149,901)	(1,465,128)	
Other income received		72,974	119,781	71,925	106,370	
Interest received		2,382,863	2,592,236	2,342,160	2,548,595	
Income tax paid		(15,702)	(50,711)	(15,702)	(50,711)	
Net cash from operating activities		(579,565)	(1,210,342)	(715,553)	(1,249,104)	
Cash flow from investing activities:						
Purchases of plant and equipment		(299,474)	(27,047)	(298,125)	(19,741)	
Purchase of intangible assets		(27,834)	(3,400)	(22,306)	(3,400)	
Capital injection made to subsidiary		-	-	-	-	
Capital Improvement of investment properties		-	(2,000)	-	(2,000)	
Proceeds from disposal of property and equipment		-	640	-	640	
Proceeds from disposal of investment properties		270,000	-	270,000	-	
Capital injection made to National Insurance commission		-	-	-	-	
Sale of investment in shares		-	-	-	-	
Sale of investment		-	81,315	-	81,315	
Purchase of financial assets - AFS		-	(64,240)	-	(52,650)	
Purchase of financial assets- HTM		-	836,113	-	836,113	
Proceed from disposal of financial asset - AFS		-	-	-	-	
Principal repayment of financial assets- HTM		105,243	-	105,243	-	
Purchase of financial assets- loan and receivable		(46,820)	-	(8,173)	-	
proceed of disposal of financial assets-Loan and receivable		-	-	-	-	
Proceeds from disposal of quoted equities		-	-	-	-	
Net cash used in investing activities		1,115	821,381	46,639	840,277	
Cash flow from financing activities:						
Repayment of borrowings		(240,067)	-	(203,839)	-	
Proceeds from borrowings		495,463	123,446	495,463	-	
Net cash used in financing activities		255,396	123,446	291,624	-	
Net increase/(decrease) in cash and cash equivalents		(323,055)	(265,515)	(377,291)	(408,827)	
Cash and cash equivalent at beginning of year		5,941,241	6,423,424	5,799,468	6,359,793	
Net increase/decrease in cash and cash equivalents		(323,055)	(265,515)	(377,291)	(408,827)	
Cash and cash equivalent at end of period		5,618,186	6,157,909	5,422,177	5,950,966	

AFRICAN ALLIANCE INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

African Alliance Insurance Company is a public limited company incorporated and domiciled in Nigeria. The registered office is located at 54 Awolowo Road, Ikoyi, Lagos.

The company is principally engaged in the business of providing risk underwriting for life, related financial and pension services, aviation and hospitality services to its customers.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are disclosed under General information on the Reporting Entity and Summary of Significant Accounting Policies. These policies have been consistently applied to all the years presented unless otherwise stated.

3 Solvency

The assets backing the life funds are as follows:

	Group		Company	
	2018	2017	2018	2017
	N000	N000	N000	N000
Government Bonds	19,251,221	20,373,177	19,251,221	20,373,177
Cash and bank balances	6,204,072	6,006,807	5,939,354	5,799,468
Investment in quoted equity	1,095,791	2,182,921	1,095,791	2,182,921
Total	26,551,084	28,562,905	26,286,366	28,355,566

4 Management of Financial risk

The Group is exposed to various financial risks in connection with its current operating activities, such as foreign currency risk, interest rate risk, credit risk, market risk and liquidity risk. These risks contribute to the key financial risk that the proceeds from the Group's financial assets are insufficient to fund the obligations arising from insurance policy contracts.

The Company manages these risks through the activities of the Audit Committee and the Investment Committee. Each committee meets at least four times per annum to discuss financial risk issues. Management is responsible for implementing recommendations that have been agreed and reporting back to the relevant committee.

The Audit Committee is a committee of the Board of African Alliance Insurance Plc and is responsible for the implementation and monitoring of overall risk management, internal financial controls and financial and actuarial reporting within the Group. The main responsibilities of this Committee are:

- i) Setting and overseeing the overall standard for financial and actuarial reporting, risk management and internal controls within the Group;
- ii) Monitoring the effectiveness of business risk management processes in the Group;
- iii) Reviewing and assessing the quality of the work done by professionals responsible for financial and actuarial reporting, risk management and internal control;
- iv) Engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures.

The Investment Committee is a management committee and is responsible for

- i) ensuring that insurance and investment contract liabilities are matched with appropriate supporting assets based on the type of benefits payable to the contract holders;
- ii) ensuring that the long-term investment return on assets supporting policy liabilities are sufficient to fund policyholders' reasonable benefit expectations and the shareholders' profit entitlement;
- iii) the implementation and monitoring of the asset management process to ensure that the risks arising from trading positions are effectively managed within the pre-determined risk parameters.

4 Market risk

The business's operations are exposed to market risk. Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risks arises due to flunctuations in both value of assets and liabilities. The company has established policies and procedures in order to manage market risk.

The acquisition of policyholders' assets is based on the design of the product and marketing descriptions. Within these parameters, investments are managed with the aim of maximising policyholder returns while limiting risk to acceptable levels within the framework of statutory requirements. The focus of risk measurement and management is to ensure that the potential risks inherent in an investment are reasonable for the future potential reward, exposure to investment risk is limited to acceptable levels, premium rates are adequate to compensate for investment risk and an adequate reserving policy is applied for long-term policy liabilities. The diverse product range requires a variety of approaches to the management of risk; these range from portfolio management practices and techniques such as optimization of expected risks and rewards based on investment objectives, to asset-liability matching in support of statement of financial position obligations.

4.1. Foreign exchange risk

Foreign exchange risk is the risk associated with movement in the foreign exchange prices from foreign currency denominated transactions which the Group is exposed to.

The Group is exposed to foreign exchange currency risk primarily through certain transactions denominated in foreign currency. The Group is exposed to foreign currency denominated in dollars and Pound through bank balances in other foreign currencies.

The Group manages its exposure to foreign exchange risk using sensitivity analysis to assess potential changes in the value of foreign exchange positions and impact of such changes on the Group's income. There have been no major changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

AFRICAN ALLIANCE INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

4.1.2 Interest-rate risk

Interest rate risk is the risk that the value of a fixed income security will fall as a result of movement in market interest rates. Interest rate risk also arises from fluctuations in future cash flows of a financial instrument because of changes in market interest rates.

The company is exposed to interest rate risk as the company invest in short term investments at fixed interest rates. Interest rate risk also exists in products sold by the company. The company manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements. Interest rate risk exposures from guarantees embedded in insurance liabilities. The company's insurance contracts and investment contracts

- options to surrender the insurance contract or the investment contract with DPF where the surrender value (i.e. the strike price of the option) is either a fixed amount or a fixed amount plus interest depending on the year in which the contract was issued;
- guaranteed annuity options where the company has guaranteed at the inception of certain contracts that it will be paying a life annuity to the surviving policyholders at their retirement dates which will be calculated using the higher of the current annuity rate at that date or the guaranteed annuity rate set in the contract. The guaranteed rate has fixed at inception both the level of mortality risk and the interest rate that will be used to calculate the annuity payments.

AFRICAN ALLIANCE INSURANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

4.2 Credit risk

Credit risk arises from the inability or unwillingness of a counter party to a financial instrument to discharge its contractual obligations. The Company determines counter-party credit quality by reference to ratings from independent ratings agencies or, where such ratings are not available, by internal analysis. The Company seeks to avoid unacceptable concentration of credit risk to groups of counter-parties, to business sectors, product types, etc.

Key areas where the Group is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries;
- Amounts due from loans and receivables;
- Amounts due from money market and cash positions

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved by the Management Committee.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company's financial instruments do not represent a concentration of credit risk because the business deals with a variety of reinsurers and its premiums receivable and loans are spread among a number of major industries, customers and geographic areas. Amounts receivable in terms of long-term insurance business are secured by the underlying value of the unpaid policy benefits in terms of the policy contract. An appropriate level of provisioning is maintained.

The Company manages its exposure to credit risk through counterparty risk using established limits as approved by the Board. These limits are determined based on credit ratings of the counterparty amongst other factors. The investments portfolio are monitored on a monthly basis.

4.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for operational, trading and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the consolidated balance sheet and sales of assets, or potentially an inability to fulfil policyholder commitments. The risk that the Group will be unable to do so is inherent in all insurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the undiscounted contractual cashflow at maturity of the financial liabilities and the expected collection date of the financial assets.

All policyholder funds are invested in appropriate assets to meet the reasonable benefit expectations of policyholders, which include the expectation that funds will be available to pay out benefits as required by the policy contract. The disclosure in note 6 demonstrate that the Group has significant liquid resources. The value for policyholders' liabilities and the assets backing them are as per the carrying amount in the statement of the financial position.

The maturity profile of the total policyholders' liabilities and assets backing them is shown below:

Group 30 Sept 2018	Carrying amount	0-3 months	3 to 9 months	9 months to 1 year	1 to 5 years	> 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Trade payables	1,233,995	370,199	431,898	431,898	-	-	1,233,995
Other liabilities	1,863,918	372,784	465,979	559,175	465,979	-	1,863,918
Investment linked contract liabilities	6,543,795	981,569	1,635,949	981,569	2,944,708	-	6,543,795
Total financial liabilities	9,641,708	1,724,551	2,533,827	1,972,643	3,410,687	-	9,641,708
Cash and bank balances	6,204,072	6,204,072	-	-	-	-	6,204,072
Marketable investment securities	20,462,322	-	-	1,101,733	2,817,497	16,543,093	20,462,322
Trade receivables	111,172	111,172	-	-	-	-	111,172
Reinsurance assets	53,717	-	-	53,717	-	-	53,717
Other receivables	582,778	139,867	87,417	104,900	116,556	134,039	582,778
Total financial assets	27,414,061	6,455,111	87,416	1,260,350	2,934,053	16,677,132	27,414,061
Net financial assets and liabilities	17,772,353	4,730,560	(2,446,411)	(712,293)	(476,634)	16,677,132	17,772,353
Insurance contract liabilities - Life fund	(37,227,712)	(1,861,386)	(930,693)	(930,693)	(3,159,899)	(30,345,042)	(37,227,712)
Net policyholders assets and liabilities	(19,455,359)	2,869,174	(3,377,103)	(1,642,986)	(3,636,533)	(13,667,910)	(19,455,359)

Group 31 December 2017	Carrying amount	0-3 months	3 to 9 months	9 months to 1 year	1 to 5 years	> 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Trade payables	1,177,117	353,135	411,991	411,991	-	-	1,177,117
Other liabilities	1,474,277	294,855	368,569	442,283	368,569	-	1,474,277
Investment linked contract liabilities	4,927,104	739,066	1,231,776	739,066	2,217,197	-	4,927,104

Total financial liabilities	7,578,498	1,387,056	2,012,336	1,593,340	2,585,766	-	7,578,498
Cash and bank balances	6,006,807	6,006,807	-	-	-	-	6,006,807
Marketable investment securities	22,753,040	-	-	-	-	22,753,040	22,753,040
Trade receivables	41,918	41,918	-	-	-	-	41,918
Reinsurance assets	53,717	-	-	53,717	-	-	53,717
Statutory deposit	348,965	-	-	-	-	348,965	348,965
Other receivables	341,178	81,883	51,177	61,412	68,236	78,471	341,178
Total financial assets	29,545,625	6,130,607	51,177	115,129	68,236	23,180,476	29,545,625
Net financial assets and liabilities	21,967,127	4,743,551	(1,961,159)	(1,478,211)	(2,517,530)	23,180,476	21,967,127
Insurance contract liabilities - Life fund	(36,378,453)	(2,936,123)	(1,521,387)	(652,023)	(1,175,931)	(30,092,990)	(36,378,453)
Net policyholders assets and liabilities	(14,411,326)	1,807,429	(3,482,546)	(2,130,233)	(3,693,461)	(6,912,514)	(14,411,326)

Company
30 Sept 2018

	Carrying amount N'000	0-3 months N'000	3 to 9 months N'000	9 to 1 year N'000	1 to 5 years N'000	> 5 years N'000	Total N'000
Trade payables	940,966	282,290	329,338	329,338	-	-	940,966
Other liabilities	1,590,064	318,013	397,516	477,019	397,516	-	1,590,064
Investment linked contract liabilities	6,543,795	981,569	1,635,949	981,569	2,944,708	-	6,543,795
Total financial liabilities	9,074,826	1,581,872	2,362,803	1,787,927	3,342,224	-	9,074,826
Cash and bank balances	5,939,354	5,939,354	-	-	-	-	5,939,354
Marketable investment securities	20,464,341	-	-	1,101,733	2,817,497	16,545,111	20,464,341
Trade receivables	-	-	-	-	-	-	-
Reinsurance assets	53,717	-	-	53,717	-	-	53,717
Other receivables	665,545	159,731	99,832	119,798	133,109	153,075	665,545
Total financial assets	27,122,957	6,099,085	99,832	1,275,248	2,950,606	16,698,186	27,122,957
Net financial assets and liabilities	18,048,132	4,517,214	(2,262,972)	(512,679)	(391,619)	16,698,187	18,048,131
Insurance contract liabilities - Life fund	(35,657,452)	(2,685,832)	(151,862)	(677,658)	(1,797,058)	(30,345,042)	(35,657,452)
Net policyholders assets and liabilities	(17,609,320)	1,831,382	(2,414,834)	(1,190,337)	(2,188,677)	(13,646,855)	(17,609,321)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

31 December 2017

	Carrying amount N'000	0-3 months N'000	3 to 9 months N'000	9 to 1 year N'000	1 to 5 years N'000	> 5 years N'000	Total N'000
Trade payables	914,215	274,265	319,975	319,975	-	-	914,215

Other liabilities	1,101,419	220,284	275,355	330,426	275,355	-	1,101,419
Investment linked contract liabilities	<u>4,927,104</u>	<u>739,066</u>	<u>1,231,776</u>	<u>739,066</u>	<u>2,217,197</u>	<u>-</u>	<u>4,927,104</u>
Total financial liabilities	<u>6,942,738</u>	<u>1,233,614</u>	<u>1,827,106</u>	<u>1,389,466</u>	<u>2,492,551</u>	<u>-</u>	<u>6,942,738</u>
Cash and bank balances	5,799,468	5,799,468	-	-	-	-	5,799,468
Marketable investment securities	22,665,754	-	-	-	-	22,665,754	22,665,754
Trade receivables	-	-	-	-	-	-	-
Reinsurance assets	53,717	-	-	53,717	-	-	53,717
Other receivables	<u>324,286</u>	<u>77,829</u>	<u>48,643</u>	<u>58,371</u>	<u>64,857</u>	<u>74,586</u>	<u>324,286</u>
Total financial assets	<u>28,843,225</u>	<u>5,877,296</u>	<u>48,643</u>	<u>112,088</u>	<u>64,857</u>	<u>22,740,340</u>	<u>28,843,225</u>
Net financial assets and liabilities	<u>21,900,487</u>	<u>4,643,683</u>	<u>(1,778,463)</u>	<u>(1,277,378)</u>	<u>(2,427,694)</u>	<u>22,740,340</u>	<u>21,900,487</u>
Insurance contract liabilities - Life fund	<u>(34,536,368)</u>	<u>(2,171,578)</u>	<u>(993,913)</u>	<u>(425,963)</u>	<u>(851,925)</u>	<u>(30,092,990)</u>	<u>(34,536,368)</u>
Net policyholders assets and liabilities	<u>(12,635,881)</u>	<u>2,472,105</u>	<u>(2,772,375)</u>	<u>(1,703,340)</u>	<u>(3,279,619)</u>	<u>(7,352,650)</u>	<u>(12,635,881)</u>

The maturity of non-derivative financial liabilities and financial assets have been compiled based on undiscounted cash flows, which include estimated interest payments.

4.4 Capital management policies and procedures

The Company manages its capital to ensure that the company will be able to continue as going concern and comply with the regulators' capital requirements while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the company consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Company's Authorized share capital as at 30 Sept, 2018 is N10,292,500 (2017:N10,292,500). The company is in compliance with the minimum capital requirement of N2 billion as stipulated by the Insurance Act.

	2018	2017	2018	2017
	N'000	N'000	N'000	N'000
Share capital	10,292,500	10,292,500	10,292,500	10,292,500
Share premium	14,365,133	14,365,133	14,365,132	14,365,133
Contingency reserves	949,308	908,259	870,145	839,681
Fair value reserves	1,012,426	1,004,524	375,763	367,862
Translation reserve	193,171	186,441	-	-
Retained earnings	<u>(31,931,601)</u>	<u>(27,275,850)</u>	<u>(30,985,627)</u>	<u>(26,146,738)</u>
	<u>(5,119,064)</u>	<u>(518,993)</u>	<u>(5,082,087)</u>	<u>(281,561)</u>

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. Management uses regulatory capital ratios to monitor its capital base. Capital is allocated between specific operations and activities and to a large extent driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each activity is based primarily on the regulatory capital. In some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations or activities is undertaken independently of those responsible for the operation by a committee.

The National Insurance Commission (NAICOM) specifies the minimum amount and type of capital that must be held by the company to cover the insurance liabilities. The regulator measures the financial strength of insurance companies using the capital adequacy requirements for the category of company. This test compares insurer's capital against the risk profile.

Group Hypothecation

Item	Life	Annuity	Investment Contract	Total (Admissible)
Insurance Contract Liabilities	6,882,670	30,345,042		37,227,712
Investment Contract Liabilities		-	6,543,795	6,543,795
Gross Insurance Funds	6,882,670	30,345,042	6,543,795	43,771,507
Less				
Reinsurance Receivables				
1 Reinsurance expenses prepaid		-		-
2 Reinsurers' share of Claims expense paid	-	-		-
3 Reinsurers' share of Unearned premium reserve	(5,991)	-		(5,991)
4 Reinsurers' share of Incurred but not reported claims	(47,726)	-		(47,726)
5 Others (specify)	-	-	-	-
Net Insurance Funds	6,828,953	30,345,042	6,543,795	43,717,790
Admissible Assets				
1 Cash and Cash Equivalents	1,478,128	4,306,412	419,532	6,204,072
2 Treasury bills and Government Bonds	3,183,064	11,535,083	4,007,041	18,725,188
2 Placement with Financial Institutions	-	-	-	-
3 Corporate Bonds & Debenture	-	526,033	-	526,033
3 Quoted Shares	200,391	-	895,400	1,095,791
4 Unquoted Shares	115,310	-	-	115,310
4 Mortgage Loans	-	-	-	-
5 Loan to Policy holders	132,716	-	-	132,716
5	-	-	-	-
6	-	-	-	-
6 Other Loans & Investments	164,162	-	-	164,162
7 Investment in subsidiaries,	-	-	-	-
8 Non current assets held for sale	-	-	-	-
9 Investment in Associates	-	-	-	-
10 Investment in jointly controlled entities	-	-	-	-
11 Investment Properties	1,555,182	2,073,280	1,221,822	4,850,284
Total Admissible Assets	6,828,953	18,440,808	6,543,795	31,813,556
SURPLUS(DEFICIT) IN ASSETS COVER	(0)	(11,904,234)	(0)	(11,904,234)
	0			0
	-			-

Company Hypothecation

Item	Life	Annuity	Investment Contract	Total (Admissible)
Insurance Contract Liabilities	5,312,410	30,345,042		35,657,452
Investment Contract Liabilities		-	6,543,795	6,543,795
Gross Insurance Funds	5,312,410	30,345,042	6,543,795	42,201,247
Less				
Reinsurance Receivables				
1 Reinsurance expenses prepaid		-		-
2 Reinsurers' share of Claims expense paid	-	-		-
3 Reinsurers' share of Unearned premium reserve	(5,991)	-		(5,991)
4 Reinsurers' share of Incurred but not reported claims	(47,726)	-		(47,726)
5 Others (specify)	-	-	-	-
Net Insurance Funds	5,258,693	30,345,042	6,543,795	42,147,530
Admissible Assets				
1 Cash and Cash Equivalents	1,213,410	4,306,412	419,532	5,939,354
2 Treasury bills and Government Bonds	2,008,219	12,709,928	4,007,041	18,725,188
2 Placement with Financial Institutions	-	-	-	-
3 Corporate Bonds & Debenture	-	526,033	-	526,033
3 Quoted Shares	200,391	-	895,400	1,095,791
4 Unquoted Shares	92,225	-	-	92,225
4 Mortgage Loans	-	-	-	-
5 Loan to Policy holders	25,104	-	-	25,104
5	-	-	-	-
6	-	-	-	-
6 Other Loans & Investments	164,162	-	-	164,162
7 Investment in subsidiaries,	-	-	-	-
8 Non current assets held for sale	-	-	-	-
9 Investment in Associates	-	-	-	-
10 Investment in jointly controlled entities	-	-	-	-
11 Investment Properties	1,555,182	2,073,280	1,221,822	4,850,284
Total Admissible Assets	5,258,693	19,615,653	6,543,795	31,418,141
SURPLUS(DEFICIT) IN ASSETS COVER	(0)	(10,729,389)	(0)	(10,729,389)
	0			0
	-			-

The minimum capital required is compared with the equity maintained during the period in the table below:

	ACTUAL	
	30-Sep-18 N'000	31-Dec-17 N'000
Shareholders' equity	(5,082,087)	(281,562)
Capital requirement on regulatory basis	2,000,000	2,000,000
Shortfall in Solvency Margin	(11,083,218)	(4,950,236)
Shortfall in Asset cover for contract liabilities	(10,729,389)	(6,084,295)

4.5 Measurement basis of financial assets and liabilities

Company	30-Sep-18			31 December 2017		
	Fair Value	Amortised Cost	Total	Fair Value	Amortised Cost	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cash and bank balances	-	5,939,354	5,939,354	-	5,799,468	5,799,468
Investment securities	1,188,016	19,251,221	20,439,237	2,274,446	20,373,177	22,647,623
Trade receivables	-	-	-	-	-	-
Reinsurance assets	-	53,717	53,717	-	53,717	53,717
Other asset	-	665,545	665,545	-	324,286	324,286
Statutory deposit	-	200,000	200,000	-	200,000	200,000
Total Financial assets	1,188,015	26,109,837	27,297,853	2,274,446	26,750,647	29,025,093
Financial liabilities						
Trade payable	-	940,966	940,966	-	914,215	914,215
Other payables and accruals	-	1,590,064	1,590,064	-	1,101,419	1,101,419
Dividend payable	-	-	-	-	-	-
Investment linked contract liabilities	-	6,543,795	6,543,795	-	4,927,104	4,927,104
Total Financial liabilities	-	9,074,826	9,074,826	-	6,942,738	6,942,738

4.6 Measurement of financial assets and liabilities at fair value

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. All level 2 valuation were derived using either the net present value and discounted cash flow models or comparison with similar instruments for which market observable prices exist.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There were no transfers from Level 1 to Level 2 or between level 2 or level 3 of the fair value hierarchy during the year.

4.6.1 Fair value of financial assets and liabilities

The table below summarises the carrying amounts and fair values of the financial assets and liabilities.

	Group				Company			
	30-Sep-18		31 December 2017		30-Sep-18		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	N '000	N '000	N '000	N '000	N '000	N '000	N '000	N '000
Financial								
Statutory deposits	336,956	336,956	348,965	309,978	200,000	200,000	200,000	200,000
Cash and bank balances	6,204,072	6,204,072	6,006,807	6,873,981	5,939,354	5,939,354	5,799,468	5,799,468
Investment securities:								
Held-to-maturity	19,251,221	19,251,221	20,373,177	20,373,177	19,251,221	19,251,221	20,373,177	20,373,177
Available for sale	115,310	115,310	111,998	111,998	92,225	92,225	91,525	91,525
Financial assets designated at fair value	1,095,791	1,095,791	2,182,921	2,182,921	1,095,791	1,095,791	2,182,921	2,182,921
Loans and receivables	132,716	132,716	84,944	84,944	25,104	25,104	18,131	18,131
Trade receivables	111,172	111,172	41,918	41,918	-	-	-	-
Reinsurance assets	53,717	53,717	53,717	53,717	53,717	53,717	53,717	53,717
Other receivables	582,778	582,778	341,178	341,178	665,545	665,545	324,286	324,286
TOTAL	27,883,733	27,883,733	29,545,625	30,373,812	27,322,957	27,322,957	29,043,225	29,043,225
Financial liabilities								
Trade payables	1,233,995	1,233,995	1,177,117	1,177,117	940,966	940,966	914,215	914,215
Other liabilities	1,863,918	1,863,918	1,474,277	1,474,277	1,590,064	1,590,064	1,101,419	1,101,419
Dividend payable	-	-	-	-	-	-	-	-
Investment linked contract liabilities	6,543,795	6,543,795	4,927,104	4,927,104	6,543,795	6,543,795	4,927,104	4,927,104
TOTAL	9,641,708	9,641,708	7,578,498	7,578,498	9,074,826	9,074,826	6,942,738	6,942,738

NOTES TO THE FINANCIAL STATEMENTS

4.6.2 Minimum Capital requirement

The company did not meet the minimum capital requirement of N2 billion as stipulated by the Insurance Act

The Solvency Margin for African Alliance Insurance Plc. as at 30 September 2018 is as follows:		
	N'000	N'000
Admissible Assets		
Cash & Cash Equivalent	5,939,354	
Held to Maturity	19,251,221	
Fair Value Through Profit or Loss	1,095,791	
Available for Sales	92,225	
Loans and Receivable - Assets	25,104	
Trade Receivable	-	
Reinsurance Assets	53,717	
Other Receivable & Prepayment	164,162	
Investment properties	4,425,250	
Investment in Subsidiary		
Investment in Associate	1,578,331	
Defferred Tax Asset	-	
Intangible assets	-	
Property Plant & Equipment	823,906	
Statutory Deposit	200,000	
Total Admissible Assets (a)		33,649,060
Insurance Contract Liabilities	35,657,452	
Investment Contract Liabilities	6,543,795	
Employee Benefit	24,551	
Borrowing	517,177	
Trade Payable	940,966	
Provision & Other Payables	356,150	
Dividend Payable	0	
Provision for Current Tax	692,186	
Total Admissible Liabilities (b)		44,732,278
SOLVENCY MARGIN (a-b)		(11,083,218)
Subject to Higher of:		
15% of Net premium income	401,346	
or		
Minimum Capital Requirement	2,000,000	2,000,000
Gross Solvency ratio		-554%
Net Solvency ratio		-654%

During the year the solvency margin was -554% (2017: -254%).

The company's capital objectives are to ensure that the company is properly capitalized and funded at all times, having regard to its regulatory needs, prudent management and the needs of all stakeholders

Precisely, the company has adopted the following capital management policies:

- (i) Maintenance, as a minimum, of capital sufficient to meet the statutory requirement.
- (ii) An Economic Capital at Risk (ECaR) approach is also used by the management and the board to ensure that obligations to policyholders can be met in adverse circumstances
- (iii) Maintenance of an appropriate level of liquidity at all times. The company further ensures that it can meet its expected capital and financing needs at all times, having regard to business plans to guarantee its going concern status, forecast and any strategic initiatives

AFRICAN ALLIANCE INSURANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
4.6.3 Financial instruments measured at fair value - Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

Group 30 Sept 2018	Level 1	Level 2	Level 3	Total fair value
	N '000	N '000	N '000	N '000
Financial assets				
<i>Investment securities:</i>				
Financial assets designated at fair value through P o L	1,095,791	-	-	1,095,791
Available for sale investment	-	-	115,310	115,310
	1,095,791	-	115,310	1,211,101
31 December 2017				
	Level 1	Level 2	Level 3	Total fair value
	N '000	N '000	N '000	N '000
Financial assets				
<i>Investment securities:</i>				
Financial assets designated at fair value through P o L	2,182,921	-	-	2,182,921
Available for sale investment	-	-	111,998	111,998
	2,182,921	-	111,998	2,294,919
Companv 30 Sept 2018				
	Level 1	Level 2	Level 3	Total fair value
	N '000	N '000	N '000	N '000
Financial assets				
<i>Investment securities:</i>				
Financial assets designated at fair value through P o L	1,095,791	-	-	1,095,791
Available for sale investment	-	-	92,225	92,225
	1,095,791	-	92,225	1,188,016
31 December 2017				
	Level 1	Level 2	Level 3	Total fair value
	N '000	N '000	N '000	N '000
Financial assets				
<i>Investment securities:</i>				
Financial assets designated at fair value	2,182,921	-	-	2,182,921
Available for sale investment	-	-	91,525	91,525
	2,182,921	-	91,525	2,274,446

4.6.4 Financial instruments not measured at fair value

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

Group 30 Sept 2018	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	N '000	N '000	N '000	N '000	N '000
Financial assets					
Cash and bank balances		6,204,072	-	6,204,072	6,204,072
<i>Investment securities:</i>					
Fair value through profit or loss	-	-	-	-	-
Available for sale	-	-	-	-	-
Held to Maturity	19,251,221	-	-	19,251,221	19,251,221
Loans and receivables	-	132,716	-	132,716	132,716
Trade receivables	-	111,172	-	111,172	111,172
Reinsurance assets	-	53,717	-	53,717	53,717
Other receivables	-	582,778	-	582,778	582,778
Statutory deposit	-	336,956	-	336,956	336,956
	19,251,221	7,421,410	-	26,672,631	26,672,632
Financial liabilities					
Trade payables	-	-	1,233,995	1,233,995	1,233,995
Other liabilities	-	-	1,863,918	1,863,918	1,863,918
Investment linked contract liabilities	-	-	6,543,795	6,543,795	6,543,795
	-	-	9,641,708	9,641,709	9,641,709
Group 31 December 2017					
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	N '000	N '000	N '000	N '000	N '000
Financial assets					
Cash and bank balances		6,006,807	-	6,006,807	6,006,807
<i>Investment securities:</i>					
Fair value through profit or loss	-	-	-	-	-
Available for sale	-	-	-	-	-
Held to Maturity	20,373,177	-	-	20,373,177	20,373,177
Loans and receivables	-	84,944	-	84,944	84,944
Trade receivables	-	41,918	-	41,918	41,918
Reinsurance assets	-	53,717	-	53,717	53,717
Other receivables	-	341,178	-	341,178	341,178
Statutory deposit	-	348,965	-	348,965	348,965
	20,373,177	6,877,529	-	27,250,706	27,250,706
Financial liabilities					
Trade payables	-	-	1,177,117	1,177,117	1,177,117
Other liabilities	-	-	1,474,277	1,474,277	1,474,277
Investment linked contract liabilities	-	-	4,927,104	4,927,104	4,927,104
	-	-	7,578,498	7,578,498	7,578,498

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Company
30 Sept 2018

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	N '000	N '000	N '000	N '000	N '000
Financial assets					
Cash and bank balances		5,939,354	-	5,939,354	5,939,354
<i>Investment securities:</i>					
Fair value through profit or loss		-	-	-	-
Available for sale					
Held to Maturity	19,251,221			19,251,221	19,251,221
Loans and receivables		25,104		25,104	25,104
Trade receivables	-				
Reinsurance assets	-	53,717		53,717	53,717
Other receivables	-	665,545		665,545	665,545
Statutory deposit	-	200,000		200,000	200,000
	19,251,221	6,883,720	-	26,134,941	26,134,941
Financial liabilities					
Trade payables	-		940,966	940,966	940,966
Other liabilities	-		1,590,064	1,590,064	1,590,064
Investment linked contract liabilities	-		6,543,795	6,543,795	6,543,795
	-	-	9,074,826	9,074,826	9,074,826

31 December 2017

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	N '000	N '000	N '000	N '000	N '000
Financial assets					
Cash and bank balances		5,799,468	-	5,799,468	5,799,468
<i>Investment securities:</i>					
Fair value through profit or loss		-	-	-	-
Available for sale					
Held to Maturity	20,373,177			20,373,177	20,373,177
Loans and receivables		18,131		18,131	18,131
Trade receivables	-				
Reinsurance assets	-	53,717		53,717	53,717
Other receivables	-	324,286		324,286	324,286
Statutory deposit	-	200,000		200,000	200,000
	20,373,177	6,395,602	-	26,768,779	26,768,779
Financial liabilities					
Trade payables	-		914,215	914,215	914,215
Other liabilities	-		1,101,419	1,101,419	1,101,419
Investment linked contract liabilities	-		4,927,104	4,927,104	4,927,104
	-	-	6,942,737	6,942,737	6,942,737

There was no transfer between levels during the year under review.

Financial instruments in level 3

The financial instruments in level 3 above comprise unquoted equity instruments. The following table shows a reconciliation from the beginning balances to the ending balances for financial instruments in level 3 of the fair value hierarchy.

	Group 2017 N'000	2016 N'000	Company 2017 N'000	2016 N'000
Balance at 1 January	111,998	237,478	91,525	217,005
Acquisitions	-	32,500	-	32,500
Impairment (charge)/write back	-	(114,287)	-	(114,287)
Reclassification	-		-	
Disposal	-	(44,343)	-	(44,343)
Fair value changes	3,312	650	700	650
At 30 Sept	115,310	111,998	92,225	91,525

The unquoted equity instruments are carried at fair value (2016: carried at fair value) using market approach. The company has engaged the services of an investment manager for the purpose of disposing of the investments.

4.6.5 Fair valuation methods and assumptions

i. Cash & cash equivalent

This represents cash held in various bank accounts at the end of the period. The fair value of this amount is the carrying amount.

ii. Held to maturity

The held to maturity financial assets are based on market prices, or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

iii. Loans and receivables

Loans and receivables relate to commercial papers which have less than 6 months recycle period and as such the fair values approximate their carrying amount.

iv. Other receivables

Other assets represent amount due from reinsurers and other related parties which usually have a short recycle period and as such the fair values of these balances approximate their carrying amount.

v. Statutory deposit

This represents the deposit held by Central bank of Nigeria. i.e. 10% of the minimum capitalisation in compliance with the Insurance Act. The fair value of this balance is approximately its carrying amount.

vi. Trade payables

These represent amount payable to reinsurers and other creditors which have a short recycle period and as such the fair values of these balances approximate their carrying amount.

vii. Other liabilities

These are amounts outstanding and are payable within a period of one year. Amount outstanding are assumed to approximate their respective fair values.

viii. Insurance contract liabilities

These are amounts payable to policyholders in the event of a claim. The carrying amount have been calculated by the actuary and the carrying amount represents the fair value as at 31 December, 2017.

5 Critical accounting estimates and judgements

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

5.1 The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

5.2 Sources of uncertainty in the estimation of future claim payments

Claims on contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims (IBNR).

Uncertainty in the estimation of future benefits payments and premium receipts for insurance contracts arises from the unpredictability of long-term changes in variables such as the overall levels of mortality, accident level and the variability in policyholder behavior.

The insurance liabilities have been made on the following principles:-

Type of Business	Valuation Method
Individual Risk Business	Gross premium
Individual Deposit Based business	Deposit reserve: Account balance at val. Date Risk reserve: Gross premium
Group Life	UPR + IBNR
Group Deposit Administration	Deposit reserve: Account balance at val. Date

5.2.1 Individual business

A gross premium method is adopted for individual traditional risk business. This is a monthly cash flow approach taking into account the incidence of all expected future cash flows including office premiums, expenses and benefit payments, satisfying the Liability Adequacy Test. This implies that no further testing is required as a result of the implementation of the IFRS; or in other words the liability adequacy test has been met implicitly and a separate liability calculation will not be required for accounting purposes.

Negative reserves will be zeroised at the valuation date.

5.2.2 Individual Deposit Based business

A reserve for the Individual and group deposit-based business (Deposit Plus Plan)

will be maintained being the amount standing to the credit of the policyholders (account balance) at the valuation date.

Reserves for the supplementary life cover and expenses for individual deposit based business will be calculated using a gross premium cash flow approach as described in above. This is the present value of future guaranteed risk related benefit costs and expenses, less future risk premiums

5.2.3 Group life

Reserves for Group Life business will comprise an unexpired premium reserve (UPR)

and where necessary, a reserve for Incurred But Not Reported Claims (IBNR) to make an allowance for the delay in reporting of claims.

The UPR will represent the unexpired portion of the premium for each scheme, net of an expense margin reflecting the acquisition cost loadings. The adequacy of the UPR will be tested by comparing against an Additional Unexpired Risk Reserve (AURR), which will be calculated using pooled industry claims data for the underlying assumptions. An AURR will be held in cases where the UPR is deemed insufficient to meet claims in respect of the unexpired period.

A loss ratio approach will be used for IBNR reserving, where the underlying claim rates are based on an analysis of historical group life claims experience, with judgement adopted where required.

No separate reserve is proposed for claims handling costs for Group Life business as these are typically insignificant in size. Any costs incurred are absorbed as part of the general business management costs.

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6 Cash and cash equivalent

	30-Sep-18 N'000	Group 31-Dec-17 N'000	Company 30-Sep-18 N'000	31-Dec-17 N'000
Cash in bank (note 6.2)	2,195,012	1,566,445	2,124,105	1,499,757
Short-term bank deposits	4,009,060	4,440,362	3,815,249	4,299,711
	<u>6,204,072</u>	<u>6,006,807</u>	<u>5,939,354</u>	<u>5,799,468</u>

6.1 Cash and cash equivalent for the purpose of cashflow

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. They include:

	30-Sep-18 N'000	Group 31-Dec-17 N'000	Company 30-Sep-18 N'000	31-Dec-17 N'000
Cash in bank	2,195,012	1,566,445	2,124,105	1,499,757
Short-term bank deposits	4,009,060	4,440,362	3,815,249	4,299,711
Bank overdraft	(585,887)	(65,566)	(517,177)	-
	<u>5,618,186</u>	<u>5,941,241</u>	<u>5,422,177</u>	<u>5,799,468</u>

7 Financial assets

7.1 Financial assets at fair value through profit and loss

These are quoted equities in the Nigerian Stock Exchange, the fair value were determined by reference to the quoted closing bid price at the end of the reporting year derived as follows:

	30-Sep-18 N'000	Group 31-Dec-17 N'000	Company 30-Sep-18 N'000	31-Dec-17 N'000
Quoted equity securities	<u>1,095,791</u>	<u>2,182,921</u>	<u>1,095,791</u>	<u>2,182,921</u>
	<u>1,095,791</u>	<u>2,182,921</u>	<u>1,095,791</u>	<u>2,182,921</u>
7.1i Movement in FVTPL - Quoted equities				
At 1 January	2,182,921	2,109,686	2,182,921	2,109,686
Addition	-	-	-	-
Disposal	-	-	-	-
Fair value changes	<u>(1,087,130)</u>	<u>73,235</u>	<u>(1,087,130)</u>	<u>73,235</u>
At 30 Sept	<u>1,095,791</u>	<u>2,182,921</u>	<u>1,095,791</u>	<u>2,182,921</u>

7.2 Available-for-sale

The fair value of some of the unlisted equity instrument could not be reliably determined at the end the reporting period. As such, those unlisted equity instruments have been accounted at cost less impairment. Management believes that the recoverable amount of the unlisted investment is not significantly different from the carrying amount

Equity securities	115,310	111,998	92,225	91,525
	<u>115,310</u>	<u>111,998</u>	<u>92,225</u>	<u>91,525</u>

7.2i Movement in AFS - Equity securities

At 1 January	111,998	237,478	91,525	217,005
Additions	-	32,500	-	32,500
Impairment (charge)/write back	-	(114,287)	-	(114,287)
Reclassification from other receivables	-	-	-	-
Disposal	-	(44,343)	-	(44,343)
Fair value changes	<u>3,312</u>	<u>650</u>	<u>700</u>	<u>650</u>
At 30 Sept	<u>115,310</u>	<u>111,998</u>	<u>92,225</u>	<u>91,525</u>

7.2ii Equity Securities

Cost	1,412,774	1,412,774	1,392,301	1,392,301
Impairment allowance	(1,301,426)	(1,301,426)	(1,301,426)	(1,301,426)
Fair value	<u>3,962</u>	<u>650</u>	<u>1,350</u>	<u>650</u>
	<u>115,310</u>	<u>111,998</u>	<u>92,225</u>	<u>91,525</u>

Debt Securities

Cost	1,787	1,787	1,787	1,787
Impairment allowance	<u>(1,787)</u>	<u>(1,787)</u>	<u>(1,787)</u>	<u>(1,787)</u>
At 30 Sept	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

7.2iii Movement in cost - equity securities

At 1 January	1,412,774	1,424,617	1,392,301	1,404,144
Reclassification from other receivables	-	-	-	-
Additions	-	32,500	-	32,500
Disposal	-	(44,343)	-	(44,343)
At 30 Sept	<u>1,412,774</u>	<u>1,412,774</u>	<u>1,392,301</u>	<u>1,392,301</u>

Movement in impairment allowance

At 1 January	1,301,426	1,187,139	1,301,426	1,187,139
Reclassification from other receivables	-	-	-	-
Additional charge	-	114,287	-	114,287
Writeback of impairment	-	-	-	-
At 30 Sept	<u>1,301,426</u>	<u>-</u>	<u>1,301,426</u>	<u>1,301,426</u>

AFRICAN ALLIANCE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Group		Company	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	N'000	N'000	N'000	N'000
7.3 Held to maturity				
Government and corporate bonds	19,251,221	20,373,177	19,251,221	20,373,177
7.4 Loans and receivables				
Long term loans	3,000	3,000	3,000	3,000
Mortgage loans	15,120	15,120	15,120	15,120
Policy loans	246,692	199,872	141,232	133,059
Short term loans	65,772	65,772	63,619	65,772
	330,584	283,764	222,971	216,951
Impairment allowance (7.4i)	(197,868)	(198,820)	(197,868)	(198,820)
	132,716	84,944	25,104	18,131
7.4i Impairment allowance in loans and receivable				
The movement in impairment allowance is as detailed below				
At 1 January	198,820	79,024	198,820	79,024
Impairment charge/ (write off)	(953)	119,796	(953)	119,796
At 30 Sept	197,867	198,820	197,867	198,820
8 Trade receivables				
Premium receivables	111,172	41,918	-	-
Trade debtors	58,159	58,159	-	-
Impairment allowance	(58,159)	(58,159)	-	-
	111,172	41,918		
Movement in impairments of trade receivables				
At 1 January	58,159	10,775	-	-
Additional charge during the year	-	47,384	-	-
At 30 Sept	58,159	58,159	-	-
9 Reinsurance assets: This is analysed as follows				
Reinsurance share of claims Incurred But Not Reported (IBNR) (note 9 (i))	47,726	47,726	47,726	47,726
Prepaid reinsurance (note 9(ii))	5,991	5,991	5,991	5,991
	53,717	53,717	53,717	53,717

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	Group		Company	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	N'000	N'000	N'000	N'000
9 (i) Movement in reinsurance share of claims Incurred But Not Reported (IBNR)				
At 1 January	47,726	71,241	47,726	71,241
Changes during the year	-	(23,515)	-	(23,515)
At 30 Sept	47,726	47,726	47,726	47,726
9 (ii) Prepaid reinsurance				
At 1 January	5,991	5,531	5,991	5,531
Additions in the year	-	49,863	-	49,863
Amortised in the year-reinsurance expense (see note 30)	-	(49,403)	-	(49,403)
At 30 Sept	5,991	5,991	5,991	5,991
10 Other receivables and prepayments				
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	N'000	N'000	N'000	N'000
Due from agents	54,020	63,343	54,020	60,290
Investment Income Recievable	26,121	43,295	26,121	26,121
Prepayment Rent	208,078	46,892	208,078	46,892
Prepayment - Others	173,120	88,235	173,120	26,305
Staff Mortgage Loans & Receivables	164,162	170,708	164,162	163,207
Deposit for Investment (note 10.2)	120,061	120,061	150,626	150,626
Due from related company (note 10.3)	1,608,522	1,608,522	2,016,861	2,016,861
Deposit for aircraft	737,200	737,200		
Long outstanding placement	50,375	50,375	50,375	50,375
Stock of raw materials & consumables	7,410	8,165	1,220	1,149
Staff share loans	2,131,790	2,131,790	2,131,790	2,131,790
Other receivables	119,388	90,061	118,242	79,740
	5,400,247	5,158,647	5,094,616	4,753,356
Impairment allowance (note 10.1)	(4,817,469)	(4,817,469)	(4,429,070)	(4,429,070)
	582,778	341,178	665,545	324,286
Current	241,600	294,286	341,259	-
Non-current	341,178	46,892	324,286	324,286
	582,778	341,178	665,545	324,286

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

10.1a Staff Share Loan:

This amount is made up of African Alliance Company Plc share purchased during the private placement exercise on behalf of staff of the company and repayment from staff is ongoing

	Group		Company	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	N'000	N'000	N'000	N'000
10.1b The Movement in impairment allowance is as follow				
At 1 January	4,817,469	4,678,704	4,429,070	3,937,289
Impairment charge/(written back) for the year	-	138,765	-	491,781
Reclassification to available for sale				
At 30 Sept	<u>4,817,469</u>	<u>4,817,469</u>	<u>4,429,070</u>	<u>4,429,070</u>
All past due receivables were individually impaired				
10.2 Deposits for shares/Investment				
First Ghana Buidling Company Limited, Ghana	120,000	120,000	120,000	120,000
Paramount Hotel, Ghana				
Fountian Trust Limited	36	36	36	36
Golden Securities Limited	25	25	25	25
Ghana Life Insurance Limited			30,565	30,565
	<u>120,061</u>	<u>120,061</u>	<u>150,626</u>	<u>150,626</u>
10.3 Due from related company				
African Alliance Holding Limited	8.150	8.150	8.150	8.150
Universal Insurance Company Plc	1,600,267	1,600,267	1,600,267	1,600,267
Frenchies Foods Limited	-	-	-	-
Axiom Air Limited	-	-	408,339	408,339
Ghana Life Insurance	-	-	-	-
African Alliance Trustees Limited	105	105	105	105
	<u>1,608,522</u>	<u>1,608,522</u>	<u>2,016,861</u>	<u>2,016,861</u>
10.4 Movement in impairment allowance				
At 1 January	1,608,522	1,608,417	2,019,787	1,608,417
Impairment charge/(written back) for the year	-	105.00	-	411,370
At 30 Sept	<u>1,608,522</u>	<u>1,608,522</u>	<u>2,019,787</u>	<u>2,019,787</u>

AFRICAN ALLIANCE INSURANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

11	Deferred acquisition costs	Group		Company	
	(i) Analysis by	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
		N'000	N'000	N'000	N'000
	Group Life	-	-	-	-
	Current	-	-	-	-
	(ii) Movement in Deferred Acquisition Cost				
	Balance at beginning of period	-	15,717	-	15,717
	Acquisition cost during the period	-	215,097	-	215,097
	Amortised in the period-acquisition expenses (see note 34)	-	(230,814)	-	(230,814)
	At 30 Sept	-	-	-	-
12	Investment properties				
	At 1 January	10,794,603	7,772,882	9,285,488	6,616,999
	Acquisition / (Disposal)	(226,300)	2,000	(226,300)	2,000
	Exchange difference adjustment	(279,028)	134,501	-	-
	Acquisition through disposal of subsidiaries	-	1,757,250	-	1,757,250
	Fair value gain on revaluation	216,346	1,127,970	216,346	909,239
	At 30 Sept	10,505,621	10,794,603	9,275,535	9,285,488
	Of the investment properties, the following relates to insurance Funds:				
	Insurance funds	-	-	4,850,284	4,860,238
	Shareholders funds	-	-	4,425,250	4,425,250
		-	-	9,275,535	9,285,488

The properties are held for long term capital appreciation and rental income.

	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	N'000	N'000	N'000	N'000
12.2 A brief descriptions of the properties held by Company are as follows				
Breadfruit Street Marina Lagos	1,918,000	1,918,000	1,918,000	1,918,000
Land at Pankere Village, Abijo, Ibeju Lekki	2,821,000	2,821,000	2,821,000	2,821,000
Plot C4, Rumuogba Layout, Aba road, Port Harcourt	767,381	763,000	767,381	763,000
Sani Abacha Estate, Abuja	837,000	837,000	837,000	837,000
73 Oyemekun street, Akure	22,110	22,000	22,110	22,000
Property at Lekki Phase 1	-	140,300	-	140,300
Property at Lekki Seagate	-	86,000	-	86,000
Property at Millennium Housing estate	91,608	91,000	91,608	91,000
34 Marple street, London	761,938	761,938	761,938	761,938
4 bedroom duplex, Ajah road, Ajah, Lagos	89,247	88,000	89,247	88,000
29A Akin Adesola Street, Victoria Island, Lagos	767,250	767,250	767,250	767,250
112 Broad Street, Lagos	1,200,000	990,000	1,200,000	990,000
Land & Residential properties held in Ghana Life Insurance	1,230,087	1,509,114	-	-
	10,505,621	10,794,603	9,275,535	9,285,488
A brief descriptions of the properties held by the company in its name are as follows:				
Breadfruit Street Marina Lagos	1,918,000	1,918,000	1,918,000	1,918,000
Property at Millennium Housing estate	91,608	91,000	91,608	91,000
34 Marple street, London	761,938	761,938	761,938	761,938
4 bedroom duplex, Ajah road, Ajah, Lagos	89,247	88,000	89,247	88,000
73 Oyemekun street, Akure	22,110	22,000	22,110	22,000
Property at Lekki Phase 1	-	140,300	-	140,300
Property at Lekki Seagate	-	86,000	-	86,000
112 Broad Street, Lagos	1,200,000	990,000	1,200,000	990,000
Plot C4, Rumuogba Layout, Aba road, Port Harcourt	767,381	763,000	767,381	763,000
	4,850,284	4,860,238	4,850,284	4,860,238
A brief descriptions of the properties held by the company in the name of Conau Limited are as follows:				
Land at Pankere Village, Abijo, Ibeju Lekki	2,821,000	2,821,000	2,821,000	2,821,000
Land & Residential properties held in Ghana Life Insurance	1,230,087	1,509,114	-	-
29A, Akin Adesola Street, Victoria Island	767,250	767,250	767,250	767,250
Sani Abacha Estate, Abuja	837,000	837,000	837,000	837,000
	5,655,337	5,934,365	4,425,250	4,425,250
Total investment property	10,505,621	10,794,603	9,275,535	9,285,488

12.3 INVESTMENT PROPERTIES NOT IN THE NAME OF AFRICAN ALLIANCE

FOR THE PERIOD ENDED 30 SEPT 2018

PROPERTIES	TITLE OF DOCUMENTS	DATE OF ACQUISITION	TITLE DOCUMENT NO	LOCATION	CARRYING AMOUNT N'000
Land at Pankere Village, Abi	Deed of Assignment & Governor's Consent for Application to assignment between Land Owner and Conau Limited	Year 2008	N/A	Abijo GRA Ibeju Lekki, Lagos state	2,821,000
Duplex at Sani Abacha Estate	Deed of Assignment between Federal Republic of Nigeria represented by EFCC and Conau Limited	Year 2008	N/A	2220 Suez Canal Crescent Sani Abacha Estate, Abuja	837,000
Building At 29a Akin Adesola Street, VI, Lagos	Lagos State Government Land Certificate and Deed of Assignment	Year 2017 - By transfer from Subsidiary	Lagos State Land Registry L07425	29a Akin Adesola Street, VI, Lagos	767,250

INVESTMENT PROPERTIES IN THE NAME OF AFRICAN ALLIANCE

FOR THE PERIOD ENDED 30 SEPT 2018

PROPERTIES	TITLE OF DOCUMENTS	DATE OF ACQUISITION	TITLE DOCUMENT NO	LOCATION	CARRYING AMOUNT N'000
Property Breadfruit Street M	Lagos State Government Land Certificate and Deed of Assignment	Year 1960	L03746	13/17 Breadfruit Street, Lagos	1,918,000
Property Rumuogba Layout, Aba road, Port Harcourt	Deed of Assignment & Certificate of Occupancy	Year 2008	N/A	Plot C4, Rumuogba Layout, Aba road, Port Harcourt	767,381
73 Oyemekun street, Akure	Certificate of Right of Occupancy	Year 1983	N/A	73 Oyemekun street, Akure	22,110
Land at Lekki Phase 1	Certificate of Occupancy	Year 1991	N/A	Lekki Peninsular, CBD, Phase 1 Lekki	0
Land at Lekki Seagate	Deed of Sub-Lease	Year 1991	60/60/990 AK	Plot 15 & 17 Seagate estate Phase 1 Lekki Peninsula Eti-Osa Lagos	0
Property at Millennium House	Lagos State Government Allocation Letter	Year 2004	N/A	Block B House 9B Oba Adeyinka Oyekan Housing Estate Lekki, Lagos	91,608
Property 34 Marple street, L	Land Title Land Registry Croydon Office London	Year 2009	N/A	34 Marple street, London, (W1T 6HD)	761,938
4 bedroom duplex, Ajah road	Deed of Assignment	Year 2009	N/A	Lekki Epe Expressway, Ajah Town, Lagos	89,247
Property 112 Broad Street, L	Lagos State Government Land Certificate and Deed of Assignment	Year 1961	L03990	112 Broad Street, L	1,200,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

13 Investment in subsidiary

The company's investment in subsidiary is as stated below:

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
AA Realty Limited				
Axiom Air Limited (Note 13c)	-	-	3,000,000	3,000,000
Ghana Life Insurance Company Limited (Note 13d)	-	-	1,770,741	1,770,741
Impairment allowance (note 13e)	-	-	4,770,741	4,770,741
	-	-	(4,216,936)	(4,216,936)
	-	-	553,805	553,805

13c Axiom Air Limited:-

The company was incorporated on 17 July 2008 to carry on the business of airline owners and management, provide air transport for public use; to provide all necessary and or desirable services incidental to this objective, including booking, reservation, routing and ticketing services, baggage management, flight catering and entertainment and provision of hotel accommodation. The company is wholly owned.

13d Ghana Life Insurance Company Limited

The company is a subsidiary of African Alliance Insurance Plc. The company is domiciled in Ghana and is permitted by its regulation to carry on the business of life insurance.

Movement in the investment in Ghana life is as follows

	Company	
	30-Sep-18 N'000	31-Dec-17 N'000
At 1 January	1,770,741	1,770,741
Reclassification from due from deposit of investments	-	-
Capital injection	-	-
At 30 Sept	1,770,741	1,770,741

13e Movement in impairment allowance in investment

At 1 January	4,216,936	4,286,445
Impairment charge/(written back) for the year	-	(69,509)
At 30 Sept	4,216,936	4,216,936

Movement in impairment charge

	At 1 Jan 2018	Additional charge	30-Sep-18
Axiom Air Limited	3,000,000	-	3,000,000
Ghana Life Insurance company	1,216,936	-	1,216,936
	4,216,936	-	4,216,936

14 Investment In associate

Investment in Pension Alliance Limited

The movement in investment in associate is as follow:

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
Investment in Pension Alliance Limited	1,578,331	1,605,405	1,578,331	1,605,405
At 1 January	1,605,405	1,341,159	1,605,405	1,341,159
Effect of prior year errors				
Share of profit after taxation: @ 49%	484,976	641,546	484,976	641,546
Less: Dividend received	(512,050)	(377,300)	(512,050)	(377,300)
At 30 Sept	1,578,331	1,605,405	1,578,331	1,605,405

This represents the Company's 49% holding in Pensions Alliance Limited. The associated company is engaged in the provision of pension services in accordance with the Pension Reform Act. The financial year end of the company is 31 December.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

FOR THE PERIOD ENDED 30 SEPTEMBER 2018							
15	Intangible assets	Group				Company	
	Deferred Expenditure	Software in Progress	Computer Software	Total	Computer Software	Total	
	N'000	N'000	N'000	N'000	N'000	N'000	
Cost							
At 1 January 2018	11,252	12,626	118,097	141,975	83,038	83,038	
Additions			5,528	5,528	22,306	22,306	
At 30 Sept 2018	11,252	12,626	123,625	147,503	105,344	105,344	
Amortisation							
At 1 January 2018	9,856	-	68,160	78,016	62,125	62,125	
Charge for the period	-		28,411	28,411	8,201	8,201	
At 30 Sept 2018	9,856	-	96,571	106,427	70,326	70,326	
Net book amount							
At 30 Sept 2018	1,396	12,626	27,054	41,076	35,018	35,018	
At 31 December 2017	1,396	12,626	49,937	63,959	20,913	20,913	

AFRICAN ALLIANCE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

15

Property and equipment Group

	Land N'000	Building N'000	Motor Vehicles N'000	Furniture & Fittings N'000	Computer Equipment N'000	Office Equipment N'000	Plant & Machinery N'000	Aircraft N'000	Total N'000
Cost									
At 1 January 2018	62,000	1,351,101	460,970	153,782	179,616	125,079	9,171	2,281,122	4,622,841
Additions			92,510	70,506	29,960	106,498			299,474
Disposal			(114,906)	(1,379)	(1,566)	(97)			(117,949)
Exchange adjustment									-
Reclassification									-
At 30 Sept 2018	62,000	1,351,101	438,574	222,909	208,009	231,481	9,171	2,281,122	4,804,367
Depreciation									
At 1 January 2018	-	26,310	369,503	90,641	116,271	63,713	9,171	2,281,122	2,956,731
Charge for the year		14,123	61,113	10,301	19,275	11,305			116,118
Disposal			(98,240)	(1,379)	(1,566)	(97)			(101,282)
Written off to Income Statement									-
Reclassification									-
At 30 Sept 2018	-	40,433	332,376	99,563	133,980	74,922	9,171	2,281,122	2,971,568
Net book amount									
At 30 Sept 2018	62,000	1,310,668	106,197	123,346	74,029	156,559	-	-	1,832,799
At 31 December 2017	62,000	1,324,791	91,467	63,141	63,345	61,366	-	-	1,666,110

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

**Property and equipment
Company**

	Land N'000	Building N'000	Motor Vehicles N'000	Furniture & Fittings N'000	Computer Equipment N'000	Office Equipment N'000	Total N'000
Cost							
At 1 January 2018	62,000	394,308	306,014	99,748	137,036	125,079	1,124,186
Additions	-	-	92,510	69,835	29,282	106,498	298,125
Disposal	-	-	(102,808)	(1,379)	(1,566)	(97)	(105,850)
Arising on liquidation	-	-	-	-	-	-	-
Revaluation	-	7,201	-	-	-	-	7,201
At 30 September 2018	62,000	401,509	295,717	168,204	164,751	231,481	1,323,662
Depreciation							
At 1 January 2018	-	26,308	260,904	59,216	86,764	63,713	496,905
Charge for the year	-	8,031	52,867	8,546	16,389	11,305	97,138
Disposal	-	-	(91,245)	(1,379)	(1,566)	(97)	(94,287)
Arising on liquidation	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
At 30 September 2018	-	34,339	222,526	66,383	101,587	74,922	499,756
Net book amount							
At 30 September 2018	62,000	367,171	73,191	101,821	63,165	156,559	823,906
At 31 December 2017	62,000	368,000	45,110	40,532	50,272	61,366	627,281

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018
17 Statutory deposit

This represents 10% of the regulatory minimum share capital deposited with the Central Bank of Nigeria as at 30 June 2018 in accordance with the requirement of section a(i) and section 10(3) of Insurance Act. Interest Income earned on this deposit is included in investment income

	Group		Company	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	N'000	N'000	N'000	N'000
Statutory deposit	<u>336,956</u>	<u>348,965</u>	<u>200,000</u>	<u>200,000</u>
Non-current	<u>336,956</u>	<u>348,965</u>	<u>200,000</u>	<u>200,000</u>
18 Insurance contract liabilities				
GROSS				
Outstanding claims (see note i)	525,276	52,446	525,276	52,446
Unearned premiums (see note ii)	448,582	243,570	448,582	243,570
	1,632,718	1,047,146		
Short term insurance contract - Claims incurred but not reported (IBNR) (see note iii)			1,632,718	1,047,146
Liability on annuity fund (see note iv)	30,345,042	30,092,990	30,345,042	30,092,990
Liability on long term insurance contract - Life fund	4,276,093	4,942,301		
	<u>2,705,833</u>	<u>3,100,216</u>	<u>2,705,833</u>	<u>3,100,216</u>
<i>Total Insurance liabilities (Gross)</i>	<u>37,227,712</u>	<u>36,378,453</u>	<u>35,657,452</u>	<u>34,536,368</u>
Current	849,259	4,990,814	1,121,084	4,559,958
Non-current	<u>36,378,453</u>	<u>26,620,780</u>	<u>34,536,368</u>	<u>29,976,410</u>
	<u>37,227,712</u>	<u>31,611,594</u>	<u>35,657,452</u>	<u>34,536,368</u>
Recoverable from reinsurers				
Claims reported and loss adjustment expenses			-	-
Unearned premiums	5,991	5,991	5,991	5,991
IBNR on Short term insurance contract	47,726	47,726	47,726	47,726
	<u>53,717</u>	<u>53,717</u>	<u>53,717</u>	<u>53,717</u>
<i>Total reinsurers' share of insurance liabilities</i>	<u>53,717</u>	<u>53,717</u>	<u>53,717</u>	<u>53,717</u>
NET				
Claims reported and loss adjustment expenses	525,276	52,446	525,276	52,446
Unearned premiums	448,582	237,579	448,582	237,579
Claims incurred but not reported on Short term insurance contract	1,632,718	999,420	1,632,718	999,420
Liability on annuity fund	30,345,042	30,092,990	30,345,042	30,092,990
Liability on long term insurance contract (Life fund)	4,276,093	4,942,301	2,705,833	3,100,216
<i>Total Insurance liabilities (Net)</i>	<u>37,227,711</u>	<u>36,324,736</u>	<u>35,657,452</u>	<u>34,482,651</u>

(i) The movement in outstanding claims during the year was as follows:

	Group		Company	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	N'000	N'000	N'000	N'000
At 1 January	52,438	44,949	52,446	32,652
Additions claims incurred during the period (see note 32)	6,424,816	9,153,934	6,424,816	8,116,299
Exchange difference arising from translation	8	657		
Claims paid during the period	<u>(5,951,986)</u>	<u>(9,147,102)</u>	<u>(5,951,986)</u>	<u>(8,096,505)</u>
At 30 Sept	<u>525,276</u>	<u>52,438</u>	<u>525,276</u>	<u>52,446</u>

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(ii) The movement in unearned premium during the year was as follows:

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
At 1 January	243,570	203,792	243,570	203,792
Change during the year	<u>205,012</u>	<u>39,778</u>	<u>205,012</u>	<u>39,778</u>
At 30 Sept	<u>448,582</u>	<u>243,570</u>	<u>448,582</u>	<u>243,570</u>

(iii) The movement in IBNR claims on Short term insurance during the year was as follows:

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
At 1 January	1,047,146	475,896	1,047,146	475,896
Change during the year	<u>585,572</u>	<u>571,250</u>	<u>585,572</u>	<u>571,250</u>
At 30 Sept	<u>1,632,718</u>	<u>1,047,146</u>	<u>1,632,718</u>	<u>1,047,146</u>

(iv) The movement in annuity fund during the year was as follows:

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
At 1 January	30,092,990	27,264,774	30,092,990	27,264,774
Change during the year	<u>252,052</u>	<u>2,828,216</u>	<u>252,052</u>	<u>2,828,216</u>
At 30 Sept	<u>30,345,042</u>	<u>30,092,990</u>	<u>30,345,042</u>	<u>30,092,990</u>

(v) The movement in life fund contract (excluding annuity) during the year was as follows:

	Group		Company	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	N'000	N'000	N'000	N'000
At 1 January	4,942,301	3,622,183	3,100,216	2,127,411
Exchange difference from translation	-	168,654		
Change during the year	<u>(666,208)</u>	<u>1,151,464</u>	<u>(394,383)</u>	<u>972,805</u>
At 30 Sept	<u><u>4,276,093</u></u>	<u><u>4,942,301</u></u>	<u><u>2,705,833</u></u>	<u><u>3,100,216</u></u>

(vi) Insurance contract liabilities at the end of the period were as follows:

	Group		Company	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
	N'000	N'000	N'000	N'000
Outstanding claims	525,276	52,446	525,276	52,446
Unearned premiums	448,582	243,570	448,582	243,570
Short term insurance contract- IBNR	1,632,718	1,047,146	1,632,718	1,047,146
Liability on Annuity contract	30,345,042	30,092,990	30,345,042	30,092,990
	4,276,093	4,942,301	2,705,833	3,100,216
Liability on long term insurance contract - Life fund	<u><u>37,227,712</u></u>	<u><u>36,378,453</u></u>	<u><u>35,657,452</u></u>	<u><u>34,536,368</u></u>

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19 Investment contract liabilities

The investment contract liabilities comprise interest-linked guaranteed investment funds. The movement in the investment contract liabilities is shown below:

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
At 1 January	4,927,104	5,411,398	4,927,104	5,411,398
(Excess)/Shortfall in deposit administration	-	(59)	-	(59)
Deposits received during the year	1,727,190	350,617	1,727,190	350,676
Withdrawals during the year	(189,573)	(950,525)	(189,573)	(950,584)
Guaranteed interest in the year	<u>79,075</u>	<u>115,673</u>	<u>79,075</u>	<u>115,673</u>
At 30 Sept	<u>6,543,795</u>	<u>4,927,104</u>	<u>6,543,795</u>	<u>4,927,104</u>
Non-current	<u>6,543,795</u>	<u>4,927,104</u>	<u>6,543,795</u>	<u>4,927,104</u>

Investment contract liabilities consist of group deposit administered funds and account balance of policy holders under investment linked insurance funds. Movement in the relevant funds are detailed below

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
19.2 Liabilities on administered deposits				
At 1 January	3,242,415	4,074,884	3,242,415	4,074,884
(Excess)/Shortfall in deposit administration	-	(59)	-	(59)
Deposits received during the year	362	19,580	362	19,580
Withdrawals during the year	(151,668)	(944,101)	(151,668)	(944,101)
Guaranteed interest in the year	<u>53,128</u>	<u>92,111</u>	<u>53,128</u>	<u>92,111</u>
At 30 Sept	<u>3,144,237</u>	<u>3,242,415</u>	<u>3,144,237</u>	<u>3,242,415</u>
19.3 Investment linked fund				
At 1 January	1,684,689	1,336,514	1,684,689	1,336,514
Deposits received during the year	1,726,828	331,096	1,726,828	331,096
Withdrawals during the year	(37,905)	(6,483)	(37,905)	(6,483)
Guaranteed interest in the year	<u>25,947</u>	<u>23,562</u>	<u>25,947</u>	<u>23,562</u>
At 30 Sept	<u>3,399,559</u>	<u>1,684,689</u>	<u>3,399,559</u>	<u>1,684,689</u>
	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
20 Trade payable				
Unallocated premium deposits	1,048,640	921,594	1,043,523	912,942
Due to co-insurance	0	937	-	937
Due from Reinsurance	(102,892)	-	(102,892)	-
Trade creditors	<u>288,248</u>	<u>254,586</u>	<u>336</u>	<u>336</u>
	<u>1,233,995</u>	<u>1,177,117</u>	<u>940,966</u>	<u>914,215</u>
Current	<u>1,233,995</u>	<u>1,177,117</u>	<u>940,966</u>	<u>914,215</u>

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
21 Other payables and accruals				
Due to related party	140,962	105,442	-	13,758
Agent savings	134,192	127,228	130,602	121,003
PAYE and other withholding taxes payable	75,319	111,195	72,498	73,342
Provisions and accruals	41,856	80,051	25,469	10,719
Rent receivable	47,173	60,763	47,173	57,392
Due to Conau Limited (note 21.1)	30,565	30,565	30,565	30,565
Other creditors	<u>58,135</u>	<u>48,021</u>	<u>49,842</u>	<u>37,306</u>
Current (Payable within the period)	<u>528,203</u>	<u>563,265</u>	<u>356,150</u>	<u>344,085</u>
21.1 Due to Conau Limited				

This amount represents a short bridged loan of \$100,000 borrowed from Conau Limited for a period of 90 days. The amount was borrowed and subsequently transferred to Ghana Life Insurance Plc as capital injection. The amount was recorded in the company's books as deposit for shares in Ghana Life

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
22.1 Retirement benefit asset	<u>(6,271)</u>	<u>(7,063)</u>	<u>(6,271)</u>	<u>(7,063)</u>
22.2 Retirement benefit liabilities				
Staff pension scheme	24,551	29,335	24,551	29,335
	<u>24,551</u>	<u>29,335</u>	<u>24,551</u>	<u>29,335</u>

	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
23 Borrowings				
<i>Secured - at amortised cost</i>				
Bank overdraft (note i)	-	65,566		
Overdraft Facility (note ii)	585,887	39,372	517,177	
Term loan	<u>-</u>	<u>182,714</u>	<u>-</u>	<u>182,714</u>
	<u>585,887</u>	<u>287,652</u>	<u>517,177</u>	<u>182,714</u>

(i) Bank overdraft represents current accounts held with banks which was overdrawn as at the financial reporting date.

(ii) The company has an overdraft facility of N400.88Million with Fidelity bank (N200.88M) and FCMB Bank (N200Million)to finance early redemption of maturing obligations and other operating expenses.

Movement in overdraft facility and term loan				
	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
At 1 January	287,652	67,110	182,714	-
Additions	500,880	238,708	500,880	200,880
Transaction cost	(5,417)	(2,109)	(5,417)	(2,109)
Interest expense	42,839	5,179	42,839	5,179
Repayment	<u>(240,067)</u>	<u>(21,236)</u>	<u>(203,839)</u>	<u>(21,236)</u>
At 30 Sept	<u>585,887</u>	<u>287,652</u>	<u>517,177</u>	<u>182,714</u>
24 Tax payable				
	Group		Company	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
<i>Company income tax payable:</i>				
At 1 January	594,024	363,543	545,285	285,240
Charge to profit and loss	164,113	278,886	162,604	271,172
Transfer of liabilities upon liquidation	-	-	-	39,104
Foreign exchange difference arising from translation	<u>(17,158)</u>	<u>1,826</u>	<u>-</u>	<u>-</u>
Tax paid in the year	<u>(15,702)</u>	<u>(50,231)</u>	<u>(15,702)</u>	<u>(50,231)</u>
At 30 Sept	<u>725,276</u>	<u>594,024</u>	<u>692,186</u>	<u>545,285</u>
Current	<u>725,276</u>	<u>594,024</u>	<u>692,186</u>	<u>545,285</u>

**NOTES TO THE FINANCIAL STATEMENTS
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25	Deferred tax liability	Group		Company	
		30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
	The analysis of deferred tax liabilities is as follows:				
	Deferred tax liability to be incurred within 12	-	-		
	Deferred tax liability to be incurred after more than 12	330,743	384,874	92,107	92,107
		<u>330,743</u>	<u>384,874</u>	<u>92,107</u>	<u>92,107</u>
	The movement on the deferred tax liabilities account is as follows:				
25a	At 1 January	384,874	953,540	92,107	695,696
	Tax charge recognised in other comprehensive income	-	38,675		
	Transfer of liabilities upon liquidation of subsidiaries	-	-	-	974
	Foreign exchange difference arising from translation	(54,131)	25,970		
	Income statement charge (note 38)	-	(633,311)	-	(604,563)
	At 30 Sept	<u>330,743</u>	<u>384,874</u>	<u>92,107</u>	<u>92,107</u>
	Non- current	<u>330,743</u>	<u>384,874</u>	<u>92,107</u>	<u>92,107</u>
25b	Deferred tax asset				
	The movement on the deferred tax asset account is as follows:				
	At 1 January	147,881	26,226	146,476	24,551
	Exch				
	Foreign exchange difference arising from translation	-	157		
	Income statement charge (note 42)	-	121,498	-	121,925
	At 30 Sept	<u>147,881</u>	<u>147,881</u>	<u>146,476</u>	<u>146,476</u>
	Non- current	<u>147,881</u>	<u>147,881</u>	<u>146,476</u>	<u>146,476</u>
26	Share capital				
	Ordinary Shares				
		30-Sep-18 Number	31-Dec-17 Number	30-Sep-18 Number	31-Dec-17 Number
	Authorised share capital ('000)	30,000,000	30,000,000	30,000,000	30,000,000
		<u>N'000</u>	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>
	Paid up share capital of 20.585 billion ordinary shares of 50 kobo each	10,292,500	10,292,500	10,292,500	10,292,500
		<u>30-Sep-18</u>	<u>31-Dec-17</u>	<u>30-Sep-18</u>	<u>31-Dec-17</u>
	Number of shares	20,585,000	20,585,000	20,585,000	20,585,000
	Shares at the beginning of the year('000)	-	-	-	-
	Paid up during the year ('000):	-	-	-	-
	At 30 Sept	<u>20,585,000</u>	<u>20,585,000</u>	<u>20,585,000</u>	<u>20,585,000</u>
	Share premium				
		30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
		<u>N'000</u>	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>
	At 1 January	14,365,133	14,365,133	14,365,133	14,365,133
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	At 30 Sept	<u>14,365,133</u>	<u>14,365,133</u>	<u>14,365,133</u>	<u>14,365,133</u>
27	Contingency reserves				
	At 1 January	908,259	832,162	839,681	776,327
	Transfer from retained earnings	41,049	76,097	30,465	63,354
	At 30 Sept	<u>949,308</u>	<u>908,259</u>	<u>870,146</u>	<u>839,681</u>
		949,307			
	In accordance with the insurance act, a contingency reserve is credited with the greater of 1% of total premiums or 10% of net profit. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium				
28	Retained earnings				
		30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
	At 1 January	(27,275,850)	(22,232,954)	(26,146,738)	(22,370,793)
	Liquidation of subsidiaries	-	335,149	-	-
	Transfer to contingency reserves	(41,870)	(76,268)	(30,465)	(63,354)
	Fair value reserves on properties of subsidiaries liquidated	-	943,073		
	Profit for the period	<u>(4,613,882)</u>	<u>(6,244,850)</u>	<u>(4,808,424)</u>	<u>(3,712,591)</u>
	At 30 Sept	<u>(31,931,601)</u>	<u>(27,275,850)</u>	<u>(30,985,627)</u>	<u>(26,146,738)</u>

**NOTES TO THE FINANCIAL STATEMENTS
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29	Fair value reserves	Group	Company
		30-Jun-18 N'000	31-Dec-17 N'000
		30-Jun-18 N'000	31-Dec-17 N'000
	At 1 January	1,004,525	2,083,194
	Gain on revaluation on land and building	7,201	(97,571)
	Change in value of available for sale financial assets (net of taxes)	700	650
	Deferred tax	-	(38,675)
	Disposal of subsidiaries	-	(943,073)
	At 30 Sept	1,012,426	1,004,525

29.1	Fair value changes-statement of comprehensive income	Group	Company
		30-Jun-18 N'000	31-Dec-17 N'000
		30-Jun-18 N'000	31-Dec-17 N'000
	Gain on revaluation on land and building	7,201	7,201
	Change in value of available for sale financial assets (net of taxes)	700	700
	Income tax on items that will not be subsequently reclassified to profit or loss	-	(38,675)
		-	-
		<u>7,901</u>	<u>(135,596)</u>
		<u>7,901</u>	<u>(135,596)</u>
		Group	Company

	30-Sept-2018		30-Sept-2017		30-Sept-2018		30-Sept-2017	
	3 months N'000	9 months N'000	3 months N'000	9 months N'000	3 months N'000	9 months N'000	3 months N'000	9 months N'000
30	Gross premium income							
	Individual life	651,881	2,274,845	623,096	1,914,316	383,239	1,302,683	424,929
	Group life	141,994	835,017	346,802	359,284	139,330	816,866	346,802
	Annuity	38,002	533,801	570,575	2,109,255	38,002	533,801	570,575
	Takaful	67,466	175,423	96,905	258,213	67,466	175,423	96,905
	Esusu	165,707	217,702	255,839	463,445	165,707	217,702	255,839
	Gross premium written	1,065,050	4,036,787	1,893,217	5,104,512	793,744	3,046,475	1,695,050
	Unearned premium							
	Group life	(95,523)	(205,012)	(133,840)	137,340	(95,523)	(205,012)	133,840
		<u>969,527</u>	<u>3,831,775</u>	<u>1,759,378</u>	<u>5,241,852</u>	<u>698,221</u>	<u>2,841,463</u>	<u>1,828,890</u>
		<u>969,527</u>	<u>3,831,775</u>	<u>1,759,378</u>	<u>5,241,852</u>	<u>698,221</u>	<u>2,841,463</u>	<u>1,828,890</u>
31	Insurance premium ceded to reinsurers							
	Gross reinsurance expense	(57,136)	(167,591)	(6,826)	(50,429)	(57,167)	(165,821)	(6,259)
	Changes in prepaid reinsurance	-	-	-	-	-	-	-
		<u>(57,136)</u>	<u>(167,591)</u>	<u>(6,826)</u>	<u>(50,429)</u>	<u>(57,167)</u>	<u>(165,821)</u>	<u>(6,259)</u>
		<u>(57,136)</u>	<u>(167,591)</u>	<u>(6,826)</u>	<u>(50,429)</u>	<u>(57,167)</u>	<u>(165,821)</u>	<u>(6,259)</u>
32	Fees and commission income							
	Group Life	34,203	41,331	1,177	5,212	34,203	41,331	1,177
	Individual Life	-	-	-	-	-	-	-
		<u>34,203</u>	<u>41,331</u>	<u>1,177</u>	<u>5,212</u>	<u>34,203</u>	<u>41,331</u>	<u>1,177</u>
		<u>34,203</u>	<u>41,331</u>	<u>1,177</u>	<u>5,212</u>	<u>34,203</u>	<u>41,331</u>	<u>1,177</u>

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33 Insurance claims and loss adjustment expenses

a Group

	30-Sep-18		
	9 months		
	N'000	N'000	N'000
	Gross	Reinsurance	Net
Individual life	1,391,078		1,391,078
Group life	823,842		823,842
Annuity	3,406,850		3,406,850
Takaful	229,166		229,166
Esusu	640,742		640,742
	<u>6,491,677</u>		<u>6,491,677</u>
Increase in the expected cost of claims for unexpired risks	<u>472,830</u>		<u>472,830</u>
Claims incurred during the period	6,964,507	-	6,964,507
IBNR on Short term insurance contract	<u>585,572</u>	<u>(108,002)</u>	<u>477,570</u>
	<u>7,550,080</u>	<u>(108,002)</u>	<u>7,442,078</u>

	30-Sep-18		
	3 months		
	N'000	N'000	N'000
	Gross	Reinsurance	Net
Individual life	468,461	-	468,461
Group life	212,098		212,098
Annuity	1,130,557		1,130,557
Takaful	84,874		84,874
Esusu	260,195	-	260,195
	<u>2,156,186</u>		<u>2,156,186</u>
Increase in the expected cost of claims for unexpired risks	<u>0</u>		<u>0</u>
Claims incurred during the period	2,156,186	-	2,156,186
IBNR on Short term insurance contract	<u>(3,745,680)</u>		<u>(3,745,680)</u>
	<u>(1,589,494)</u>	<u>0</u>	<u>(1,589,494)</u>

	30-Sep-17		
	9 months		
	N'000	N'000	N'000
	Gross	Reinsurance	Net
Individual life	1,020,805	-	1,020,805
Group life	1,357,150		1,357,150
Annuity	3,348,468		3,348,468
Takaful	243,241		243,241
Esusu	806,120	-	806,120
	<u>6,775,784</u>		<u>6,775,784</u>
Increase in the expected cost of claims for unexpired risks	<u>14,989</u>		<u>14,989</u>
Claims incurred during the period	6,790,773	-	6,790,773
IBNR on Short term insurance contract	<u>129,409</u>		<u>129,409</u>
	<u>6,920,182</u>	<u>0</u>	<u>6,920,182</u>

	30-Sep-17		
	3 months		
	N'000	N'000	N'000
	Gross	Reinsurance	Net
Individual life	302,283	-	302,283
Group life	459,705		459,705
Annuity	1,233,861		1,233,861
Takaful	23,641		23,641
Esusu	504,531	-	504,531
	<u>2,524,021</u>		<u>2,524,021</u>
Increase in the expected cost of claims for unexpired risks	<u>267</u>		<u>267</u>
Claims incurred during the period	2,524,288	-	2,524,288
IBNR on Short term insurance contract	<u>267,259</u>		<u>267,259</u>
	<u>2,791,547</u>	<u>0</u>	<u>2,791,547</u>

Insurance claims and loss adjustment expenses

b Company

	30-Sep-18		
	9 months		
	N'000	N'000	N'000
	Gross	Reinsurance	Net
Individual life	857,499	-	857,499
Group life	817,730		817,730
Annuity	3,406,850		3,406,850
Takaful	229,166		229,166
Esusu	640,742		640,742
	<u>5,951,986</u>		<u>5,951,986</u>
Increase in the expected cost of claims for unexpired risks	<u>472,830</u>		<u>472,830</u>
Claims incurred during the year	6,424,817	-	6,424,817
IBNR on Short term insurance contract	<u>585,572</u>	<u>(108,002)</u>	<u>477,570</u>
	<u>7,010,389</u>	<u>(108,002)</u>	<u>6,902,387</u>

Insurance claims and loss adjustment expenses
Company

	30-Sep-18		
	3 months		
	N'000	N'000	N'000
	Gross	Reinsurance	Net
Individual life	285,544	-	285,544
Group life	209,397		209,397
Annuity	1,130,557		1,130,557
Takaful	84,874		84,874
Esusu	260,195		260,195
	<u>1,970,567</u>		<u>1,970,567</u>
Increase in the expected cost of claims for unexpired risks	<u>477,069</u>		<u>477,069</u>
Claims incurred during the year	2,447,637	-	2,447,637
IBNR on Short term insurance contract	<u>952,378</u>		<u>952,378</u>
	<u>3,400,015</u>	<u>0</u>	<u>3,400,015</u>

	30-Sep-17		
	9 months		
	N'000	N'000	N'000
	Gross	Reinsurance	Net
Individual life	680,270	-	680,270
Group life	1,278,412	-	1,278,412
Annuity	3,348,468	-	3,348,468
Takaful	260,157	-	260,157
Esusu	<u>506,120</u>	<u>-</u>	<u>506,120</u>
	6,023,427	-	6,023,427
Increase in the expected cost of claims for unexpired risks	<u>14,989</u>	<u>-</u>	<u>14,989</u>
	6,038,416	-	6,038,416
Claims incurred during the period	<u>129,409</u>	<u>-</u>	<u>129,409</u>
IBNR on Short term insurance contract	<u>6,167,825</u>	<u>0</u>	<u>6,167,825</u>

	30-Sep-17		
	3 months		
	N'000	N'000	N'000
	Gross	Reinsurance	Net
Individual life	489,626	-	489,626
Group life	267,003	-	267,003
Annuity	1,133,861	-	1,133,861
Takaful	160,157	-	160,157
Esusu	<u>150,338</u>	<u>-</u>	<u>150,338</u>
	2,200,985	-	2,200,985
Increase in the expected cost of claims for unexpired risks	<u>267</u>	<u>-</u>	<u>267</u>
	2,201,252	-	2,201,252
Claims incurred during the period	<u>267,259</u>	<u>-</u>	<u>267,259</u>
IBNR on Short term insurance contract	<u>2,468,512</u>	<u>0</u>	<u>2,468,512</u>

34 Underwriting expenses

	Group				Company			
	30-Sept-2018		30-Sept-2017		30-Sept-2018		30-Sept-2017	
	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Acquisition cost (see note 33.1)	86,919	193,883	155,122	312,453	86,919	193,883	130,381	223,946
Maintenance cost	<u>166,554</u>	<u>581,116</u>	<u>229,025</u>	<u>483,493</u>	<u>132,025</u>	<u>487,667</u>	<u>229,025</u>	<u>483,493</u>
	<u>253,474</u>	<u>774,999</u>	<u>384,147</u>	<u>795,946</u>	<u>218,945</u>	<u>681,551</u>	<u>359,406</u>	<u>707,439</u>

Group					Company			
30-Sept-2018		30-Sept-2017		30-Sept-2018		30-Sept-2017		
3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	
N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
34.1 Acquisition cost								
Commission paid	86,919	193,883	155,122	312,453	86,919	193,883	223,946	
Changes in deferred acquisition cost	-	-	-	-	-	-	-	
	86,919	193,883	155,122	312,453	86,919	193,883	223,946	
35 Changes in long term insurance contracts								
Changes in annuity fund	(228,580)	252,052	-	-	(228,580)	252,052	-	
Changes in individual life fund excluding annuity	200,593	(325,614)	(113,296)	13,147	203,546	(394,383)	(69,387)	
	(27,987)	(73,562)	(113,296)	13,147	(25,034)	(142,331)	(69,387)	
36 Other income								
Rental income	6,832	21,820	14,750	20,270	6,832	21,820	17,624	
Gain upon disposal of investment properties	-	43,700	-	-	-	43,700	-	
Gain on disposal of PPE	(10,590)	(10,590)	539	640	(10,590)	(10,590)	640	
Sundry charges on investment linked products	3,785	11,307	19,405	36,808	3,785	11,307	20,342	
Gain on disposal of investment	-	-	38,370	41,251	-	-	41,251	
Sundry(loss)/ income	3,622	6,736	-5093	20,812	2,722	5,687	26,513	
	3,650	72,974	67,971	119,781	2,749	71,925	106,370	
37 Investment income								
30-Sept-2018		30-Sept-2017		30-Sept-2018		30-Sept-2017		
3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	
N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Interest income on cash and bank balances	128,302	434,654	93008	407,663	118,190	393,951	364,022	
Interest income on bonds	554,764	1,903,790	708206	2,150,990	554,764	1,903,790	2,150,990	
Investment income on planned asset	-	-	-	-	-	-	-	
Dividend Income	6,283	11,718	1723	6,837	6,283	11,718	6,837	
Interest income on statutory deposit	15,391	33,037	19623	32,431	15,391	33,037	32,431	
Interest income on loans and receivables	2,455	11,382	-	-	2,455	11,382	-	
	707,194	2,394,581	822,560	2,597,921	697,083	2,353,878	2,554,280	
37a Loss from investment contract:								
Investment income from investment contract liabilities	1,120	1,120 0	-	1,151	341	1,120	1,151	
Excess reserve on deposit administration	-	-	-	-	-	-	-	
Shortfall in deposit administration (note 36b)	-	-	-	-	-	-	-	
Guaranteed interest	(26,442)	(79,075)	(21,467)	(99,271)	(26,442)	(79,075)	(99,271)	
	(25,321)	(77,954)	(21,467)	(98,120)	(26,101)	(77,954)	(98,120)	
38 Impairment on assets								
30-Sept-2018		30-Sept-2017		30-Sept-2018		30-Sept-2017		
3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months	
N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Impairment on unquoted equities (see note 7.2)	-	-	-	1,250	1,250	-	1,250	
Impairment on loans and receivables (see note 7.4)	-	-	-	-	(953)	(953)	-	
Impairment on trade receivables (8.1)	-	-	-	-	-	-	-	
Impairment on other receivables and prepayments (see note 10.1)	-	-	-	-	-	-	-	
Impairment on aircraft(note 16)	-	-	-	-	-	-	-	
Impairment on investment in subsidiary (see note 13e)	-	-	-	-	-	-	-	
	-	-	-	1,250	297	(953)	1,250	

AFRICAN ALLIANCE INSURANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

39 Employee benefit expenses

	Group				Company			
	30-Sept-2018		30-Sept-2017		30-Sept-2018		30-Sept-2017	
	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Wages and salaries	145,532	550,876	179,054	513,025	145,532	441,584	110,961	328,268
Other Staff Cost	56,689	120,144	22,547	101,225	56,689	110,345	3,255	47,398
Defined contribution pension costs	8,379	28,248	5,787	17,930	8,379	26,833	5,787	17,930
Defined benefit pension cost	5,157	21,402	95,969	102,943	5,157	15,543	95,969	102,943
	215,757	720,671	303,357	735,123	215,757	594,306	215,972	496,539

40 Other operating and administrative expenses

	Group				Company			
	30-Sept-2018		30-Sept-2017		30-Sept-2018		30-Sept-2017	
	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Directors' emoluments	2,250	7,250		39,499	2,250	7,250		16,475
Bank Charges	12,153	50,403		44,235	14,135	39,345	15,590	30,030
Auditors' remuneration	-	0	17,924		17,500			
Depreciation	35,862	105,317	72,310	98,215	35,862	97,134	25,593	72,559
Amortisation	3,148	8,201	2,428	7,292	3,148	8,201	2,428	7,292
Consultancy expenses	76,364	183,554	62,488	76,518	76,364	183,338	50,230	63,062
Security	2,239	8,263	1,065	25,666	2,239	8,263	1,066	10,666
Rent and rates	28,330	98,827	9,231	69,527	28,330	98,827	9,231	49,527
General maintenance and running costs	27,058	101,917	92,370	145,310	27,058	87,943	35,123	98,434
Advert and Publicity	54,972	110,486	2,351	73,703	54,972	110,486	2,351	61,172
Telecommunications	5,312	20,548	9,832	25,769	5,312	15,548	9,832	12,998
Dues and Subscription	1,884	25,914	0	14,602	1,884	25,914	-	9,602
Travels and accommodation	65,841	257,708	34,521	244,269	65,841	217,708	34,521	166,925
Insurance supervision fees	7,988	62,230	131,885	132,500	7,988	62,230	131,885	132,500
Insurance expenses	(3,768)	8,676	3,256	14,495	(3,768)	8,676	3,256	14,495
Printing and stationeries	614	21,099	6,432	14,469	614	11,099	6,432	14,137
Industrial training fund	(1,651)	3,441	0	5,674	(1,651)	3,441	-	5,674
Entertainment	4,776	13,169	2,113	11,941	4,776	13,169	2,113	11,817
Regulatory levies	2,548	53,035	0	1,600	2,548	53,035	-	1,600
Penalties	-	0	0	0	-	-	-	-
Lease	(1,569)	17,711	0	0	(1,569)	17,711	-	-
Office ICT expenses	16,472	92,950	4,221	70,567	16,472	92,950	4,221	55,567
Donation	-	200	0	0	-	200	-	-
Office cleaning expenses	721	5,942	0	7,128	721	5,942	-	7,128
Medical expenses	226	1,874	443	1,527	226	1,874	443	1,527
Cost of sales restaurant	-	-	0	0	-	-	-	-
Direct operating cost - air flight	-	-	0	0	-	-	-	-
Other Administrative Expenses	28,436	85,284	74,482	139,603	28,436	59,250	41,778	45,555
	370,208	1,344,000	527,353	1,264,107	389,690	1,247,035	376,093	888,740

	Group				Company			
	30-Sept-2018		30-Sept-2017		30-Sept-2018		30-Sept-2017	
	3 months	9 months	3 months	9 months	3 months	9 months	3 months	9 months
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
41 Finance cost								
Interest expense on borrowings	22,756	45,052	-	8,504	20,774	42,839	-	-

42 Income tax expense								
Current tax on profits for the year (note 24)	123,422	164,113	10772	(42,175)	123,422	162,604	10,017	44,439
Deferred tax charge for the year (note 25)	-	-	-	-	-	-	-	-
	123,422	164,113	10,772	(42,175)	123,422	162,604	10,017	44,439

43 Translation reserve

The movement in translation reserve during the year is shown below:			
Balance at beginning of year	186,441		111,070
Exchange difference arising on translating the foreign operation	6,730		75,371
Balance at end of year	193,171		186,441

44 Non-controlling interest

Balance at beginning of year	7,814	11,320
Share of profit/(loss)	(94,161)	(6,205)
Share of contingency reserve	821	170
Share of foreign exchange translation difference	137	1,004
Share of gain on revaluation of land and building		1,525
	(85,389)	7,814