



LINKAGE
ASSURANCE PLC

RC: 162306

Head Office: Plot 20, Block 94, Providence Street,
Off Adewunmi Adebimpe Street,
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LINKAGE ASSURANCE PLC
ANNUAL REPORT
31 DECEMBER 2020



"Pearl 2018 Award Winner in Financial
Services (Insurance Sector)"

Board of Directors: Chief Joshua B. Fumudoh, MFR (Chairman), Mr. Tamunoye Zifere Alazigha, Mrs. Obafunke Alade-Adeyefa, Mr. Olakunle Bomo Agbebi (*Representing Interest of Minority Shareholders*) Mrs. Imo Oyewole, Mrs. Funkazi Koroye-Crooks, Mr. Maxwell Ebibai, Mr. Bernard Nicholas Griesel, Mr. Shehu D. Abubakar (Independent Director), Mr. Okanlawon Adelagun (ED Technical), Mr. Daniel Braie (*Managing Director*).



Authorised and regulated by the National Insurance Commission. RIC-026

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Corporate Information

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

| FINANCIAL HIGHLIGHTS | 31 Dec 2020 ₦'000 | 31 Dec 2019 ₦'000 | Changes (%) |
|---|----------------------|----------------------|----------------|
| Statement of profit or loss and other comprehensive income | | | |
| Gross premium written | 8,331,841 | 6,518,964 | 28 |
| Gross premium income | 7,952,990 | 6,326,620 | 26 |
| Net premium income | 4,450,402 | 3,713,380 | 20 |
| Underwriting profit | 825,589 | 409,240 | 102 |
| Investment and other income | 2,075,854 | 2,263,966 | -8 |
| Profit before taxation | 2,536,069 | 1,338,726 | 89 |
| Profit after taxation | 2,395,012 | 1,452,154 | 65 |
| Statement of financial position | | | |
| Total assets | 33,877,404 | 28,704,432 | 18 |
| Insurance contract liabilities | 5,728,661 | 4,652,881 | 23 |

| Key Ratios | 31 Dec 2020 (%) | 31 Dec 2019 (%) | Changes (%) |
|-----------------------------|--------------------|--------------------|----------------|
| Claims ratio | 39 | 41 | -2 |
| Claims ratio (net) | 17 | 26 | -9 |
| Underwriting expenses ratio | 35 | 34 | 1 |
| Underwriting income ratio | 14 | 15 | -1 |
| Management expenses ratio | 26 | 28 | -2 |

Our Performance

For the year ended 31 December 2020, our gross premium written grew by 28% to N8.33 billion from N6.52 billion in December 2019; with the major contribution from Oil and Gas class to the gross premium written in 2020. The underwriting profit from operations grew by 102% to N825.59 million from a profit of N409.24 million caused by increased gross premium written and decreased claims expenses compared to December 2019.

The dividend income of N721.18 million from Stanbic IBTC Pension Limited (SIPML) indicates a decrease of 5% in the dividend income of N762.35 million for the prior period.

Our profit before tax increased significantly by 89% to N2.54 billion from N1.34 billion in 2019. This was majorly attributable to decrease in claims, increase in investment income and increase in gross premium written.

Outlook

We will continue to refine our strategy in line with the political, economic, sociological and technological changes in the industry particularly the impact of Coronavirus (COVID-19) pandemic on the business landscape. We will also continue to develop innovative products, alternative channels of distributions and strategic initiatives that will enable us achieve our corporate goals and objectives. With a medium-to-long term perspective, we believe that we will benefit from growth in these initiatives.

Retail products

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

Agric Insurance

In line with our strategic focus, we have developed a bouquet of Agricultural Insurance products as risk management initiatives for both small, medium and large-scale farmers and agribusiness. These include Livestock Insurance Solution, Multiperil Crop Insurance Solution, Fish Farm & Fisheries Insurance, Poultry Farm Insurance, Area Yield Index Insurance and Farm All Risk (Material Damage) .

Operational Efficiency

In line with the vision statement, we have embarked on extensive digital transformation , this is expected to be one of the major drivers of operational efficiency as it will improve our business process, eliminate wastages, and positively impact our performances .

Directors' Report

It is the pleasure of the Directors to submit their annual report together with the audited financial statements for the year ended 31 December 2020.

1. Legal status

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

2. Principal activity

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

3. Operating results

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

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|---------------------------|----------------------|----------------------|
| Gross premium written | 8,331,841 | 6,518,964 |
| Profit before taxation | 2,536,069 | 1,338,726 |
| Taxation (expense)/credit | (141,057) | 113,428 |
| Profit after taxation | 2,395,012 | 1,452,154 |

4. Directors

The Directors who served during the period were as follows:

| | |
|------------------------------|------------------------|
| Chief Joshua Bernard Fumudoh | Chairman |
| Mr. Tamunoye Zifere Alazigha | Non-executive Director |
| Mrs. Imo Oyewole | Non-executive Director |
| Mr. Olakunle Agbebi | Non-executive Director |
| Mr Okanlawon Adelagun | Executive Director |
| Mrs. Obafunke Alade-Adeyefa | Non-executive Director |
| Mr. Bernard Nicolaas Griesel | Non-executive Director |
| Mr. Daniel Braie | Managing Director |
| Mrs. Funkazi Koroye-Crooks | Non-executive Director |
| Mr. Maxwell Ebibai | Non-executive Director |
| Mr. Abubakar Shehu Dahiru | Non-executive Director |

5. Directors interest in shares

The interests of the Directors in the issued share capital of the Company as recorded in the register of members as at 31 December 2020 and as notified by them for the purpose of fulfilling Section 301 of the Companies and Allied Matters Act (CAMA) 2020 are as follows:

| | 31 Dec 2020 | | |
|------------------------------|-------------|---------------|---------------|
| | Direct | Indirect | Total |
| Mr. Bernard Nicolaas Griesel | - | 1,327,000,000 | 1,327,000,000 |

| | 31 Dec 2019 | | |
|------------------------------|-------------|---------------|---------------|
| | Direct | Indirect | Total |
| Mr. Bernard Nicolaas Griesel | - | 1,061,809,052 | 1,061,809,052 |

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

| Name of shareholder | Institution represented | No. of Shares | |
|------------------------------|-------------------------------|---------------|---------------|
| | | 31 Dec 2020 | 31 Dec 2019 |
| Mr. Bernard Nicolaas Griesel | Stanbic IBTC Nominees Nigeria | 1,327,000,000 | 1,061,809,052 |

Report of the Directors (Cont'd)

6. Contracts

In accordance with Section 303 of the Companies and Allied Matters Act (CAMA) 2020, all contracts with related parties were conducted at arms length. Information relating to related parties transactions are contained in Note 46 to the financial statements.

7. Shareholding

The Company's issued share capital of N5 billion is made up of 10 billion ordinary shares of 50k each which are held by Nigerian individuals and institutional investors. There was an increase of N1 billion in paid-up issued share capital during the year which is made up of 2bn ordinary shares. The additional share capital is a result of a bonus share issue of one share for every four shares held by existing shareholders. The bonus shares were issued from retained earnings. According to the register of members, no shareholder other than the following held more than 5% of the issued share capital of the Company as at 31 December 2020.

| | | |
|--|---------------|--------|
| Bayelsa State Ministry of Finance Incorporated (BSMFI) | 5,343,337,743 | 53.43% |
| Stanbic IBTC Nominees Nigeria Limited | 1,327,000,000 | 13.27% |

b) Analysis of shareholding structure

i) As at 31 December, 2020

| Range | No of Holders | % of Holders | Units Held | % Units Held |
|-----------------------------|---------------|--------------|-----------------------|--------------|
| 1 - 10,000 | 11,474 | 52.14 | 45,288,336 | 0.45 |
| 10,001 - 50,000 | 7,133 | 32.42 | 153,906,779 | 1.54 |
| 50,001 - 100,000 | 1,453 | 6.60 | 101,209,655 | 1.01 |
| 100,001 - 500,000 | 1,538 | 6.99 | 291,398,342 | 2.91 |
| 500,001 - 1,000,000 | 165 | 0.75 | 112,473,369 | 1.12 |
| 1,000,001 - 5,000,000 | 174 | 0.79 | 336,021,203 | 3.36 |
| 5,000,001 - 10,000,000 | 18 | 0.08 | 127,932,449 | 1.28 |
| 10,000,001 - 50,000,000 | 37 | 0.17 | 660,380,183 | 6.60 |
| 50,000,001 - 100,000,000 | 6 | 0.03 | 437,446,428 | 4.37 |
| 100,000,001 - 500,000,000 | 5 | 0.02 | 1,063,262,263 | 10.63 |
| 500,000,001 - 5,000,000,000 | 2 | 0.01 | 6,670,680,993 | 66.71 |
| Grand Total | 22,005 | 100 | 10,000,000,000 | 100 |

ii) As at 31 December, 2019

| Range | No of Holders | % of Holders | Units Held | % Units Held |
|-----------------------------|---------------|--------------|----------------------|--------------|
| 1 - 10,000 | 14,152 | 64.23 | 62,521,192 | 0.78 |
| 10,001 - 50,000 | 5,294 | 24.03 | 136,759,172 | 1.71 |
| 50,001 - 100,000 | 1,331 | 6.04 | 108,508,560 | 1.36 |
| 100,001 - 500,000 | 940 | 4.27 | 208,916,235 | 2.61 |
| 500,001 - 1,000,000 | 144 | 0.65 | 115,617,905 | 1.45 |
| 1,000,001 - 5,000,000 | 108 | 0.49 | 231,163,526 | 2.89 |
| 5,000,001 - 10,000,000 | 21 | 0.10 | 159,120,015 | 1.99 |
| 10,000,001 - 50,000,000 | 31 | 0.14 | 553,967,529 | 6.92 |
| 50,000,001 - 100,000,000 | 6 | 0.03 | 414,211,546 | 5.18 |
| 100,000,001 - 500,000,000 | 3 | 0.01 | 672,669,520 | 8.41 |
| 500,000,001 - 5,000,000,000 | 2 | 0.01 | 5,336,544,795 | 66.71 |
| Grand Total | 22,032 | 100 | 7,999,999,995 | 100 |

8 Human Resources

i. Employment of disabled persons

As a matter of policy, the Company does not discriminate against disabled persons. Full and fair consideration is given to applications for employment received from disabled persons, with due regard to their particular aptitudes and abilities. In the event of any employee becoming disabled in the course of employment, the Company is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. As at 31 December 2020, the Company had no disabled persons in its employment.

ii. Employee's development and training

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

Report of the Directors (Cont'd)

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

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

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

9 **Property and equipment**

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

10 **Acquisition of own shares**

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

11 **Fines and penalties**

The Company did not pay any fines/penalties to regulators during the year (2019: N7.25 million).

12 **Events after reporting date**

Subsequent to the reporting period, a bonus share issue of two shares for every five shares held by existing shareholders amounting to N2 billion (of 4 billion ordinary share at 50k per share) was proposed for approval by the shareholders. The Board also approved the payment of cash dividend of N500 million (N0.05 per share) which is subject to ratification by the shareholders. The bonus share and cash dividend are issued from the Company's retained earnings.

13 **Audit committee**

| | |
|-----------------------------------|------------------------|
| Mr. Balogun Shamusideen Olalekan | Chairman/Shareholder |
| Engr. S. A. Orji | Shareholder |
| Mr. Tamunoye Alazigha | Non-Executive Director |
| Mr. Maxwell Ebibai | Non-Executive Director |
| Mrs. Obafunke Alade Adeyefa | Non-Executive Director |
| Mrs. Esther O. Osijo ¹ | Shareholder |

¹ *Joined Statutory Audit Committee on the 13th of August, 2020*

14 **Auditor**

The tenure of the Company's auditor, Messrs. KPMG Professional Services, will be five (5) years by 31 December 2020. In accordance with section 7.7.0 of the National Insurance Commission (NAICOM) Market Conduct and Business Practice Guidelines for Insurance Institutions in Nigeria, Messrs. KPMG Professional Services will not be eligible for reappointment as the Company's auditor in the next Annual General Meeting.

15 **Dividend**

Bonus issue

A bonus share issue of two shares for every five shares held by existing shareholders amounting to N2 billion (of 4 billion ordinary shares at 50k per share) has been proposed for approval by the shareholders. The bonus share is to be issued from the Company's retained earnings.

Cash dividend

The Board of Directors, pursuant to the powers vested in it by the provisions of section 426 of the Companies and Allied Matters Act (CAMA) 2020, proposed a dividend of N0.05 per share (amounting to N500 million) which is to be paid from retained earnings account as at 31 December 2020. This will be presented for ratification by the shareholders at the next Annual General Meeting.

Report of the Directors (Cont'd)

16 Donations

Donations during the year ended 31 December 2020 amounted to ₦30.24 million (2019: ₦18.55 million). The beneficiaries are as follows:

| 2020 | | |
|--|---|--------------------------|
| Description | Organization | Amount (₦) |
| Support for Government effort to contain COVID-19 pandemic by Nigeria Insurance Industry | Nigerian Insurers Association | 20,000,000 |
| Donation of branded nose masks, face shields and hand sanitizers for schools | Various schools | 3,574,375 |
| Donation towards Bayelsa Polo Club Inauguration | Bayelsa Polo Club | 2,500,000 |
| Donation of branded face masks with Linkage and FRSC logos to Federal Road Safety Corps | Federal Road Safety Corps | 1,612,500 |
| Donation towards fund raising for 300 seat lecture theatre to the Lagos State University | Lagos State University | 1,000,000 |
| Corporate Social Responsibility to support Kanu Heart Foundation | Kanu Heart Foundation | 1,000,000 |
| Donation towards 2020 NAIPCO members' training | National Association of Insurance and Pension Correspondents (NAIPCO) | 250,000 |
| Donation towards Coursebook Project to the Chartered Insurance Institute of Nigeria | Chartered Insurance Institute of Nigeria | 100,000 |
| Corporate Social Responsibility to support Down Syndrome Foundation | Down Syndrome Society of Nigeria | 100,000 |
| Donation towards 2021 Armed Forces Remembrance Day celebration | Emblem Appeal Launch | 100,000 |
| | | <u>30,236,875</u> |

By order of the Board



Company Secretary

Mr. Moses Omorogbe

FRC/2017/NBA/00000017141

9 March 2021

Corporate Governance Report

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

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

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

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

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

Corporate Governance Structure

The Board

The Board of Directors of Linkage, comprising of eleven (11) members is accountable to the shareholders and also responsible for the control, management and periodic review of the Company’s business strategy. The Board of Directors is also committed to ensuring that the Company adheres strictly to the regulations guiding the operations of the Insurance Industry and other financial services sector in Nigeria.

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

Statutory Audit Committee

The Committee is composed of 6 members as follows:

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

¹ Joined Statutory Audit Committee on the 13th of August, 2020

This Committee, which is chaired by a shareholder, has the responsibility of ensuring that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices. The Committee reviews the scope & planning of audit requirements and it is also responsible for other matters reserved for the Audit Committee by the Companies and Allied Matters Act (CAMA) 2020 and the Company’s Articles of Association.

Finance, Investment & General purpose Committee

The Committee is composed of 5 members as follows:

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

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

Corporate Governance Report

Enterprise Risk Management & Governance Committee

The Committee is composed of 6 members as follows:

| S/N | Name | Status |
|-----|------------------------------------|----------|
| 1 | Mr. Olakunle Agbebi | Chairman |
| 2 | Mrs. Funkazi Koroye-Crooks | Director |
| 3 | Mr. Maxwell Ebibai | Director |
| 4 | Mrs. Imo Oyewole | Director |
| 5 | Mr. Tamunoye Alazigha | Director |
| 6 | Mr. Shehu D. Abubakar ¹ | Director |

¹ Joined Board Enterprise Risk Management and Governance Committee on the 20th of February, 2020

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

Audit & Compliance Committee

The Committee is composed of 5 members as follows:

| S/N | Name | Status |
|-----|------------------------------|----------|
| 1 | Mr. Shehu D. Abubakar | Chairman |
| 2 | Mrs. Obafunke Alade Adeyefa | Director |
| 3 | Mr. Bernard Nicolaas Griesel | Director |
| 4 | Mrs. Imo Oyewole | Director |
| 5 | Mrs. Funkazi Koroye-Crooks | Director |

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

Executive Management Committees

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

Internal Audit Function

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

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

Shareholders' Relationship

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

Corporate Governance Report

Company Secretary

All stakeholders have access to the services of the Company Secretary. The Company Secretary is responsible for facilitating the induction and professional development of Board Members as well as ensuring information flow within the Board, its Committees and Management of the Company. Attendance at the Board and committee meetings during the year ended 31 December 2020 is as follows:

Key:

N/A Not Applicable as the individual was yet to be appointed.

X Absent at meetings

| S/N | Names of Directors | 21 Jan | 24 Apr | 12 Aug | 23 Oct |
|-----|------------------------------|--------|--------|--------|--------|
| 1 | Chief Joshua Bernard Fumudoh | 1 | 1 | 1 | 1 |
| 2 | Mr. Tamunoye Zifere Alazigha | 1 | 1 | 1 | 1 |
| 3 | Mrs. Imo Oyewole | 1 | 1 | 1 | 1 |
| 4 | Mr. Olakunle Agbebi | 1 | 1 | 1 | 1 |
| 5 | Mr Okanlawon Adelagun | 1 | 1 | 1 | 1 |
| 6 | Mrs. Obafunke Alade-Adeyefa | 1 | 1 | 1 | 1 |
| 7 | Mr. Bernard Nicolaas Griesel | 1 | 1 | 1 | 1 |
| 8 | Mr. Daniel Braie | 1 | 1 | 1 | 1 |
| 9 | Mrs. Funkazi Koroye-Crooks | 1 | 1 | 1 | 1 |
| 10 | Mr. Maxwell Ebibai | X | 1 | X | X |
| 11 | Mr. Abubakar Shehu Dahiru | 1 | 1 | 1 | 1 |

Attendance at The Finance, Investment & Strategy Committee Meetings held during the year ended 31 December 2020

| S/N | Names of Directors | 20 Feb | 23 Apr | 11 Aug | 22 Oct |
|-----|------------------------------|--------|--------|--------|--------|
| 1 | Mr. Bernard Nicolaas Griesel | 1 | 1 | 1 | 1 |
| 2 | Mrs. Obafunke Alade Adeyefa | X | 1 | 1 | 1 |
| 3 | Mr. Tamunoye Alazigha | 1 | 1 | 1 | 1 |
| 4 | Mr. Olakunle Agbebi | 1 | 1 | 1 | 1 |
| 5 | Mrs. Imo Oyewole | 1 | 1 | 1 | 1 |

Attendance at the Statutory Audit Committee Meetings held during the year ended 31 December 2020

| S/N | Members | 21 Feb | 22 Apr | 10 Aug | 21 Oct |
|-----|-----------------------------------|--------|--------|--------|--------|
| 1 | Mr. Shamusideen O. Balogun | 1 | 1 | 1 | 1 |
| 2 | Engr. S. A. Orji | 1 | 1 | 1 | 1 |
| 3 | Mr. Tamunoye Alazigha | 1 | 1 | 1 | 1 |
| 4 | Mrs. Obafunke Alade Adeyefa | 1 | 1 | 1 | 1 |
| 5 | Mr. Maxwell Ebibai | X | X | X | 1 |
| 6 | Mrs. Esther O. Osijo ¹ | X | X | X | 1 |

Attendance at the ERM & Governance Committee Meetings held during the year ended 31 December 2020

| S/N | Names of Directors | 20 Feb | 23 Apr | 11 Aug | 22 Oct |
|-----|------------------------------------|--------|--------|--------|--------|
| 1 | Mr. Olakunle Agbebi | 1 | 1 | 1 | 1 |
| 2 | Mrs. Funkazi Koroye-Crooks | 1 | 1 | 1 | 1 |
| 3 | Mr. Maxwell Ebibai | X | 1 | 1 | X |
| 4 | Mrs. Imo Oyewole | 1 | 1 | 1 | 1 |
| 5 | Mr. Tamunoye Alazigha | 1 | 1 | 1 | 1 |
| 6 | Mr. Shehu D. Abubakar ² | 1 | 1 | 1 | 1 |

Attendance at the Board Audit & Compliance Committee Meetings held during the year 31 December 2020

| S/N | Names of Directors | 20 Feb | 22 Apr | 10 Aug | 21 Oct |
|-----|------------------------------|--------|--------|--------|--------|
| 1 | Mr. Shehu D. Abubakar | 1 | 1 | 1 | 1 |
| 2 | Mrs. Obafunke Alade Adeyefa | X | 1 | 1 | 1 |
| 3 | Mr. Bernard Nicolaas Griesel | X | 1 | 1 | 1 |
| 4 | Mrs. Imo Oyewole | 1 | 1 | 1 | 1 |
| 5 | Mrs. Funkazi Koroye-Crooks | 1 | 1 | 1 | 1 |

¹ Joined Statutory Audit Committee on the 13th of August, 2020

² Joined Board Enterprise Risk Management and Governance Committee on the 20th of February, 2020

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

In compliance with the Provisions of Section 404(4) of the Companies and Allied Matters Act (CAMA) 2020, we the members of the Audit Committee of Linkage Assurance Plc received the Audited Financial Statements for the year ended 31 December 2020 together with the Management Letter from the external auditors and management responses thereto at a duly convened meeting of the committee and hereby report as follows:

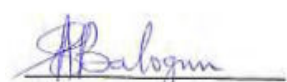
We confirm that;

- 1 We have received the scope and planning of the audit for the year ended 31 December 2020;
- 2 We reviewed the external auditor's Management Letter together with management responses; and
- 3 We ascertained that the accounting and reporting policies of the Company for the year ended 31 December 2020 are in accordance with legal requirement and agreed with ethical practices.

In our opinion, the scope and planning of the audit for the year ended 31 December 2020 were adequate and management responses to the auditor's findings were satisfactory.

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

The external auditors confirm that they received full cooperation from the management during the course of the statutory audit. The Committee therefore recommends that the audited financial statements for the year ended 31 December 2020 and the Auditors' report thereon be presented for adoption by the Company at the Annual General Meeting.



Mr. Shamusideen O. Balogun
FRC/2015/NIM/00000013086
Chairman, Audit Committee
9 March 2021

Members of the Committee

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

¹ *Joined Statutory Audit Committee on the 13th of August, 2020*

Enterprise Risk Management Declaration Statement

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

- a) the Company has systems in place for the purpose of ensuring compliance with the guideline;
- b) the Board is satisfied with the efficacy of the processes and systems surrounding the production of financial information of the Company;
- c) the Company has in place a risk management strategy, developed in accordance with the requirements of this guideline, setting out its approach to risk management; and
- d) the systems that are in place for managing and monitoring risks, and the risk management framework, are appropriate to the Company, having regard to such factors as the size, business mix and complexity of the Company's operations.



Chief Joshua B. Fumudoh
Chairman
FRC/2018/IODN/00000017911
9 March 2021



Mr. Daniel Braie
Managing Director/CEO
FRC/2018/CIIN/00000018082
9 March 2021

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2020

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Chief Joshua B. Fumudoh
Chairman
FRC/2018/IODN/00000017911
9 March 2021



Mr. Daniel Braie
Managing Director/CEO
FRC/2018/CIIN/00000018082
9 March 2021

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

We the undersigned, hereby certify the following with regards to our audited financial statements for the year ended 31 December 2020 that:

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

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

(ii) We:

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

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

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

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



Mr. Daniel Braie
Managing Director/CEO
FRC/2018/CIIN/00000018082
9 March 2021



Emmanuel Otitolaiye
Chief Financial Officer
FRC/2014/ICAN/00000008524
9 March 2021



KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Linkage Assurance Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Linkage Assurance Plc (the Company), which comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars'.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Actuarial valuation of insurance contract liabilities (2020: N5.73 bn; 2019: N4.65 bn)

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

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

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Registered in Nigeria No BN 986925

Partners:

| | | | |
|------------------------|------------------------|---------------------|-------------------------|
| Adelebi O. Lamikanra | Adagoke A. Oyelami | Adekunle A. Elebute | Adetola P. Adeyemi |
| Adewale K. Ajayi | Ajibola O. Olomola | Ayobami L. Salami | Ayodola A. Soyinka |
| Ayodele H. Othiwiwa | Chibuzor N. Anyanachi | Chineme B. Nwigbo | Ehilo A. Alababes |
| Elijah O. Oladunmoya | Goodluck C. Obi | Ibitomi M. Adepoju | Ijeoma T. Enezie-Ezigbo |
| Joseph O. Tegbe | Kabir O. Okunola | Lawrence C. Amadi | Mohammed M. Adams |
| Nneka C. Eluma | Ogunbayo I. Ogungbenro | Olabinpe S. Afolabi | Oladimeji I. Salaudeen |
| Olanike I. James | Olumide O. Olayinka | Olusegun A. Sowande | Olutayo I. Ogunlowo |
| Oluwalafemi O. Awotoye | Oluwatoyin A. Gbagi | Temitope A. Onitiri | Talulope A. Odokata |
| Victor U. Onyenkpa | | | |

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

How the matter was addressed in our audit

Our audit procedures included the following;

- We evaluated the design, implementation and operating effectiveness of key controls implemented by the Company over data collection, analysis and assumptions-setting process.
- We agreed the underlying data used in actuarial valuation of insurance contract liabilities on a sample basis to source documentation.
- We engaged our actuarial specialists to assess the appropriateness of the methodology used by the Company's actuary for determining the insurance contract liabilities.
- With assistance of our actuarial specialists, we evaluated the reasonableness of the actuarial assumptions used by the Company's external actuary including assumptions on the projected cash flows, basic chain ladder runoff period, inflation rate and discount rate.

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

Valuation of unquoted equity instrument measured at fair value through other comprehensive income (2020: N14.90 bn, 2019: N13.48 bn)

The Company has a significant investment in an unquoted equity instrument which was classified as available for sale and measured at fair value with fair value changes recognized in other comprehensive income. The determination of the fair value of the investment involves the exercise of significant judgment and assumptions and is determined based on the Discounted Cash-Flows (DCF) method. Inputs to the DCF valuation model include the forecast cash flows of the investee over a long-term period, key assumptions such as the discount rate, and macroeconomic assumptions such as inflation and tax rates. Changes to the key assumptions such as change in forecasted cash flow and other assumptions may result in a materially different valuation result.

The significance of the judgments and assumptions made in determining the fair value of the unquoted equity instrument and the extent of work required to address this matter resulted in this being a matter of significance to our audit.

How the matter was addressed in our audit

Our procedures included the following:

- We engaged our valuation specialists to evaluate the appropriateness of the valuation methodology and reasonableness of assumptions used by the Company in determining the fair value of the unquoted equity instrument. This included obtaining an understanding of the projected operating results and free cash flows and an assessment of assumptions such as discount rate, terminal value, inflation rate and long-term growth rate. They also challenged the forecast cash flows and growth rates in the context of the historical performance of the underlying investee as well as our knowledge of the market and wider economic environment.
- We assessed the adequacy of the Company's disclosures including the use of estimates and judgments in arriving at the fair value of the unquoted equity instrument and sensitivity of the fair value measurement to changes in significant unobservable inputs in accordance with the requirements of the relevant accounting standard.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information. The other information comprises the Directors' report, Statement of Directors' responsibilities, Enterprise Risk Management declaration statement, corporate governance report, Report of the Audit Committee, Sustainability report, Certificate Pursuant to Section 60(2) of the Investment and Securities Act No.29 of 2007, Financial highlights and Other National Disclosures,



which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon. Other information also include Company information, Chairman's statement, Brand Platform, service offerings, Notice of Annual General Meeting, Board valuation report, Management team, E-dividend mandate form, Proxy form, Corporate directory, together the "Outstanding reports", which are expected to be made available to us after that date.

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

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

When we read the Outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars', and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

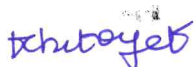
Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020 and Section 28(2) of the Insurance Act, 2003.

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received.
- iii. The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns;

Penalties

The Company did not pay any penalties in respect of contraventions during the year ended 31 December 2020.

Signed:



Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
12 March 2021
Lagos, Nigeria



Statement of financial position
As at 31 December 2020

In thousands of Naira

| | Note | 31 Dec 2020 | 31 Dec 2019 |
|-------------------------------------|-------------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | 7 | 3,592,711 | 1,609,222 |
| Financial investments | 8 | | |
| - Fair value through profit or loss | | 8,655,489 | 4,449,949 |
| - Available for sale | | 14,902,515 | 13,483,256 |
| - Held to maturity | | 1,509,466 | 5,188,148 |
| - Loans and receivables | | 76,671 | 276,820 |
| Trade receivables | 9 | 63,974 | 65,898 |
| Other receivables and prepayments | 12 | 501,131 | 408,303 |
| Reinsurance assets | 10 | 2,445,920 | 1,121,787 |
| Deferred acquisition cost | 11 | 328,812 | 262,550 |
| Investment properties | 13 | 150,000 | 150,000 |
| Property and equipment | 15 | 1,349,516 | 1,381,180 |
| Intangible assets | 14 | 1,199 | 7,319 |
| Statutory deposit | 16 | 300,000 | 300,000 |
| Total assets | | 33,877,404 | 28,704,432 |
| Liabilities | | | |
| Trade payables | 19 | 704,169 | 363,724 |
| Other payables | 20 | 819,984 | 460,618 |
| Provision for litigation | 20.2b | 103,000 | - |
| Current tax liabilities | 23 | 82,565 | 75,390 |
| Insurance contract liabilities | 17 | 5,728,661 | 4,652,881 |
| Lease liabilities | 21 | 219 | 61,923 |
| Defined benefit obligations | 22 | 62,981 | 49,846 |
| Total liabilities | | 7,501,579 | 5,664,382 |
| Equity | | | |
| Share capital | 25 | 5,000,000 | 3,999,999 |
| Share premium | 26 | 729,044 | 729,044 |
| Contingency reserve | 27 | 2,547,773 | 2,068,770 |
| Retained earnings | 28 | 3,308,185 | 2,392,175 |
| Assets revaluation reserve | 29 | 828,773 | 752,083 |
| Re-measurement reserve | 30.2 | 13,244 | 18,431 |
| Fair value reserve | 30.1 | 13,948,807 | 13,079,548 |
| Total equity | | 26,375,825 | 23,040,050 |
| Total liabilities and equity | | 33,877,404 | 28,704,432 |

The financial statements were approved on 9 March 2021 and signed on behalf of the Board of Directors by:



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



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



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

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

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

In thousands of Naira

| | Note | 31 Dec 2020 | 31 Dec 2019 |
|---|-------------|--------------------|--------------------|
| Gross premium written | 31 | 8,331,841 | 6,518,964 |
| Unearned premium | 32 | (378,851) | (192,344) |
| Gross premium income | 32 | 7,952,990 | 6,326,620 |
| Reinsurance expenses | 33 | (3,502,588) | (2,613,240) |
| Net premium income | | 4,450,402 | 3,713,380 |
| Fees and commission income | 34 | 625,656 | 555,634 |
| Net underwriting income | | 5,076,058 | 4,269,014 |
| Net claims expenses | 35 | (1,367,934) | (1,647,903) |
| Underwriting expenses | 36 | (2,882,535) | (2,211,871) |
| Underwriting profit | | 825,589 | 409,240 |
| Investment income | 37 | 2,011,815 | 2,237,582 |
| Impairment loss on financial assets | 38 | (84,895) | (99,286) |
| Net fair value gains on financial assets at fair value through profit or loss | 39 | 1,819,593 | 516,768 |
| Other operating income | 40 | 64,039 | 26,384 |
| Fair value changes on investment property | 37 | - | 6,000 |
| Fair value changes on property and equipment | 41 | (10,240) | - |
| Management expenses | 42 | (2,089,832) | (1,757,962) |
| Profit before minimum taxation | | 2,536,069 | 1,338,726 |
| Minimum tax expense | 23.1 | (19,882) | (31,633) |
| Tax (expense)/credit | 23.1 | (121,175) | 145,061 |
| Profit/(loss) after taxation | | 2,395,012 | 1,452,154 |
| Other comprehensive income/(loss) net of tax | | | |
| Items that will be reclassified subsequently to profit or loss: | | | |
| Revaluation gain/(loss) on property and equipment | 29 | 76,690 | - |
| Net fair value gain/(loss) on available-for-sale financial assets | 43 | 869,259 | 3,672,739 |
| | | 945,949 | 3,672,739 |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurement of defined benefit obligation | | (5,187) | (5,330) |
| Total other comprehensive income/(loss), net of taxes | | 940,762 | 3,667,409 |
| Total comprehensive income/(loss) for the year | | 3,335,774 | 5,119,563 |
| Basic and diluted earnings per share (kobo) | 44 | 24.0 | 14.5 |

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

Statement of changes in equity for the period ended 31 December 2020

| <i>In thousands of naira</i> | Share capital | Share premium | Contingency Reserve | Asset revaluation reserve | Re-measurement reserve | Fair value reserve | Retained earnings | Total |
|--|------------------|----------------|---------------------|---------------------------|------------------------|--------------------|-------------------|-------------------|
| At 1 January 2020 | 3,999,999 | 729,044 | 2,068,770 | 752,083 | 18,431 | 13,079,548 | 2,392,175 | 23,040,050 |
| Bonus share issue from retained earnings | - | - | - | - | - | - | - | - |
| Recognition of share fractions | - | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | - | - | 2,395,012 | 2,395,012 |
| Other comprehensive income: | | | | | | | | |
| Revaluation gain/(loss) on property and equipment | - | - | - | 76,690 | - | - | - | 76,690 |
| Remeasurement of defined benefit obligation | - | - | - | - | (5,187) | - | - | (5,187) |
| Net fair value changes on AFS financial assets | - | - | - | - | - | 869,259 | - | 869,259 |
| Total comprehensive income | - | - | - | 76,690 | (5,187) | 869,259 | 2,395,012 | 3,335,774 |
| Transaction with equity holders and recognized directly in equity | | | | | | | | |
| Bonus share issue from retained earnings | 1,000,000 | - | - | - | - | - | (1,000,000) | - |
| Recognition of share fractions | 1 | - | - | - | - | - | - | 1 |
| Transfer to contingency reserve | - | - | 479,002 | - | - | - | (479,002) | - |
| At 31 December 2020 | 5,000,000 | 729,044 | 2,547,773 | 828,773 | 13,244 | 13,948,807 | 3,308,184 | 26,375,825 |

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

| <i>In thousands of naira</i> | Share capital | Share premium | Contingency Reserve | Asset revaluation reserve | Re-measurement reserve | Fair value reserve | Retained earnings | Total |
|--|------------------|----------------|---------------------|---------------------------|------------------------|--------------------|-------------------|-------------------|
| At 1 January 2019 | 3,999,999 | 729,044 | 1,778,339 | 752,083 | 23,761 | 9,406,809 | 1,230,452 | 17,920,488 |
| Profit for the year | - | - | - | - | - | - | 1,452,154 | 1,452,154 |
| Other comprehensive income/(loss): | | | | | | | | |
| Remeasurement of defined benefit obligation | - | - | - | - | (5,330) | - | - | (5,330) |
| Net fair value changes on AFS financial assets | - | - | - | - | - | 3,672,739 | - | 3,672,739 |
| Total comprehensive (loss)/income | - | - | - | - | (5,330) | 3,672,739 | 1,452,154 | 5,119,563 |
| Transfer to contingency reserve | - | - | 290,431 | - | - | - | (290,431) | - |
| At 31 December 2019 | 3,999,999 | 729,044 | 2,068,770 | 752,083 | 18,431 | 13,079,548 | 2,392,175 | 23,040,050 |

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

Statement of cash flows
For the year ended 31 December 2020

| | Note | 2020 ₦'000 | 2019 ₦'000 |
|---|----------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Premiums received from policy holders | 45(b) | 8,330,897 | 6,445,650 |
| Premiums received in advance | 19.1 | 2,936 | 2,868 |
| Deposits without details | 20.2 | 217,086 | 182,228 |
| Reinsurance payments | 45(d) | (3,488,437) | (2,647,840) |
| Claims paid | 35 | (2,404,455) | (2,436,577) |
| Reinsurance claim recoveries | 45(c) | 908,259 | 589,257 |
| Salvage recovery | 45(c) | 22,678 | 50,384 |
| Commission paid | 45(e) | (1,642,971) | (1,305,933) |
| Maintenance expenses paid | 42 | (1,273,913) | (882,902) |
| Commission received | 45(f) | 692,517 | 589,608 |
| Cash payment to and on behalf of employees | 45(l) | (890,683) | (709,906) |
| Other operating cash payments | 44(a) | (940,980) | (1,095,422) |
| Corporate tax paid | 23 | (133,882) | (173,542) |
| Net cash used in operating activities | | <u>(600,948)</u> | <u>(1,392,127)</u> |
| Cash flows from Investing activities | | | |
| Purchase of properties and equipment | 45(i) | (57,777) | (149,659) |
| Purchase of intangible assets | 14 | - | (168) |
| Proceeds from sale of property and equipment | 45(j) | 1,153 | 5,691 |
| Purchase of investment securities | 45(h) | (6,855,700) | (9,238,723) |
| Proceeds from sale of investment securities | 45(h) | 2,293,652 | 3,118,391 |
| Proceeds from redemption of financial assets held to maturity | 8 | 5,251,890 | 5,630,280 |
| Loan repayments | 45(h) | 244,106 | 249,718 |
| Dividend received | 37 | 906,959 | 785,629 |
| Rental income received | 40 | 4,500 | 11,000 |
| Interest received | 45(g) | 858,981 | 1,451,953 |
| Net cash from investing activities | | <u>2,647,764</u> | <u>1,864,112</u> |
| Financing activities | | | |
| Payment of lease liabilities | 45(k) | (61,704) | (66,114) |
| | | <u>(61,704)</u> | <u>(66,114)</u> |
| Net increase in cash and cash equivalents | | 1,985,112 | 405,871 |
| Cash and cash equivalents at the beginning of the period | | 1,609,222 | 1,205,124 |
| Impact of exchange difference on cash held | 40 | (1,624) | (1,774) |
| Cash and cash equivalents at 31 December 2020 | 7 | <u><u>3,592,711</u></u> | <u><u>1,609,222</u></u> |

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

Notes to the financial statements

1 Corporate Information

1.1 Reporting entity

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

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

1.2. Principal activities

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

2 Basis of Preparation

2.1 Statement of compliance

The financial statements of Linkage Assurance Plc. have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission (NAICOM) circulars.

The financial statements were authorized for issue by the Company's board of directors on 9 March 2021. Details of the Company's accounting policies are included in Note 4.

2.2 Going concern

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

2.3 Basis of measurement

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

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

2.4 Use of judgments and estimates

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

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

(a) Judgments

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

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

(b) Assumptions and estimation uncertainties

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

- (i) Note 13 - determining the fair value of investment properties on the basis of significant unobservable inputs.
- (ii) Note 15: determining the useful life of property and equipment.
- (iii) Note 6.2 and 17- valuation of insurance contract liabilities: key actuarial assumptions.
- (iv) Note 22 - measurement of defined benefits obligations; key actuarial assumptions.
- (v) Note 50.1 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of outflow of resources.
- (vi) Note 8.1 - determining the fair value of unquoted equity instruments on the basis of significant unobservable inputs.
- (vii) Note 4.17 - recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized.

Notes to the financial statements

2.5 Functional and presentation Currency

The financial statements are presented in Nigerian Naira (₦) and amounts presented / disclosed are rounded to the nearest thousands unless otherwise stated. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The Company is incorporated in Nigeria and has adopted Naira as its functional currency.

3 Changes in accounting policies

The Company has consistently applied the accounting policies set out in Note 4.1 to 4.28 to all periods presented in these financial statements. A number of other new standards are effective from 1 January 2020 but do not have a material effect on the Company's financial statements.

4 Significant accounting policies

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

4.1 Cash and cash equivalents

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

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

4.2 Financial instruments

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

4.2.1 Classification of financial assets

The Company classifies its financial assets into the following categories:

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

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

Financial assets at fair value through profit or loss

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

Held to maturity

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

Loans and receivables

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

Available-for-sale financial assets (AFS)

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

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

Notes to the financial statements

4.2.2 Non-derivative financial liabilities –Measurement

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

4.2.3 Impairment of non derivative financial assets

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

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

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

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

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

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

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

4.2.4 De-recognition of financial assets

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

4.2.5 Financial liabilities

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

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

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

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

De-recognition

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

Notes to the financial statements

4.2.6 Offsetting financial instruments

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

4.3 Fair value measurement

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

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

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

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

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

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

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

4.4 Financial guarantee contracts

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

Financial guarantee liabilities are initially recognized at fair value, which is the premium received and then amortized over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of (i) the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IFRS 15. Financial guarantees are included within other

4.5 Trade receivables

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

Trade receivables are classified as loans and receivables.

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

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

4.6 Reinsurance

The Company cedes business to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks. Premium ceded comprise gross written premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. In the course of ceding out business to reinsurers, the Company incurs expenses. This is recognized as reinsurance expense in the statement of profit or loss.

4.7 Deferred acquisition costs and revenue

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

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

Notes to the financial statements

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

Deferred Acquisition Revenue

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

4.8 Investment property

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

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

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

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

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

4.9 Intangible assets

The intangible assets include computer software acquired for use in the Company's operation.

Software acquired by the Company is stated at cost less accumulated amortization and accumulated impairment losses (where this exists). Acquired intangible assets are recognized at cost on acquisition date. Subsequent to initial recognition, these assets are carried at cost less accumulated amortization and impairment losses in value, where appropriate.

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

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

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

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

4.10 Property and equipment

Recognition and measurement

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

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

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

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

Notes to the financial statements

Subsequent costs

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

Depreciation

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

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

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

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

Land is not depreciated.

De-recognition

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

4.11 Impairment of non-financial assets

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

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

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

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

4.12 Statutory deposit

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

4.13 Insurance contract liabilities

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

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

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

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

Notes to the financial statements

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

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

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

4.14 Leases

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

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

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

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

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

Notes to the financial statements

Short-term leases and leases of low-value assets

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

As a Lessor

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

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

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

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

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

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

4.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

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

4.16 Employee benefits

(i) Short-term benefits

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

(ii) Post-employment benefits

Defined contribution plans

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

Notes to the financial statements

Defined benefit plan

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

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

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

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

(iii) Termination benefits

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

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

4.17 Taxation

Company Income Tax

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

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

Current tax

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

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

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

Notes to the financial statements

Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss. The Company is subject to the Finance Act (amendments made to Companies Income Tax Act (CITA)). Total amount of tax payable under the new Finance Act shall not be less than 0.5% of the Company's gross premium.

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

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

Deferred tax

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

- * temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- * taxable temporary differences arising on the initial recognition of goodwill; and
- * temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

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

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

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

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

4.18 Other receivables and prepayments

Other receivables include cash advance, sundry receivables, withholding tax recoverable, etc. Other receivables are carried at amortized cost using the effective interest rate less accumulated impairment losses.

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

Notes to the financial statements

4.19 Share capital and reserves

a. Share capital

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

Share premium

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

b. Dividend

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

c. Contingency reserves

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

d. Asset revaluation reserve

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

e. Fair value reserve

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

f. Re-measurement reserve

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

4.20 Contingent liabilities and assets

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

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

4.21 Foreign currency translation

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

Transactions and balances

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

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

Notes to the financial statements

4.22 Insurance contracts

(a) Classification

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

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

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

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

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

(b) Recognition and measurement of insurance contracts

Premium income is recognized on assumption of risks.

(i) Premiums

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

(ii) Unearned premium provision

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

(iii) Gross premium earned

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

(iv) Claims payable

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

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

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

(v) Commissions and deferred acquisition costs

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

(vi) Liability adequacy test

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

Notes to the financial statements

(vii) *Salvage and Subrogation Reimbursement*

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

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

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

4.23 Revenue

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

Revenue recognition

Insurance premium revenue

The revenue recognition policy relating to insurance contracts is set out under 4.22.(b)(i)

Commission earned

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

Investment income

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

Other operating income

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

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

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

4.24 Net claims expenses

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

(a) Claims

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

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

(b) Reinsurance claims

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

4.25 Underwriting expenses

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

Notes to the financial statements

4.26 Operating expense

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

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

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

4.27 Operating segments

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

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

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

4.28 Earnings per share

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

4.29 New standards, interpretations and amendments to existing standards

(a) Effective standards not yet adopted by the Company

There are new or revised Accounting Standards and Interpretations in issue that are effective but not yet adopted by the Company. This include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

(i) IFRS 9 Financial Instruments

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

IFRS 9 is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

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

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

Classification and measurement

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

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

Notes to the financial statements

The table below provides the expected changes in classification on adoption of IFRS 9:

| Financial Assets 31 December 2020 | IAS 39 Classification | IFRS 9 Classification | Carrying Amount 31 December 2020 |
|--|--------------------------|--------------------------|-------------------------------------|
| Cash and cash equivalents | Loans and receivables | Amortized cost | 3,592,711 |
| Financial assets at fair value through profit or loss | FVTPL | FVTPL | 8,655,489 |
| Available-for-sale financial assets: | | | |
| Quoted equities | AFS | FVOCI | - |
| Unquoted equities | AFS | FVOCI | 14,243,000 |
| Unquoted equities- at cost | AFS | FVOCI | 64,029 |
| Loans and receivables | Loans and receivables | Amortized cost | 76,671 |
| Held-to-Maturity investments | Loans and receivables | Amortized cost | 1,509,466 |
| Trade receivables | Loans and receivables | Amortized cost | 63,974 |
| Other receivables (less prepayments and other assets) | Loans and receivables | Amortized cost | 172,611 |
| Reinsurance assets (less prepaid reinsurance, outstanding claims and IBNR) | Loans and receivables | Amortized cost | 1,239,009 |

| Financial Assets 31 December 2019 | IAS 39 Classification | IFRS 9 Classification | Carrying Amount 31 December 2019 |
|--|--------------------------|--------------------------|-------------------------------------|
| Cash and cash equivalents | Loans and receivables | Amortized cost | 1,609,222 |
| Financial assets at fair value through profit or loss | FVTPL | FVTPL | 4,449,949 |
| Available-for-sale financial assets: | | | |
| Quoted equities | AFS | FVOCI | 30,227 |
| Unquoted equities | AFS | FVOCI | 13,389,000 |
| Unquoted equities- at cost | AFS | FVOCI | 64,029 |
| Loans and receivables | Loans and receivables | Amortized cost | 276,820 |
| Held-to-Maturity investments | Loans and receivables | Amortized cost | 5,188,148 |
| Trade receivables | Loans and receivables | Amortized cost | 65,898 |
| Other receivables (less prepayments and other assets) | Loans and receivables | Amortized cost | 96,757 |
| Reinsurance assets (less prepaid reinsurance, outstanding claims and IBNR) | Loans and receivables | Amortized cost | 429,637 |

Impairment

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

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

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

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

Notes to the financial statements

In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the IASB issued amendments to IFRS 4 Insurance Contracts.

The amendments reduce the impacts, but companies need to carefully consider their IFRS 9 implementation approach to decide if and how to use them. The two optional solutions raise some considerations which require detailed analysis and management judgement.

The optional solutions are:

1. Temporary exemption from IFRS 9 – Some Companies will be permitted to continue to apply IAS 39 Financial Instruments: Recognition and Measurement. To qualify for this exemption the company's activities need to be predominantly connected with insurance. A company's activities are predominantly connected with insurance if, and only if:

(a) the amount of its insurance liabilities is significant compared with its total amount of liabilities; and

(b) the percentage of its liabilities connected with insurance relative to its total amount of liabilities is:

(i) greater than 90 percent; or

(ii) less than or equal to 90 percent but greater than 80 percent, and the Company does not engage in a significant activity unconnected with insurance.

Liabilities connected with insurance include investment contracts measured at FVTPL, and liabilities that arise because the insurer issues, or fulfils obligations arising from, these contracts (such as deferred tax liabilities arising on its insurance contracts).

2. Overlay approach – This solution provides an overlay approach to alleviate temporary accounting mismatches and volatility. For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognized in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

With respect to IFRS 9 above, the Company is eligible to apply IFRS 9 deferral approach since IFRS 9 has not been previously applied by the Company and the activities of the Company are predominantly connected with insurance.

To determine if the Company's activities are predominantly connected with insurance, the Company has assessed the ratio of the Company's liabilities connected with insurance - including investment contracts liabilities - compared with its total liabilities as at 31 December 2015. See the assessment below:

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

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

a) Its activities are predominantly connected with insurance contracts;

b) As at 31 December 2015, which is the reporting date that immediately precedes 1 April 2016, the carrying amount of its liabilities arising from insurance contracts was ₦2.65 billion which was 83.37% of the total carrying amount of all its liabilities as at that date.

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

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

Notes to the financial statements

Fair value disclosures

i) Financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI)

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

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

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

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

- a) Financial assets measured through profit and loss
- b) Equity securities and Investment funds

The expected fair value changes from the adoption of IFRS 9 are disclosed below:

| As at 31 December 2020 | Financial assets that meet the SPPI criterion | | All other financial assets | |
|-------------------------------|---|---|----------------------------|---|
| Category | Fair value | Fair value change during the reporting period | Fair value | Fair value change during the reporting period |
| <i>In thousands of Naira</i> | | | | |
| Cash and cash equivalents | 3,592,711 | - | - | - |
| Debt securities | | | | |
| Held-to-maturity | 1,509,466 | - | - | - |
| Loans and receivables | 76,671 | - | - | - |
| Trade and other receivables | 236,585 | - | - | - |
| Statutory deposits | 300,000 | - | - | - |
| Subtotal | 5,715,433 | - | - | - |
| Equity securities - FVOCI | - | - | 14,902,515 | 869,259 |
| Financial instruments - FVTPL | - | - | 8,655,489 | 1,819,593 |
| Total | 5,715,433 | - | 23,558,004 | 2,688,852 |

* The fair values of these financial assets approximate their cost.

(b) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

(i) Insurance contracts (IFRS 17) - Effective for financial year commencing 1 January 2023

IFRS 17 replaced IFRS 4 *Insurance Contracts*

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

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

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

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

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted.

Notes to the financial statements

(ii) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities.

Changes in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

Disclosure

The amendments will require the Company to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

The standard is effective for annual periods beginning on or after 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

4.30 Disclosures on COVID-19

(i) Background

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

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

(ii) Assessment of impact

a Impact of COVID-19 on Impairment of Financial Assets

In assessing the impact of COVID-19 on the financial assets of the Company, cognisance was taken on the fact that the Company is yet to adopt IFRS 9 which it has deferred to 1 January 2023 along with IFRS 17.

Therefore, based on IAS 39, the Company does not see a significant impairment impact on its financial assets as a result of COVID-19. The Company's financial assets are predominantly fixed income and sovereign (treasury bills and FGN bonds) in nature and are subsequently classified as stage 1. The stage allocation remains unchanged as there is no significant increase in credit risk. The impact of forward-looking information has also been considered in assessing the impact of COVID-19 on impairment of financial assets. These include GDP growth, exchange rate, country rating, bank rating, inflation, and oil price. Whilst COVID-19 has negatively impacted all of the forward-looking information, other variables in the computation ensured that the impact remains minimal.

b Impact of COVID-19 on Revenue and Cost

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

c Going Concern Assessment

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

d Outlook

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

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

Notes to the financial statements

5. Segment reporting

Operating segments

IFRS 8 Segment Reporting requires operating segments to be identified on the basis of internal reports of reportable segments that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. The Company's reportable segments under IFRS 8 are therefore identified as follows:

- Motor
- Fire
- General accident
- Marine & aviation
- Oil & gas
- Engineering & bond

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

| | | | General | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|----------------|--------------------|------------------|--------------------|
| Income: | Motor | Fire | Accident | Marine | Aviation | Bond | Oil & Gas | Engineering | Total |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Gross premium written | 1,603,328 | 1,285,338 | 867,508 | 682,393 | 523,866 | 5,553 | 2,850,767 | 513,088 | 8,331,841 |
| Net change in unearned premium | (130,026) | (75,530) | (14,041) | (104,899) | 14,702 | 1,891 | 20,689 | (91,637) | (378,851) |
| | 1,473,302 | 1,209,808 | 853,467 | 577,494 | 538,568 | 7,444 | 2,871,456 | 421,451 | 7,952,990 |
| Re-insurance cost | (4,619) | (788,132) | (478,968) | (279,283) | (361,581) | (3,315) | (1,358,762) | (227,927) | (3,502,588) |
| Net premium income | 1,468,683 | 421,676 | 374,498 | 298,210 | 176,987 | 4,129 | 1,512,694 | 193,523 | 4,450,402 |
| Commission received | 839 | 249,020 | 141,310 | 85,050 | 1,974 | 967 | 48,646 | 97,850 | 625,656 |
| Net underwriting Income | 1,469,523 | 670,696 | 515,808 | 383,261 | 178,961 | 5,096 | 1,561,340 | 291,373 | 5,076,058 |
| Expenses: | | | | | | | | | |
| Net claims incurred | (470,092) | (318,387) | (164,589) | (58,815) | (93,519) | (577) | (160,406) | (101,548) | (1,367,934) |
| Acquisition cost | (209,203) | (242,028) | (201,507) | (157,133) | (87,376) | (1,383) | (639,030) | (70,963) | (1,608,622) |
| Maintenance expenses (Note 41) | (245,144) | (196,524) | (132,639) | (104,336) | (80,098) | (849) | (435,874) | (78,450) | (1,273,913) |
| | (924,439) | (756,940) | (498,736) | (320,282) | (260,991) | (2,808) | (1,235,309) | (250,962) | (4,250,469) |
| Segment underwriting profit/(loss) | 545,083 | (86,244) | 17,072 | 62,978 | (82,029) | 2,288 | 326,030 | 40,411 | 825,589 |

The accounting policies of the reportable segments are the same as the Company's accounting policies.

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

There are no geographic information as all revenues related to the reportable segments are earned in Nigeria.

Notes to the financial statements

31 December 2019

| | Motor | Fire | General Accident | Marine | Aviation | Bond | Oil & Gas | Engineering | Total |
|------------------------------------|------------------|------------------|---------------------|------------------|------------------|-----------------|--------------------|-----------------|--------------------|
| Income: | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Gross premium written | 1,136,061 | 915,982 | 735,474 | 470,513 | 436,116 | 17,098 | 2,545,108 | 262,612 | 6,518,964 |
| Net change in unearned premium | 50,319 | (62,198) | 3,227 | 1,388 | (92,584) | 3,875 | (69,280) | (27,091) | (192,344) |
| | 1,186,380 | 853,784 | 738,701 | 471,901 | 343,532 | 20,973 | 2,475,828 | 235,521 | 6,326,620 |
| Re-insurance cost | (21,566) | (500,571) | (343,204) | (171,613) | (288,356) | (7,547) | (1,105,578) | (174,805) | (2,613,240) |
| Net premium income | 1,164,814 | 353,213 | 395,497 | 300,288 | 55,176 | 13,426 | 1,370,250 | 60,716 | 3,713,380 |
| Commission Received | 1,582 | 156,388 | 114,989 | 54,853 | 205 | 2,029 | 173,234 | 52,354 | 555,634 |
| Net underwriting Income | 1,166,396 | 509,601 | 510,486 | 355,141 | 55,381 | 15,455 | 1,543,484 | 113,070 | 4,269,014 |
| Expenses: | | | | | | | | | |
| Net claims incurred | (371,052) | (238,081) | (277,141) | (33,158) | (6,079) | (65,566) | (717,976) | 61,150 | (1,647,903) |
| Acquisition cost | (203,477) | (182,473) | (166,142) | (137,093) | (49,515) | (2,933) | (531,581) | (55,756) | (1,328,969) |
| Maintenance expenses (Note 41) | (153,863) | (124,057) | (99,610) | (63,279) | (59,511) | (2,301) | (344,699) | (35,583) | (882,902) |
| | (728,392) | (544,611) | (542,892) | (233,531) | (115,105) | (70,800) | (1,594,256) | (30,189) | (3,859,774) |
| Segment underwriting profit/(loss) | 438,004 | (35,010) | (32,406) | 121,610 | (59,724) | (55,345) | (50,772) | 82,881 | 409,240 |

Notes to the financial statements

6 Capital and Risk Management

6.1 Capital Management – Objectives, Policies and Approaches.

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

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

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

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

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

The Company has had no significant changes in its policies during the year ended 31 December 2020. However, there was a change in the Company's capital structure during the year ended 31 December 2020. The Company increased its share capital by N1 billion.

| Analysis of shareholders funds | | |
|--|-------------------|-------------------|
| <i>In thousand of Naira</i> | | |
| Total assets | 31 Dec 2020 | 31 Dec 2019 |
| | 33,877,404 | 28,704,432 |
| Less: Total liabilities | 7,501,579 | 5,664,382 |
| Shareholders funds as at year end | 26,375,825 | 23,040,050 |
| Adjustment for non-capital items | 330,011 | 269,869 |
| Available capital resources | 26,045,814 | 22,770,181 |
| Changes in available capital | 14% | 29% |

The Company's available capital is based on the shareholders' equity/fund as adjusted to reflect the full economic capital base available to absorb any unexpected volatility in results of operations. Thus, available capital resources, after adjusting for non-capital assets, is N26,045,814,000 (2019: N22,770,182,000) amounting to an increase over the comparative period.

The Minimum Capital Requirement

The statutory minimum capital requirement for Non-life business is N3 billion.

| <i>In thousands of naira</i> | 31 Dec 2020 | 31 Dec 2019 |
|------------------------------|-------------|-------------|
| Total shareholders' funds | 26,375,825 | 23,040,050 |
| Regulatory required capital | 3,000,000 | 3,000,000 |
| Excess over minimum capital | 23,375,825 | 20,040,051 |
| Capitalization rate | 879% | 768% |

NAICOM released a circular dated 3 June 2020 (NAICOM/DPR/CIR/25-04/2020) to all insurance and reinsurance companies in Nigeria. The circular indicated the difficulty to proceed with the 31 December 2020 recapitalization deadline due to the incidences of COVID-19 pandemic. The Commission extended and segmented the recapitalization process into two phases; general insurance business are required to meet 50% of the minimum capital requirement of N10bn by 31 December 2020 and have full compliance of the remaining balance by 30 September 2021. However, as at year end, The National House of Assembly suspended the directive of NAICOM as a relief due to the ongoing COVID-19 pandemic.

Notes to the financial statements

The solvency margin requirement

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

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

The Company's solvency margin is as follows:

| <i>In thousands of naira</i> | 31 Dec 2020 | 31 Dec 2019 |
|--|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | 3,592,711 | 1,609,222 |
| Financial investments | 10,837,112 | 9,945,144 |
| Trade receivables | 63,974 | 65,898 |
| Other receivables and prepayment | 73,549 | 97,977 |
| Reinsurance assets | 2,235,746 | 1,121,787 |
| Deferred acquisition cost | 328,812 | 262,550 |
| Property and equipment | 1,349,516 | 1,381,180 |
| Statutory deposit | 300,000 | 300,000 |
| Total admissible assets | 18,781,420 | 14,783,758 |
| Liabilities | | |
| Insurance contract liabilities | 5,728,661 | 4,652,881 |
| Trade payables | 701,233 | 363,724 |
| Other payables | 819,984 | 460,618 |
| Provision for litigation | 103,000 | - |
| Defined benefit obligations | 62,981 | 49,846 |
| Lease liabilities | 219 | 61,923 |
| Current tax liabilities | 82,565 | 75,390 |
| Total admissible liabilities | 7,498,643 | 5,664,382 |
| Excess of total admissible assets over admissible liabilities (solvency margin) | 11,282,777 | 9,119,376 |
| Higher of (a) and (b): | | |
| Gross premium income | 7,952,990 | 6,326,620 |
| Less: Reinsurance expense | (3,502,588) | (2,613,240) |
| Net premium | 4,450,402 | 3,713,380 |
| (a) 15% of net premium | 667,560 | 557,007 |
| (b) Minimum paid up capital | 3,000,000 | 3,000,000 |
| The higher thereof: | 3,000,000 | 3,000,000 |
| Excess of solvency margin over minimum capital base | 8,282,777 | 6,119,376 |
| Solvency margin ratio | 376% | 304% |

6.2 Insurance risk

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

(a) Types of insurance risk contracts

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

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

Notes to the financial statements

(b) Management of insurance risk

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

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

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

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

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

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

(c) Insurance risk concentration per policy type

| Line of business <i>In thousands of naira</i> | 31 December 2020 | | | 31 December 2019 | | |
|--|------------------|-------------|-----------|------------------|-------------|-----------|
| | Gross premium | Reinsurance | Net | Gross premium | Reinsurance | Net |
| Motor | 1,603,328 | (4,619) | 1,598,709 | 1,136,061 | (21,566) | 1,114,495 |
| Fire | 1,285,338 | (788,132) | 497,206 | 915,982 | (500,571) | 415,411 |
| General Accident | 867,508 | (478,968) | 388,540 | 735,474 | (343,204) | 392,270 |
| Engineering | 513,088 | (227,927) | 285,161 | 262,612 | (174,804) | 87,808 |
| Marine | 682,393 | (279,283) | 403,110 | 470,513 | (171,613) | 298,900 |
| Bond | 5,553 | (3,315) | 2,238 | 17,098 | (7,547) | 9,551 |
| Aviation | 523,866 | (361,581) | 162,285 | 436,116 | (288,357) | 147,759 |
| Oil & Gas | 2,850,767 | (1,358,762) | 1,492,005 | 2,545,108 | (1,105,578) | 1,439,530 |
| | 8,331,841 | (3,502,588) | 4,829,253 | 6,518,964 | (2,613,240) | 3,905,724 |

(d) Key Assumptions

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

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

Notes to the financial statements

(e) Sensitivity Analysis

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

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

(f) Insurance risk concentration per policy type

Line of business

In thousands of Naira

| | 31 December 2020 | | | 31 December 2019 | | |
|-------------|--------------------------------|---------------------------|-----------------|--------------------------------|---------------------------|-----------------|
| | Gross outstanding claims | Reinsurance recoveries | Net liabilities | Gross outstanding claims | Reinsurance recoveries | Net liabilities |
| Motor | 353,390 | (37,235) | 316,155 | 255,378 | (44,695) | 210,683 |
| Fire | 835,078 | (570,389) | 264,689 | 360,297 | (228,257) | 132,040 |
| Accident | 753,905 | (414,759) | 339,146 | 470,209 | (181,973) | 288,236 |
| Engineering | 409,166 | (312,719) | 96,447 | 236,021 | (79,274) | 156,747 |
| Marine | 97,875 | (29,561) | 68,314 | 185,695 | (38,456) | 147,239 |
| Bond | 80,330 | (33) | 80,297 | - | - | - |
| Aviation | 53,656 | (5,000) | 48,656 | - | - | - |
| Oil & Gas | 1,086,036 | (13,326) | 1,072,710 | 1,464,908 | (7,855) | 1,457,053 |
| | 3,669,436 | (1,383,024) | 2,286,413 | 2,972,508 | (580,510) | 2,391,998 |

Notes to the financial statements

(g) Claims Development Table

The Company has reported and disclosed its claims reserves based on the requirements of IFRS 4 - Insurance Contracts. Below is the claims development information over the period 2007 – 2019 as follows:

| Claims Development Table | | | | | | | | | | | |
|--------------------------|-----------|---------|---------|---------|--------|---------|--------|-------|-------|----|----|
| Accident Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 2007 | 152,755 | 134,625 | 41,902 | 10,416 | 2,964 | 1,834 | 1,080 | 5 | 470 | - | - |
| 2008 | 271,568 | 285,238 | 51,796 | 8,056 | 3,139 | 334 | 345 | 162 | - | - | - |
| 2009 | 175,944 | 225,974 | 93,072 | 64,576 | 31,461 | 1,507 | 606 | 1,139 | - | - | - |
| 2010 | 280,328 | 257,899 | 117,497 | 136,000 | 16,732 | 1,406 | 1,058 | 3,933 | - | - | 74 |
| 2011 | 188,021 | 209,088 | 119,363 | 172,367 | 2,056 | 5,317 | 947 | 694 | 8 | - | - |
| 2012 | 206,910 | 265,358 | 85,262 | 83,530 | 6,970 | 110,924 | 35,388 | 111 | 9,340 | - | - |
| 2013 | 184,702 | 380,558 | 36,518 | 8,111 | 672 | 22,874 | 3,890 | 67 | - | - | - |
| 2014 | 390,700 | 282,279 | 26,057 | 2,437 | 3,344 | 2,505 | 315 | - | - | - | - |
| 2015 | 490,091 | 708,228 | 53,231 | 153,927 | 5,345 | - | - | - | - | - | - |
| 2016 | 655,500 | 900,972 | 97,185 | 21,487 | 80,475 | - | - | - | - | - | - |
| 2017 | 479,042 | 518,080 | 671,537 | 65,925 | - | - | - | - | - | - | - |
| 2018 | 620,415 | 813,120 | 97,609 | - | - | - | - | - | - | - | - |
| 2019 | 918,574 | 298,644 | - | - | - | - | - | - | - | - | - |
| 2020 | 1,085,909 | - | - | - | - | - | - | - | - | - | - |

The claims development information over the period 2007 – 2018 is as follows:

| Claims Development Table | | | | | | | | | | | |
|--------------------------|---------|---------|---------|---------|---------|---------|-------|-------|-----|----|----|
| Accident Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 2007 | 150,467 | 338,281 | 342,915 | 345,141 | 345,151 | 1,834 | 1,080 | 5 | 470 | - | - |
| 2008 | 333,954 | 521,016 | 531,836 | 532,829 | 533,994 | 334 | 345 | 162 | - | - | - |
| 2009 | 258,170 | 104,809 | 407,562 | 409,178 | 420,427 | 1,507 | 606 | 1,139 | - | - | - |
| 2010 | 201,283 | 356,274 | 369,779 | 370,742 | 371,949 | 1,406 | 1,058 | 585 | - | - | - |
| 2011 | 182,705 | 293,340 | 310,143 | 311,428 | 311,713 | 5,317 | 947 | - | - | - | - |
| 2012 | 188,547 | 257,973 | 271,316 | 271,335 | 271,710 | 110,908 | - | - | - | - | - |
| 2013 | 156,934 | 274,116 | 275,935 | 276,314 | 276,314 | - | - | - | - | - | - |
| 2014 | 201,239 | 260,422 | 263,665 | 263,954 | - | - | - | - | - | - | - |
| 2015 | 257,731 | 328,303 | 328,716 | - | - | - | - | - | - | - | - |
| 2016 | 224,006 | 289,063 | - | - | - | - | - | - | - | - | - |
| 2017 | 200,948 | - | - | - | - | - | - | - | - | - | - |
| 2018 | 611,826 | - | - | - | - | - | - | - | - | - | - |

Notes to the financial statements

(h) Sensitivity Analysis of Liability for Claims

| 31 December 2020 | | Impact on variables | | | |
|----------------------------------|-----------------------|---------------------|-----------------|-------------------|-------------|
| Criteria | Changes in Assumption | Gross Liabilities | Net Liabilities | Profit before tax | Equity Fund |
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Average claims cost | +10% increase | 573 | 328 | (245) | (122) |
| Number of claims | +10% increase | 240 | 137 | (103) | (52) |
| | Reduction | | | | |
| Average claims settlement period | by 3 months | (554,294) | (475,973) | 78,321 | 54,828 |

| 31 December 2019 | | Impact on variables | | | |
|----------------------------------|-----------------------|---------------------|-----------------|-------------------|-------------|
| Criteria | Changes in Assumption | Gross Liabilities | Net Liabilities | Profit before tax | Equity Fund |
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Average claims cost | +10% increase | 564 | 546 | (18) | (13) |
| Number of claims cost | +10% increase | 76,737 | 74,278 | (2,458) | (1,721) |
| | Reduction | | | | |
| Average claims settlement period | by 3 months | (433,042) | (371,854) | 61,188 | 42,831 |

6.3 Financial risks

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

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

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

(a) Credit risks

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

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

- Direct default risk: which is the risk of non-receipt of cash flows or assets due to the Company because brokers, policyholders and other debtors default on their obligations.
- Concentration risk: which is the exposure of losses due to excessive concentration of business activities to individual counterparties, groups of individuals or related entities, counterparties in specific geographical locations, industry sector, specific products, etc.
- Counterparty risk: this is the risk that a counterparty is not able or willing to meet its financial obligations as they fall due.

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

- A credit risk management policy, which sets out the assessment and determination of credit risk components. In addition, it sets out the net exposure limits for each counterparty, based on geographical and industry segmentation. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Reinsurance arrangement is entered with counterparties that have a good credit rating. Concentration risk is avoided by following policy guidelines on counterparties' limits that are set each year by the board of directors and reviewed regularly. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment, if need be.
- The credit risk in respect of customer balances incurred on non-payment of premiums will only persist during the grace period specified in Section 50 of the Insurance Act.
- The Company sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

Notes to the financial statements

Credit risk exposure and concentration

The Company's maximum credit risk exposure as per its statement of financial position as at 31 December 2019 and 31 December 2018 is the carrying amounts of each component. The maximum risk exposure presented below does not include the exposure that arises in the future as a result of the changes in values. Credit risk is spread across many industries, firms and individuals. The Company monitors concentration of credit risk by sector as shown below.

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

31 December 2020

| <i>In thousands of Naira</i> | Financial institutions | Manufacturing | Aviation | Others | Total |
|--|------------------------|---------------|----------|------------------|-------------------|
| Cash and cash equivalents | 3,592,711 | - | - | - | 3,592,711 |
| Financial assets: | | | | | |
| Fair value through profit or loss | 8,655,489 | - | - | - | 8,655,489 |
| Available-for-sale | 14,838,486 | - | - | 64,029 | 14,902,515 |
| Loans and receivables | 35,507 | - | - | 41,164 | 76,671 |
| Held to maturity | 558,190 | - | - | 951,276 | 1,509,466 |
| Reinsurance assets (less unearned premium) | 2,445,920 | - | - | - | 2,445,920 |
| Trade receivables | 63,974 | - | - | - | 63,974 |
| Other receivables | - | - | - | 501,131 | 501,131 |
| Statutory deposit | 300,000 | - | - | - | 300,000 |
| Gross credit risk exposure | 30,490,277 | - | - | 1,557,600 | 32,047,877 |

31 December 2019

| <i>In thousands of Naira</i> | Financial institutions | Manufacturing | Aviation | Others | Total |
|--|------------------------|---------------|----------|----------------|-------------------|
| Cash and cash equivalents | 1,609,222 | - | - | - | 1,609,222 |
| Financial assets: | | | | | |
| Fair value through profit or loss | 4,449,949 | - | - | - | 4,449,949 |
| Available-for-sale | 13,419,227 | - | - | 64,029 | 13,483,256 |
| Loans and receivables | 44,187 | 52,444 | - | 180,189 | 276,820 |
| Held to maturity | 5,188,148 | - | - | - | 5,188,148 |
| Reinsurance assets (less unearned premium) | 1,121,787 | - | - | - | 1,121,787 |
| Trade receivables | 65,898 | - | - | - | 65,898 |
| Other receivables | - | - | - | 408,303 | 408,303 |
| Statutory deposit | 300,000 | - | - | - | 300,000 |
| Gross credit risk exposure | 26,198,418 | 52,444 | - | 652,521 | 26,903,383 |

Notes to the financial statements

Credit Risk Quality

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

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

Using the above rating table, the position of the Company's credit quality as at 31 December 2020 is as shown below. Overall, our credit risk exposure has maintained a low risk profile. This is because our exposure to high risk counterparties has been low in order to protect policyholder funds and secure the liquidity of operating funds.

Credit Risk Quality

31 December 2020

In thousands of Naira

| | AA | A- | BBB | B+ | Not rated | Total |
|------------------------------|-------------------|----------------|----------------|------------------|------------------|-------------------|
| Assets | | | | | | |
| Cash and cash equivalents | 573,123 | - | - | 487,991 | 2,531,597 | 3,592,711 |
| Financial assets: | | | | | | |
| - FVTPL | 354,701 | - | - | 6,115,973 | 2,184,815 | 8,655,489 |
| - Available-for-sale | 14,307,028 | 400,000 | 158,615 | 18,380 | 18,491 | 14,902,514 |
| - Held-to-maturity | - | - | - | 558,190 | 951,276 | 1,509,466 |
| - Loans and receivable | - | - | - | - | 76,671 | 76,671 |
| Reinsurance assets | 2,445,920 | - | - | - | - | 2,445,920 |
| Trade receivables | - | - | - | - | 63,974 | 63,974 |
| Other receivables | - | - | - | - | 501,131 | 501,131 |
| Statutory deposit | - | - | - | 300,000 | - | 300,000 |
| Total credit exposure | 17,680,772 | 400,000 | 158,615 | 7,480,534 | 6,327,955 | 32,047,876 |

Notes to the financial statements

31 December 2019

In thousands of Naira

| | AA | A- | BBB | B+ | Not rated | Total |
|------------------------------|-------------------|----------------|----------------|------------------|------------------|-------------------|
| Assets | | | | | | |
| Cash and cash equivalents | 85,758 | - | - | 75,661 | 1,447,803 | 1,609,222 |
| Financial assets: | | | | | | |
| - FVTPL | 506,444 | 481,204 | 512,152 | 2,282,400 | 667,749 | 4,449,949 |
| - Available-for-sale | 13,431,764 | 25,612 | - | 10,409 | 15,471 | 13,483,256 |
| - Held-to-maturity | - | - | - | 5,188,148 | - | 5,188,148 |
| - Loans and receivable | 12,711 | - | - | - | 264,109 | 276,820 |
| Reinsurance assets | 1,121,787 | - | - | - | - | 1,121,787 |
| Trade receivables | - | - | - | - | 65,898 | 65,898 |
| Other receivables | - | - | - | - | 408,303 | 408,303 |
| Statutory deposit | - | - | - | 300,000 | - | 300,000 |
| Total credit exposure | 15,158,464 | 506,816 | 512,152 | 7,856,618 | 2,869,333 | 26,903,383 |

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

During the year, no credit exposure limit was exceeded.

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

As at 31 December 2020

In thousands of Naira

| Assets | Grades | Satisfactory | Unsatisfactory | Impaired | |
|------------------------------|-------------------|------------------|----------------|----------------|-------------------|
| Cash and cash equivalents | 3,719,490 | 642 | - | 127,421 | 3,592,711 |
| Financial assets: | | | | | |
| - FVTPL | 8,655,489 | - | - | - | 8,655,489 |
| - Available-for-sale | 14,902,515 | - | - | - | 14,902,515 |
| - Held-to-maturity | 558,190 | 951,276 | - | - | 1,509,466 |
| - Loans and receivables | 35,507 | 41,164 | - | - | 76,671 |
| Reinsurance assets | - | 2,445,920 | - | - | 2,445,920 |
| Trade receivables | - | 63,974 | - | - | 63,974 |
| Other receivables | - | 501,131 | - | - | 501,131 |
| Statutory deposit | 300,000 | - | - | - | 300,000 |
| Total credit exposure | 28,171,191 | 4,004,107 | - | 127,421 | 32,047,877 |

As at 31 December 2019

In thousands of Naira

| Assets | Grades | Satisfactory | Unsatisfactory | not Impaired | |
|---------------------------|------------|--------------|----------------|--------------|------------|
| Cash and cash equivalents | 1,481,260 | 541 | - | 127,421 | 1,609,222 |
| Financial assets: | | | | | |
| - FVTPL | 4,449,949 | - | - | - | 4,449,949 |
| - Available-for-sale | 13,483,256 | - | - | - | 13,483,256 |
| - Held-to-maturity | 5,188,148 | - | - | - | 5,188,148 |
| - Loans and receivables | 253,432 | 23,387 | - | - | 276,820 |
| Reinsurance assets | - | 1,121,787 | - | - | 1,121,787 |
| Trade receivables | - | 65,898 | - | - | 65,898 |
| Other receivables | - | 408,303 | - | - | 408,303 |
| Statutory deposit | 300,000 | - | - | - | 300,000 |
| Total credit exposure | 25,156,045 | 1,619,916 | - | 127,421 | 26,903,383 |

Notes to the financial statements

Impaired Financial Assets

As at 31 December 2020, there were no impaired reinsurance assets (31 December 2019: Nil) and impaired loans and receivables amounted to N176.93 million (31 December 2019: N104.25 million).

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

Credit Collateral

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

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

(b) Liquidity Risk

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

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

The Company's exposure to liquidity risk comprises of:

(i) Funding (Cash-flow) Liquidity Risk:

This is the risk of not meeting current and future cash flow and collateral needs, both expected and unexpected, without materially affecting daily operations or overall financial condition of the Company.

(ii) Market (Asset) Liquidity Risk:

This is the risk of loss which is occasioned by the incapacity to sell assets at or near their carrying value at the time needed.

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

- Liquidity policy, which sets out the assessment and determination of what constitutes the Company’s liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Assets and Liability Management Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.
- Below is a maturity profile summary of the Company’s undiscounted contractual obligations cash flows of financial assets matched with financial liabilities. For insurance contract liabilities and reinsurance assets, maturity profile estimates are based on timing of net cash flows from the recognized insurance liabilities.
- Unearned premiums and the reinsurers’ share of unearned premiums have been excluded from the analysis as they are not contractual obligations.
- In addition, the Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Notes to the financial statements

Maturity Analysis (Undiscounted cashflow basis)

The table below summarizes the undiscounted cashflow profile of the Company's financial assets and liabilities :

As at 31 December 2020

In thousands of Naira

| Assets | Notes | Carrying Amount | Gross Amount | 1 - 3 months | 3 - 6 months | 6 - 12 months | 1 - 5 years | > 5 years |
|----------------------------------|-------|-------------------|-------------------|------------------|----------------|------------------|-------------------|------------------|
| Cash and cash equivalents | 7 | 3,592,711 | 3,592,711 | 3,592,711 | - | - | - | - |
| Financial assets: | | | | | | | | |
| - FVTPL | 8 | 8,655,489 | 8,655,489 | - | - | 245,327 | 5,849,716 | 2,560,446 |
| - Available-for-sale | 8.1 | 14,902,515 | 14,902,515 | - | - | - | 14,902,515 | - |
| - Held-to-maturity | 8 | 1,509,466 | 1,509,466 | - | 475,768 | 152,105 | 881,593 | - |
| - Loans and receivable | 8.2 | 76,671 | 76,671 | - | - | 42,483 | 34,188 | - |
| Reinsurance assets | 10 | 2,445,920 | 2,445,920 | - | - | 2,445,920 | - | - |
| Trade receivables | 9 | 63,974 | 63,974 | 63,974 | - | - | - | - |
| Other receivables | 12 | 501,131 | 501,131 | - | 501,131 | - | - | - |
| Total undiscounted liquid assets | | 31,747,877 | 31,747,877 | 3,656,685 | 976,899 | 2,885,835 | 21,668,012 | 2,560,446 |
| Liabilities | | | | | | | | |
| Trade payables | 19 | 704,169 | 704,169 | 704,169 | - | - | - | - |
| Other payables | 20 | 819,984 | 819,984 | 819,984 | - | - | - | - |
| Provision for litigation | 20.2b | 103,000 | 103,000 | 103,000 | - | - | - | - |
| Lease obligations | 21 | 219 | 219 | 219 | - | - | - | - |
| Total undiscounted liabilities | | 1,627,372 | 1,627,372 | 1,627,372 | - | - | - | - |

Notes to the financial statements

As at 31 December 2019

In thousands of Naira

| Assets | | Carrying Amount | Gross Amount | 1 - 3 months | 3 - 6 months | 6 - 12 months | 1 - 5 years | > 5 years |
|----------------------------------|-----|-------------------|-------------------|------------------|----------------|------------------|-------------------|------------------|
| Cash and cash equivalents | 7 | 1,609,222 | 1,609,222 | 1,609,222 | - | - | - | - |
| Financial assets: | | | | | | | | |
| - FVTPL | 8 | 4,449,949 | 4,880,221 | - | 209,616 | 402,602 | 1,994,607 | 2,273,396 |
| - Available-for-sale | 8.1 | 13,483,256 | 13,483,256 | - | - | - | 13,483,256 | - |
| - Held-to-maturity | 8 | 5,188,148 | 5,188,148 | 4,178,492 | 194,601 | 815,055 | - | - |
| - Loans and receivable | 8.2 | 276,820 | 276,820 | - | - | 253,433 | 23,387 | - |
| Reinsurance assets | 10 | 1,121,787 | 1,121,787 | - | - | 1,121,787 | - | - |
| Trade receivables | 9 | 65,898 | 65,898 | 65,898 | - | - | - | - |
| Other receivables | 12 | 408,303 | 408,302 | - | 408,302 | - | - | - |
| Total undiscounted liquid assets | | 26,603,383 | 27,033,654 | 5,853,612 | 812,519 | 2,592,877 | 15,501,250 | 2,273,396 |
| | | | | | | | | |
| Liabilities | | | | | | | | |
| Trade payables | 19 | 363,724 | 363,724 | 363,724 | - | - | - | - |
| Other payables | 20 | 460,618 | 460,618 | 460,618 | - | - | - | - |
| Finance lease obligations | 21 | 61,923 | 61,923 | 13,834 | 5,641 | 12,019 | 30,429 | - |
| Total undiscounted liabilities | | 886,265 | 886,265 | 838,176 | 5,641 | 12,019 | 30,429 | - |

Notes to the financial statements

Maturity Analysis (on Expected maturity basis)

The table below summarizes the expected utilization or settlement of assets and liabilities:

| | 31 December 2020 | | | 31 December 2019 | | |
|---------------------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | Current | Non-Current | Total | Current | Non-Current | Total |
| <i>In thousands of Naira</i> | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 3,592,711 | - | 3,592,711 | 1,609,222 | - | 1,609,222 |
| Financial assets | 915,684 | 24,228,457 | 25,144,141 | 5,464,968 | 17,933,205 | 23,398,173 |
| Trade receivables | 63,974 | - | 63,974 | 65,898 | - | 65,898 |
| Reinsurance assets | 2,445,920 | - | 2,445,920 | 1,121,787 | - | 1,121,787 |
| Deferred acquisition cost | 328,812 | - | 328,812 | 262,550 | - | 262,550 |
| Other receivables & prepayments | 501,131 | - | 501,131 | 408,303 | - | 408,303 |
| Investment property | - | 150,000 | 150,000 | - | 150,000 | 150,000 |
| Intangible assets | - | 1,199 | 1,199 | - | 7,319 | 7,319 |
| Property & equipment | - | 1,349,516 | 1,349,516 | - | 1,381,180 | 1,381,180 |
| Statutory deposit | - | 300,000 | 300,000 | - | 300,000 | 300,000 |
| Total Assets | 7,848,233 | 26,029,172 | 33,877,404 | 8,932,729 | 19,771,705 | 28,704,432 |
| Liabilities | | | | | | |
| Insurance liabilities | 5,728,661 | - | 5,728,661 | 4,652,881 | - | 4,652,881 |
| Trade payables | 704,169 | - | 704,169 | 363,724 | - | 363,723 |
| Finance lease obligation | 219 | - | 219 | 31,494 | 30,429 | 61,923 |
| Other payables | 819,984 | - | 819,984 | 460,618 | - | 460,618 |
| Provision for litigation | - | 103,000 | 103,000 | - | - | - |
| Retirement benefit obligations | - | 62,981 | 62,981 | - | 49,846 | 49,846 |
| Income tax liabilities | 82,565 | - | 82,565 | 75,390 | - | 75,390 |
| Deferred tax liabilities | - | #REF! | #REF! | - | - | - |
| Total Liabilities | 7,335,598 | #REF! | #REF! | 5,584,107 | 80,275 | 5,664,382 |

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The identification, management, control, measurement and reporting of market risk are aligned towards the sub-risk categories namely:

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

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

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

(i) Currency (Foreign Exchange) Risk

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

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

Notes to the financial statements

Analysis of assets and liability by major currencies

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

31 December 2020

| | Naira ₦'000 | Euro ₦'000 | Pound Sterling ₦'000 | US Dollars ₦'000 | Total ₦'000 |
|---------------------------|-------------------|---------------|----------------------------|---------------------|-------------------|
| Assets | | | | | |
| Cash and cash equivalents | 3,481,938 | 23,452 | 2,296 | 85,025 | 3,592,711 |
| Financial assets | 24,470,770 | - | - | 673,371 | 25,144,141 |
| Trade receivables | 63,974 | - | - | - | 63,974 |
| Reinsurance assets | 2,235,747 | - | - | 210,173 | 2,445,920 |
| Deferred acquisition cost | 328,812 | - | - | - | 328,812 |
| Other receivables | 172,611 | - | - | - | 172,611 |
| Statutory deposit | 300,000 | - | - | - | 300,000 |
| TOTAL ASSETS | 31,053,852 | 23,452 | 2,296 | 968,569 | 32,048,169 |
| Liabilities | | | | | |
| Trade payables | 704,169 | - | - | - | 704,169 |
| Finance lease obligation | 219 | - | - | - | 219 |
| Other payables | 819,984 | - | - | - | 819,984 |
| Provision for litigations | 103,000 | - | - | - | 103,000 |
| TOTAL LIABILITIES | 1,627,372 | - | - | - | 1,627,372 |

31 December 2019

| | Naira ₦'000 | Euro ₦'000 | Pound Sterling ₦'000 | US Dollars ₦'000 | Total ₦'000 |
|---------------------------|------------------|---------------|----------------------------|---------------------|------------------|
| Assets | | | | | |
| Cash and cash equivalents | 1,141,303 | 18,427 | 1,809 | 447,682 | 1,609,221 |
| Financial assets | - | - | - | - | - |
| Trade receivables | 65,898 | - | - | - | 65,898 |
| Reinsurance assets | 1,121,787 | - | - | - | 1,121,787 |
| Deferred acquisition cost | 262,550 | - | - | - | 262,550 |
| Other receivables | 96,757 | - | - | - | 96,757 |
| Statutory deposit | 300,000 | - | - | - | 300,000 |
| TOTAL ASSETS | 2,988,295 | 18,427 | 1,809 | 447,682 | 3,456,213 |
| Liabilities | | | | | |
| Trade payables | 363,724 | - | - | - | 363,724 |
| Finance lease obligation | 61,923 | - | - | - | 61,923 |
| Other payables | 460,618 | - | - | - | 460,618 |
| TOTAL LIABILITIES | 886,265 | - | - | - | 886,265 |

The Company has no significant concentration of foreign currency risk.

Sensitivity analysis - foreign currency risk

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

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

Sensitivity analysis of major currencies

| Major Currencies | 31 December 2020 | | | 31 December 2019 | | |
|------------------|------------------------------------|-----------------------------------|---------------------|------------------------------------|-----------------------------------|---------------------|
| | Changes in exchange rate (%) | Impact on Profit before tax | Impact on equity | Changes in exchange rate (%) | Impact on Profit before tax | Impact on equity |
| EURO | +10% | 2,345 | 2,345 | +10% | 1,843 | 1,843 |
| GBP | +10% | 230 | 230 | +10% | 181 | 181 |
| USD | +10% | 96,857 | 96,857 | +10% | 44,768 | 44,768 |
| EURO | -10% | (2,345) | (2,345) | -10% | (1,843) | (1,843) |
| GBP | -10% | (230) | (230) | -10% | (181) | (181) |
| USD | -10% | (96,857) | (96,857) | -10% | (44,768) | (44,768) |

Notes to the financial statements

(ii) Interest rate risk

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

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

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

The Company has no significant concentration of interest rate risk.

1 Sensitivity analysis - interest rate risk

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

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

31 December 2020

| Interest earning assets | Basis points | Impact on Profit | | | | | Total |
|-------------------------|--------------|------------------|--------------|------------|-------------|-----------|----------|
| | | before tax | Up to 1 Year | 1 -3 Years | 3 - 5 Years | > 5 years | |
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Short term deposit | +100 | 22,843 | 22,843 | - | - | - | 22,843 |
| Other investments (a) | +100 | 11,491 | 11,491 | - | - | - | 11,491 |
| Bonds | +100 | 64,764 | - | 64,764 | - | - | 64,764 |
| Short term deposit | -100 | (22,843) | (22,843) | - | - | - | (22,843) |
| Other investments (a) | -100 | (11,491) | (11,491) | - | - | - | (11,491) |
| Bonds | -100 | (64,764) | - | (64,764) | - | - | (64,764) |

a Other investments consists of promissory notes of N197.78m (2019: Nil) and investment notes of N915.70m (2019: Nil)

31 December 2019

| Interest earning assets | Basis points | Impact on Profit | | | | | Total |
|-------------------------|--------------|------------------|--------------|------------|-------------|-----------|----------|
| | | before tax | Up to 1 Year | 1 -3 Years | 3 - 5 Years | > 5 years | |
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Short term deposit | +100 | 13,201 | 13,201 | - | - | - | 13,201 |
| Treasury Bill | +100 | 51,881 | 51,881 | - | - | - | 51,881 |
| Bonds | +100 | 44,499 | - | 44,499 | - | - | 44,499 |
| Short term deposit | -100 | (13,201) | (13,201) | - | - | - | (13,201) |
| Treasury bill | -100 | (51,881) | (51,881) | - | - | - | (51,881) |
| Bonds | -100 | (44,499) | - | (44,499) | - | - | (44,499) |

Notes to the financial statements

(iii) Equity Risk

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

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

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

The Company has no significant concentration of price risk.

Sensitivity Analysis - equity price risk

The following table contains the fair value and related equity price risk sensitivity of the Company's listed and non-listed equity securities. The equity price risk sensitivity has been calculated based on what the Company views to be reasonably possible changes in the equity prices for the coming year. For listed equities a 20% change in the equity price has been used in the calculation of the sensitivity as at 31 December 2020. For non-listed securities a 40% change in the equity prices has been used in the calculation of the sensitivity.

Sensitivity Analysis - equity price risk

| Market Indices | Changes in variables | 31 December 2020 | | | 31 December 2019 | | |
|-----------------------------------|----------------------|------------------|-----------------------------|------------------|------------------|-----------------------------|------------------|
| | | Fair Value | Impact on Profit before tax | Impact on Equity | Fair Value | Impact on Profit before tax | Impact on Equity |
| | | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Fair value through profit or loss | +20% | 8,655,489 | 1,731,098 | 1,211,768 | 4,366,233 | 873,247 | 611,273 |
| Available-for-sale - Quoted | +20% | 595,486 | 119,097 | 83,368 | 30,227 | 6,045 | 4,232 |
| Available-for-sale - Unquoted | +40% | 14,307,029 | 5,722,812 | 4,005,968 | 13,453,029 | 5,381,212 | 3,766,848 |
| Fair value through profit or loss | -20% | 8,655,489 | (1,731,098) | (1,211,768) | 4,366,233 | (873,247) | (611,273) |
| Available-for-sale - Quoted | -20% | 595,486 | (119,097) | (83,368) | 30,227 | (6,045) | (4,232) |
| Available-for-sale - Unquoted | -40% | 14,307,029 | (5,722,812) | (4,005,968) | 13,453,029 | (5,381,212) | (3,766,848) |

(d) Operational Risk

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

(e) Valuation model

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

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

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

The table below shows financial assets carried at fair value:

| In thousands of Naira | 31 December 2020 | | | 31 December 2019 | | |
|---------------------------------|------------------|----------|-------------------|------------------|----------|-------------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | |
| Quoted investments | 8,655,489 | - | - | 4,449,949 | - | - |
| Investment in unit trust scheme | 595,486 | - | - | 30,227 | - | - |
| Unquoted equity investments | - | - | 14,243,000 | - | - | 13,389,000 |
| | 9,250,975 | - | 14,243,000 | 4,480,176 | - | 13,389,000 |

Notes to the financial statements

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

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

Fair value hierarchy

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 categorized

31 December 2020

| | Level 1 N'000 | Level 2 N'000 | Level 3 N'000 | Total fair value N'000 | Total carrying amount N'000 |
|-----------------------------------|------------------|------------------|------------------|------------------------------|--------------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | 3,592,711 | - | - | 3,592,711 | 3,592,711 |
| <i>Financial assets:</i> | | | | | |
| Loans and receivables | - | - | 102,442 | 102,442 | 76,671 |
| Held to maturity | 1,569,956 | - | - | 1,569,956 | 1,509,466 |
| Trade receivables | - | - | 63,974 | 63,974 | 63,974 |
| Other receivables and prepayments | - | - | 501,131 | 501,131 | 501,131 |
| | | | | <u>5,830,214</u> | <u>5,743,953</u> |
| Liabilities | | | | | |
| Insurance contract liabilities | - | - | 5,728,661 | 5,728,661 | 5,728,661 |
| Trade payables | - | - | 704,169 | 704,169 | 704,169 |
| Other payables | - | - | 922,984 | 922,984 | 922,984 |
| Finance lease obligations | - | - | 219 | 219 | 219 |
| Defined benefit obligations | - | - | 62,981 | 62,981 | 62,981 |
| | | | | <u>7,419,014</u> | <u>7,419,014</u> |

31 December 2019

| | | | | | |
|-----------------------------------|-----------|---|-----------|------------------|------------------|
| Assets | | | | | |
| Cash and cash equivalents | 1,609,222 | - | - | 1,609,222 | 1,609,222 |
| <i>Financial assets:</i> | | | | | |
| Loans and receivables | - | - | 276,820 | 276,820 | 276,820 |
| Held to maturity | 5,246,889 | - | - | 5,246,889 | 5,188,148 |
| Trade receivables | - | - | 65,898 | 65,898 | 65,898 |
| Other receivables and prepayments | - | - | 408,303 | 408,303 | 408,303 |
| | | | | <u>7,607,132</u> | <u>7,548,391</u> |
| Liabilities | | | | | |
| Insurance contract liabilities | - | - | 4,652,881 | 4,652,881 | 4,652,881 |
| Trade payables | - | - | 363,724 | 363,724 | 363,724 |
| Other payables | - | - | 460,618 | 460,618 | 460,618 |
| Finance lease obligations | - | - | 61,923 | 61,923 | 61,923 |
| Defined benefit obligations | - | - | 49,846 | 49,846 | 49,846 |
| | | | | <u>5,588,992</u> | <u>5,588,992</u> |

7 Cash and cash equivalents

Cash and cash equivalents comprise:

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|--|-------------------------|-------------------------|
| Cash in hand | 642 | 541 |
| Balances with banks & other financial institutions (see (b) below) | 3,719,490 | 1,736,102 |
| | <u>3,720,132</u> | <u>1,736,643</u> |
| Allowance for impairment (see (a) below) | (127,421) | (127,421) |
| Cash and bank balance as at year end | <u>3,592,711</u> | <u>1,609,222</u> |

(a) Allowance for impairment

| | | |
|---|----------------|----------------|
| Balance as at the beginning of the year | 127,421 | 127,421 |
| Addition | - | - |
| Balance as at the end of the year (see (c) below for details) | <u>127,421</u> | <u>127,421</u> |

Notes to the financial statements

- (b) These are cash balances and short-term placements with banks and other financial institutions with tenor of 90 days or less. Cash & cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and have a maturity of three months or less from the date of acquisition.
- (c) Amount relates to short term investments with Resort Savings and Loans (N75.1 million), Triumph Bank (N20.1 million), Profound Finance and Investment Ltd (N9.5 million), Assurance bank (N9.3 million), Center Point Merchant Bank (N7.4 million and others (N6 million) which are fully impaired and their recoverability are in doubt.

8 Financial assets

The Company's financial assets comprise fair value through profit or loss financial assets, available-for-sale financial assets, loans and receivables and held to maturity.

| | 31 Dec 2020 | 31 Dec 2019 |
|---|-------------------|-------------------|
| | N'000 | N'000 |
| Fair value through profit or loss (see 'a' below) | 8,655,489 | 4,449,949 |
| Available-for-sale (note 8.1) | 14,902,515 | 13,483,256 |
| Loans and receivables (note 8.2) | 76,671 | 276,820 |
| Held to maturity | 1,509,466 | 5,188,148 |
| | 25,144,141 | 23,398,173 |

Financial instrument classification

| | 31 December 2020 | | | | |
|------------------------------|-----------------------------------|--------------------|-----------------------|------------------|------------|
| <i>In thousands of Naira</i> | Fair Value through Profit or Loss | Available for Sale | Loans and Receivables | Held to Maturity | Total |
| - Listed | 8,655,489 | 595,486 | - | 360,410 | 9,611,385 |
| - Unlisted | - | 14,307,029 | - | 1,149,056 | 15,456,085 |
| - Other financial assets | - | - | 76,671 | - | 76,671 |
| | 8,655,489 | 14,902,515 | 76,671 | 1,509,466 | 25,144,141 |
| Within one year | 245,328 | - | 42,483 | 627,873 | 915,684 |
| More than one year | 8,410,161 | 14,902,515 | 34,188 | 881,593 | 24,228,457 |
| | 8,655,489 | 14,902,515 | 76,671 | 1,509,466 | 25,144,141 |

Financial instrument classification

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

Notes to the financial statements

Reconciliation of Movements in Financial Assets during the year 2020

| | Fair Value through Profit or Loss N'000 | Available for Sale N'000 | Loans and Receivables N'000 | Held to Maturity N'000 | Total N'000 |
|--------------------------------------|--|--------------------------------|-----------------------------------|------------------------------|-------------------|
| Gross balance as at January 1 | 4,449,949 | 13,483,256 | 381,070 | 5,263,082 | 23,577,357 |
| Addition during the year | 4,679,599 | 550,000 | 116,635 | 1,509,466 | 6,855,700 |
| Disposal during the year | (2,293,652) | - | - | - | (2,293,652) |
| Repayment during the year | - | - | (244,106) | - | (244,106) |
| Redemption/repayment during the year | - | - | - | (5,251,890) | (5,251,890) |
| Fair value gain/(loss) | 1,819,593 | 869,259 | - | - | 2,688,852 |
| Total gross amount | 8,655,489 | 14,902,515 | 253,599 | 1,520,658 | 25,332,261 |
| Impairment loss | - | - | (176,928) | (11,192) | (188,120) |
| Balance as at December 31 | 8,655,489 | 14,902,515 | 76,671 | 1,509,466 | 25,144,141 |

Reconciliation of Movements in Financial Assets during the year 2019

| | Fair Value through Profit or Loss N'000 | Available for Sale N'000 | Loans and Receivables N'000 | Held to Maturity N'000 | Total N'000 |
|--------------------------------------|--|--------------------------------|-----------------------------------|------------------------------|-------------------|
| Gross balance as at January 1 | 3,464,033 | 9,810,517 | 243,948 | 5,629,018 | 19,147,516 |
| Addition during the year | 3,587,539 | - | 386,840 | 5,264,344 | 9,238,723 |
| Disposal during the year | (3,118,391) | - | - | - | (3,118,391) |
| Repayment during the year | - | - | (249,718) | - | (249,718) |
| Redemption/repayment during the year | - | - | - | (5,630,280) | (5,630,280) |
| Fair value gain/(loss) | 516,768 | 3,672,739 | - | - | 4,189,507 |
| Total gross amount | 4,449,949 | 13,483,256 | 381,070 | 5,263,082 | 23,577,357 |
| Impairment loss | - | - | (104,250) | (74,934) | (179,184) |
| Balance as at December 31 | 4,449,949 | 13,483,256 | 276,820 | 5,188,148 | 23,398,173 |

- (a) The fair value of quoted financial instruments is determined by reference to published price quotations in an active market. The resulting fair value changes have been recognized in profit or loss.
- (b) The held to maturity instrument consists of bonds investment of N360.41 million (2019: Nil), investment notes of N951.28 million (2019: Nil) and promissory notes of N197.78 million (2019: Nil). The held to maturity balance of N5.19 billion in 2019 represents investment in treasury bills.
- (c) The impairment loss of N11.19 million consists of impairment charge on investments in DEAP Capital of N11.19 million (2019: N11.19 million).

Notes to the financial statements

8.1 Available for sale

Available for sale financial assets comprise:

In thousands of Naira

| | 31 Dec 2020 | 31 Dec 2019 |
|---|-------------------|-------------------|
| Quoted equities and unit trust schemes | - | 30,227 |
| Unquoted equities - at fair value through OCI (see "a" below) | 14,243,000 | 13,389,000 |
| Equity mutual funds | 595,486 | - |
| Unquoted equities - at cost | 64,029 | 64,029 |
| | 14,902,515 | 13,483,256 |

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

The fair value of the investment as at 31 December 2020 was N14.243 billion (31 December 2019: N13.389 billion) and was determined using the discounted cashflow (DCF) method and level 3 inputs of the IFRS 13 *Fair Value Measurement* fair value hierarchy.

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

Summary of Significant Assumptions

| Description | 31 Dec 2020 | 31 Dec 2019 |
|---|-------------------------|-------------------------|
| Growth in gross income (GI) % over the next 5 years | 7 | 8 |
| Operating expenses / Gross income % | 30 | 30 |
| Depreciation and amortization / Gross income % | 2 | 2 |
| Effective tax rate (Tax / Profit before tax) % | 32 | 32 |
| Capital expenditure / Gross income % over the next 5 years | 37, 19, 33, 2, 2 | 36, 17, 31, 1, 1 |
| Perpetual growth rate % | 3.75 | 5.73 |
| Period counts over the next 5 years | 0.5, 1.5, 2.5, 3.5, 4.5 | 0.5, 1.5, 2.5, 3.5, 4.5 |
| Expected market rate of return % | 17.47 | 21.36 |
| Risk-free rate % | 7.42 | 12.86 |
| Market risk premium % | 10.05 | 8.5 |
| Beta | 1 | 1 |
| Weighted average cost of capital % | 17.47 | 21.36 |
| Equity value of Stanbic IBTC Pension Managers Limited (see note 8.4(a)) | 151.392 | 142.312 |
| Equity value of 11.76% holding | 17.804 | 16.736 |
| Illiquidity discount % | 20 | 20 |
| Value of Linkage Assurance PLC's equity stake | N14.243 billion | N13.389 billion |

Notes to the financial statements

The analysis below shows the changes in equity value of Stanbic IBTC Pension Managers Limited's (SIPML) with respect to changes in weighted average cost of capital (WACC) and the terminal growth rate of free cash flow (FCF).

(a) Sensitivity Analysis**At 31 December 2020**

| Equity Value (N million) | | | | | | | | | | |
|-----------------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Terminal growth rate of FCF | | | | | | | | | | |
| | | 1.75% | 2.25% | 2.75% | 3.25% | 3.75% | 4.25% | 4.75% | 5.25% | 5.75% |
| W A C C | 15.47% | 159,615 | 164,024 | 168,780 | 173,925 | 179,509 | 185,591 | 192,240 | 199,540 | 207,591 |
| | 15.97% | 153,463 | 157,501 | 161,844 | 166,528 | 171,596 | 177,096 | 183,087 | 189,636 | 196,826 |
| | 16.47% | 147,741 | 151,449 | 155,426 | 159,704 | 164,319 | 169,311 | 174,729 | 180,630 | 187,081 |
| | 16.97% | 142,408 | 145,820 | 149,472 | 153,390 | 157,604 | 162,150 | 167,068 | 172,406 | 178,219 |
| | 17.47% | 137,425 | 140,572 | 143,934 | 147,532 | 151,392 | 155,544 | 160,022 | 164,867 | 170,126 |
| | 17.97% | 132,760 | 135,670 | 138,771 | 142,083 | 145,628 | 149,431 | 153,521 | 157,934 | 162,707 |
| | 18.47% | 128,384 | 131,080 | 133,947 | 137,003 | 140,266 | 143,759 | 147,506 | 151,536 | 155,884 |
| | 18.97% | 124,272 | 126,774 | 129,431 | 132,256 | 135,267 | 138,482 | 141,924 | 145,616 | 149,588 |
| | 19.47% | 120,402 | 122,728 | 125,194 | 127,811 | 130,596 | 133,563 | 136,731 | 140,123 | 143,761 |

At 31 December 2019

| Equity Value (N million) | | | | | | | | | | |
|-----------------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Terminal growth rate of FCF | | | | | | | | | | |
| | | 3.73% | 4.23% | 4.73% | 5.23% | 5.73% | 6.23% | 6.73% | 7.23% | 7.73% |
| W A C C | 19.36% | 149,503 | 152,868 | 156,463 | 160,313 | 164,446 | 168,893 | 173,692 | 178,887 | 184,529 |
| | 19.86% | 144,545 | 147,656 | 150,972 | 154,516 | 158,310 | 162,382 | 166,765 | 171,494 | 176,614 |
| | 20.36% | 139,895 | 142,776 | 145,842 | 149,111 | 152,603 | 156,342 | 160,355 | 164,675 | 169,336 |
| | 20.86% | 135,525 | 138,199 | 141,040 | 144,061 | 147,283 | 150,724 | 154,410 | 158,365 | 162,622 |
| | 21.36% | 131,412 | 133,899 | 136,534 | 139,334 | 142,312 | 145,487 | 148,880 | 152,512 | 156,411 |
| | 21.86% | 127,534 | 129,850 | 132,301 | 134,899 | 137,658 | 140,594 | 143,724 | 147,068 | 150,648 |
| | 22.36% | 123,873 | 126,033 | 128,315 | 130,731 | 133,293 | 136,013 | 138,907 | 141,992 | 145,288 |
| | 22.86% | 120,410 | 122,428 | 124,557 | 126,808 | 129,190 | 131,714 | 134,396 | 137,249 | 140,291 |
| | 23.36% | 117,130 | 119,019 | 121,009 | 123,108 | 125,327 | 127,675 | 130,164 | 132,808 | 135,620 |

Notes to the financial statements

8.2 Loans and receivables 31 December 2020

| | Gross Amount N'000 | Impairment N'000 | Carrying Amount N'000 |
|---|-----------------------|---------------------|-----------------------------|
| Due from third parties (see note a & b below) | 163,270 | (127,764) | 35,506 |
| Loan to staff | 31,919 | - | 31,919 |
| Loan to policy holders | 13,655 | (13,655) | - |
| Ex-staff loans | 44,755 | (35,509) | 9,246 |
| | 253,599 | (176,928) | 76,671 |

31 December 2019

| | Gross Amount N'000 | Impairment N'000 | Carrying Amount N'000 |
|---|-----------------------|---------------------|-----------------------------|
| Due from third parties (see note a & b below) | 309,618 | (56,189) | 253,429 |
| Loan to staff | 22,714 | - | 22,714 |
| Loan to policy holders | 13,655 | (13,655) | - |
| Ex-staff loans | 35,083 | (34,406) | 677 |
| | 381,070 | (104,250) | 276,820 |

(i) Movement in impairment of loans and receivables

| | Due from third parties N'000 | Loan to staff N'000 | Loan to policy holders N'000 | Ex-staff loan N'000 | Total N'000 |
|---------------------------------------|------------------------------------|------------------------|------------------------------------|------------------------|----------------|
| Balance as at 1 January 2020 | 56,189 | - | 13,655 | 34,406 | 104,250 |
| Impairment charge during the year | 71,575 | - | - | 1,103 | 72,678 |
| Balance as at 31 December 2020 | 127,764 | - | 13,655 | 35,509 | 176,928 |

(a) Breakdown of Due from third parties

| Name of third parties | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|---------------------------------|----------------------|----------------------|
| Lease Fin. - Olumegbon | 297 | 297 |
| Tsf Fin. - Lease Fin. | 927 | 927 |
| Pine Hill Leasing | 35,508 | 49,437 |
| Lease-Glc Resources | 4,374 | 4,374 |
| Aquila Leasing Ltd. | 71,577 | 107,365 |
| Konikolo Trust Fund | 49,087 | 49,087 |
| Sunfair Comm. Prod. Ltd | 1,500 | 1,500 |
| Stanbic IBTC Bank Plc CP | - | 12,711 |
| Coronation Merchant Bank Ltd CP | - | 31,476 |
| Mixta Real Estate Plc | - | 52,444 |
| Total | 163,270 | 309,618 |

- (b) The impairment amount of N127.76 million represents impairment charge on due from third parties as at 31 December 2020 (2019: N56.19 million). The increase of N71.58 million during the year, is attributable to the full impairment of a receivable from Aquila Leasing of N71.58 million.

9 Trade receivables

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|-----------------|----------------------|----------------------|
| Due from broker | 63,974 | 65,898 |
| | 63,974 | 65,898 |

9.1 Analysis of debtors in days

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|----------------|----------------------|----------------------|
| Within 30 days | 63,974 | 65,898 |
| | 63,974 | 65,898 |

Notes to the financial statements

10 Reinsurance assets

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 | Changes during the year N'000 |
|---|----------------------|----------------------|-------------------------------------|
| Prepaid reinsurance (note 10(a)) | 852,723 | 615,645 | 237,078 |
| Reinsurance projection on UPR | - | - | - |
| Total as per actuarial valuation | 852,723 | 615,645 | 237,078 |
| Reinsurance treaty premium (deficit)/surplus (see note (i) below) | - | (74,368) | 74,368 |
| Total prepaid reinsurance (note 10.1) | 852,723 | 541,277 | 311,446 |
| Reinsurance recoverable on outstanding claims (note 10(b)) | 1,239,009 | 429,637 | 809,372 |
| Due from Reinsurers (see note (ii) below) | 210,174 | - | 210,174 |
| Reinsurance projection on IBNR (note 10(c)) | 144,014 | 150,873 | (6,859) |
| | 2,445,920 | 1,121,787 | 1,012,687 |

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

(a) Movement in prepaid reinsurance costs

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|---|----------------------|----------------------|
| Balance at the beginning of the year | 615,645 | 357,810 |
| Additions during the year | 3,739,666 | 2,871,075 |
| Reinsurance expense in the year (see note 33.1) | (3,502,588) | (2,613,240) |
| Balance at the end of the year | 852,723 | 615,645 |

(b) Movement in reinsurance recoverable on outstanding claims

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|--|----------------------|----------------------|
| Balance at the beginning of the year | 429,637 | 212,969 |
| Changes during the year (see note 17.1(a)) | 809,372 | 216,668 |
| Balance at the end of the year | 1,239,009 | 429,637 |

(c) Movement in reinsurance recoverable on IBNR projection

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|--|----------------------|----------------------|
| Balance at the beginning of the year | 150,873 | 47,225 |
| Changes during the year (see note 17.1(c)) | (6,859) | 103,648 |
| Balance at the end of the year | 144,014 | 150,873 |

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

10.1 Breakdown of prepaid reinsurance is as follows:

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|----------------------------------|----------------------|----------------------|
| Motor | 196 | - |
| Fire | 234,787 | 144,259 |
| General accident | 114,235 | 87,722 |
| Engineering | 87,567 | 58,596 |
| Marine | 136,557 | 49,925 |
| Bond | 624 | 762 |
| Aviation | 27,192 | 81,116 |
| Oil & Gas | 251,565 | 193,265 |
| | 852,723 | 615,645 |
| Treaty premium (deficit)/surplus | - | (74,368) |
| | 852,723 | 541,277 |

Notes to the financial statements

11 Deferred acquisition cost

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

| | 31 Dec 2020 | 31 Dec 2019 |
|------------------|----------------|----------------|
| | N'000 | N'000 |
| Motor | 57,777 | 43,083 |
| Fire | 63,870 | 49,679 |
| General Accident | 37,421 | 33,548 |
| Engineering | 27,600 | 14,744 |
| Marine | 36,540 | 18,286 |
| Bond | 200 | 14,949 |
| Aviation | 11,505 | 440 |
| Oil & Gas | 93,899 | 87,821 |
| | 328,812 | 262,550 |

11.2 Movement in the deferred acquisition costs

| | 31 Dec 2020 | 31 Dec 2019 |
|--|----------------|----------------|
| | N'000 | N'000 |
| Balance at the beginning of the year | 262,550 | 259,098 |
| Increase during the year (see note 36.1) | 66,262 | 3,452 |
| Balance at the end of the year | 328,812 | 262,550 |

12 Other receivables and prepayments

| | 31 Dec 2020 | 31 Dec 2019 |
|-----------------------------------|----------------|----------------|
| | N'000 | N'000 |
| Prepayments (see (a) below) | 328,520 | 311,546 |
| Other receivables (see (b) below) | 178,822 | 113,251 |
| | 507,342 | 424,797 |
| Allowance for impairment | (6,211) | (16,494) |
| | 501,131 | 408,303 |

(a) Prepayments

| | 31 Dec 2020 | 31 Dec 2019 |
|---|----------------|----------------|
| | N'000 | N'000 |
| Prepaid staff benefits (see (i) below) | 73,549 | 97,977 |
| Deposits with stock broker (see (ii) below) | 2,602 | 2,602 |
| Prepaid rent | 46,808 | 11,959 |
| Other prepaid expenses (see (iii) below) | 205,561 | 199,008 |
| | 328,520 | 311,546 |

- (i) This represents amounts prepaid to staff of the Company with respect to rent advance (N27.27 million), furniture grant (2.94 million), staff fleet premium advance (N3.78 million) and car loan encashment (39.56 million).
- (ii) This represents amounts prepaid to stock brokers.
- (iii) Included in other prepaid expenses is N168.75 million (N112.50 million paid to Corporate Affairs Commission and N56.25 million paid to Federal Inland Revenue Services) which represents payments in respect to increase in authorized share capital from 15 billion units to 30 billion units.

(b) Other receivables

| | 31 Dec 2020 | 31 Dec 2019 |
|---|----------------|---------------|
| | N'000 | N'000 |
| Prepaid business acquisition expenses | - | 647 |
| Withholding tax recoverable | 111,004 | 10,012 |
| Sundry receivables (see (i) below) | 67,818 | 102,592 |
| | 178,822 | 113,251 |
| Allowance for impairment (see (ii) below) | (6,211) | (16,494) |
| | 172,611 | 96,757 |

Notes to the financial statements

- (i) This represents balance on contribution to claims pool.
(ii) The impairment allowance of N6.21 million represents impairment on deposits with stock brokers (N2.60 million) and impairment on staff prepaid benefit (N3.61 million).

Movement in allowance for impairment

| | 31 Dec 2020 | 31 Dec 2019 |
|--------------------------------------|--------------|---------------|
| | N'000 | N'000 |
| Balance at the beginning of the year | 16,494 | 6,211 |
| Addition | - | 10,283 |
| Reversal | (10,283) | - |
| Balance at the end of the year | <u>6,211</u> | <u>16,494</u> |

13 Investment properties

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

| S/N | Location of asset | Carrying amount as at January 1 N'000 | Additions N'000 | Disposals N'000 | Reclassification N'000 | Fair value gain/(loss) N'000 | Carrying amount as at 31 December N'000 |
|-----|---|---------------------------------------|-----------------|-----------------|------------------------|------------------------------|---|
| 1 | No. 9C Shekinah Green Estate, Apo District, Abuja. | 75,000 | - | - | - | - | 75,000 |
| 2 | No. 11C Shekinah Green Estate, Apo District, Abuja. | 75,000 | - | - | - | - | 75,000 |
| | | <u>150,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>150,000</u> |

The Company possess Deed of Conveyance for the investment properties 1 and 2 above.

(b) Reconciliation of carrying amount

| | 31 Dec 2020 | 31 Dec 2019 |
|--------------------------------------|----------------|----------------|
| | N'000 | N'000 |
| Balance at the beginning of the year | 150,000 | 144,000 |
| Fair value gain/(loss) | - | 6,000 |
| Balance at the end of the year | <u>150,000</u> | <u>150,000</u> |

(c) Measurement of fair values

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

| In thousands of Naira | 31 Dec 2020 | 31 Dec 2019 |
|-----------------------|----------------|----------------|
| Level 1 | - | - |
| Level 2 | - | - |
| Level 3 | 150,000 | 150,000 |
| | <u>150,000</u> | <u>150,000</u> |

Notes to the financial statements**Valuation technique and significant unobservable inputs**

The following table shows the valuation technique used in measuring the fair value of investment property as at 31 December 2020, as well as the significant unobservable inputs used.

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

The valuation was done by Andy Bassey & Associate Estate Surveyors & Valuers with firm FRC number FRC/2012/00000000487. The valuation report was signed by Andem Bassey (FNIVS, RSV) with FRC number FRC/2012/NIESV/00000000363.

14 Intangible assets

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|--------------------------------------|----------------------|----------------------|
| Cost | | |
| Balance at the beginning of the year | 67,147 | 66,979 |
| Addition during the year | - | 168 |
| Balance at the end of the year | 67,147 | 67,147 |
| Accumulated Amortization | | |
| Balance at the beginning of the year | 59,828 | 52,870 |
| Charge for the year | 6,120 | 6,958 |
| Balance at the end of the year | 65,948 | 59,828 |
| Net Book Value | | |
| Balance at the end of the year | 1,199 | 7,319 |

Notes to the financial statements

15 Property and equipment

At 31 December 2020

| <i>In thousands of Naira</i> | Land | Buildings | Motor Vehicles | Furniture and fittings | Computer hardware and office equipment | Building (Work in progress) | Total |
|------------------------------|---------|-----------|----------------|------------------------|--|-----------------------------|-----------|
| Cost/valuation | | | | | | | |
| At 1 January 2020 | 757,200 | 291,392 | 629,511 | 145,751 | 330,428 | 105,136 | 2,259,418 |
| Additions | - | 920 | - | 8,173 | 48,684 | - | 57,777 |
| Disposal | - | - | (47,800) | - | (2,875) | - | (50,675) |
| Revaluation loss | - | (4,495) | - | - | - | (19,275) | (23,770) |
| Revaluation gain | 90,220 | - | - | - | - | - | 90,220 |
| At 31 December 2020 | 847,420 | 287,817 | 581,711 | 153,924 | 376,237 | 85,861 | 2,332,970 |

Accumulated depreciation

| | | | | | | | |
|---------------------|---|--------|----------|---------|---------|---|----------|
| At 1 January 2020 | - | 82,083 | 388,009 | 133,171 | 274,975 | - | 878,238 |
| Charge for the year | - | 7,754 | 107,603 | 7,401 | 27,776 | - | 150,534 |
| Disposal | - | - | (43,425) | - | (1,893) | - | (45,318) |
| At 31 December 2020 | - | 89,837 | 452,187 | 140,572 | 300,858 | - | 983,454 |

Net book value

| | | | | | | | |
|---------------------|---------|---------|---------|--------|--------|---------|-----------|
| At 31 December 2020 | 847,420 | 197,980 | 129,524 | 13,352 | 75,379 | 85,861 | 1,349,516 |
| At 31 December 2019 | 757,200 | 209,309 | 241,502 | 12,580 | 55,453 | 105,136 | 1,381,180 |

At 31 December 2019

| <i>In thousands of Naira</i> | Land | Buildings | Motor Vehicles | Furniture and fittings | Computer hardware and office equipment | Building (Work in progress) | Total |
|------------------------------|---------|-----------|----------------|------------------------|--|-----------------------------|-----------|
| Cost/valuation | | | | | | | |
| At 1 January 2019 | 757,200 | 290,564 | 567,862 | 139,037 | 311,719 | 105,136 | 2,171,518 |
| Additions | - | 828 | 194,500 | 6,714 | 19,617 | - | 221,659 |
| Disposal | - | - | (132,851) | - | (908) | - | (133,759) |
| At 31 December 2019 | 757,200 | 291,392 | 629,511 | 145,751 | 330,428 | 105,136 | 2,259,418 |

Accumulated depreciation

| | | | | | | | |
|---------------------|---|--------|-----------|---------|---------|---|-----------|
| At 1 January 2019 | - | 74,384 | 422,393 | 125,067 | 246,660 | - | 868,504 |
| Charge for the year | - | 7,699 | 98,467 | 8,104 | 28,807 | - | 143,077 |
| Disposal | - | - | (132,851) | - | (492) | - | (133,343) |
| At 31 December 2019 | - | 82,083 | 388,009 | 133,171 | 274,975 | - | 878,238 |

Net book value

| | | | | | | | |
|---------------------|---------|---------|---------|--------|--------|---------|-----------|
| At 31 December 2019 | 757,200 | 209,309 | 241,502 | 12,580 | 55,453 | 105,136 | 1,381,180 |
| At 31 December 2018 | 757,200 | 216,180 | 145,469 | 13,970 | 65,059 | 105,136 | 1,303,014 |

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

| Class of PPE | 31 December 2020 | | | 31 December 2019 | | |
|------------------------------|------------------|---------|-----------|------------------|---------|-----------|
| <i>In thousands of Naira</i> | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Land | - | - | 847,420 | - | - | 757,200 |
| Building | - | - | 197,980 | - | - | 209,309 |
| Building (work in progress) | - | - | 85,861 | - | - | 105,136 |
| | - | - | 1,131,261 | - | - | 1,071,645 |

In December 2020, the Company's land and buildings were revalued. The Company engaged the services of an independent valuer, Andy Bassey & Associate Estate Surveyors & Valuers with firm FRC number FRC/2012/00000000487. The valuation report was signed by Andem Bassey (FNIVS, RSV) with FRC number FRC/2012/NIESV/00000000363. The Company revalues its land and buildings every three years as stated in its accounting policy.

As at year end, land and building are the Company's category of assets that are carried at valuation. See note 15(g) below for the value of land and building at historical cost

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

Notes to the financial statements

- (b) In the opinion of the directors, the market value of the Company's property and equipment is not less than the value shown in the financial statements as at year end.
- (c) The Company had no capital commitments as at the reporting date (2019: nil)
- (d) There was no item of property and equipment that has been pledged as security for borrowings as at the year ended 31 December 2020 (31 December 2019: nil)
- (e) An impairment assessment was conducted and no impairment indicator was identified.
- (f) The Company revalued the items of property and equipment in current year.

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

| Name of property | Date of acquisition | Title document | Location | Carrying amount | Steps taken for perfection of document |
|--|---------------------|--|--|------------------|--|
| Land and Building In Lekki express way | 20-Nov-05 | Deed of Assignment | Plot 20, Block 94, Lekki express way | 769,681 | Lagos State Governor Consent obtained on 26/09/2016 |
| Land and Building at Ilupeju | 12-Mar-02 | Deed of Assignment | 11A, Coker road, ilupeju, Lagos State | 98,100 | The company had applied to register the deed of assignment with the Lagos State Lands Registry |
| Land in Yenagoa | 30-Apr-12 | Letter of allocation by Bayelsa State Government | Central business district Swali, Yenagoa, | 55,000 | The company had applied to register the allocation letter with the Bayelsa State Lands Registry |
| Land in Port Harcourt | 26-Sep-03 | Deed of Assignment | Amadi layout along Port Harcourt/ Aba Express road | 208,480 | The company had applied to register the deed of assignment with the Rivers State Ministry of Lands |
| | | | | 1,131,261 | |

(g) Land and building: historical costs

The Company has adopted the carrying value of land and buildings as at 1 January 2012 as the deemed cost of the assets. This represents the cost of the assets when the Company first adopted IFRS.

If land and building were stated on the historical cost basis, the carrying amounts as at 31 December 2020 would be as follows:

| | Land | Buildings |
|--------------------------|----------------|---------------|
| | ₦'000 | ₦'000 |
| Cost | 266,348 | 79,144 |
| Accumulated depreciation | - | (10,030) |
| Net Book Value | 266,348 | 69,114 |

| 16 Statutory deposit | 31 Dec 2020 | 31 Dec 2019 |
|----------------------------|----------------|----------------|
| | ₦'000 | ₦'000 |
| Statutory deposit with CBN | 300,000 | 300,000 |

The statutory deposit represents the Company's deposit with the Central Bank of Nigeria in compliance with the Insurance Act of Nigeria. The amount is not available for the day-to-day funding operations of the Company. It is therefore regarded as restricted cash. Subsequent to year end, a deposit of N200 million was made by the Company to the Central Bank of Nigeria on 7 January 2021 to increase its statutory deposit from N300 million to N500 million.

| 17 Insurance contract liabilities | 31 Dec 2020 | 31 Dec 2019 |
|---|------------------|------------------|
| | ₦'000 | ₦'000 |
| Provision for claims reported by policyholders (note 17.1(a)) | 2,774,646 | 2,267,862 |
| Provision for IBNR (note 17.1(c)) | 894,791 | 704,646 |
| Outstanding claims provision | 3,669,437 | 2,972,508 |
| Provision for unearned premium (note 17.2) | 2,053,447 | 1,680,373 |
| Additional unexpired risk reserve (note 17.3) | 5,777 | - |
| Total insurance contract liabilities | 5,728,661 | 4,652,881 |

Notes to the financial statements

17.1 Analysis of claims reserve based on nature

| | 31 December 2020 | | | 31 December 2019 | | |
|---------------------------------|------------------|--------------------|------------------|------------------|------------------|------------------|
| <i>In thousands of Naira</i> | Gross claims | Reinsurance | Net | Gross claims | Reinsurance | Net |
| Reported claims (see (a) below) | 2,774,646 | (1,239,009) | 1,535,637 | 2,267,862 | (429,637) | 1,838,225 |
| IBNR (see (c) below) | 894,791 | (144,014) | 750,777 | 704,646 | (150,873) | 553,773 |
| | 3,669,437 | (1,383,023) | 2,286,414 | 2,972,508 | (580,510) | 2,391,998 |

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

| | 31 December 2020 | | | 31 December 2019 | | |
|--------------------------------------|------------------|--------------------|------------------|------------------|------------------|------------------|
| <i>In thousands of Naira</i> | Reported claims | Reinsurance | Net | Reported claims | Reinsurance | Net |
| Balance at the beginning of the year | 2,267,862 | (429,637) | 1,838,225 | 2,382,164 | (212,969) | 2,169,195 |
| Movement during the year | 506,784 | (809,372) | (302,588) | (114,302) | (216,668) | (330,970) |
| Balance at the end of the year | 2,774,646 | (1,239,009) | 1,535,637 | 2,267,862 | (429,637) | 1,838,225 |

Analysis of outstanding claims per class of business:

| | 31 December 2020 | | | 31 December 2019 | | |
|------------------------------|--------------------------|------------------------|------------------|--------------------------|------------------------|------------------|
| <i>In thousands of Naira</i> | Gross Outstanding claims | Reinsurance recoveries | Net | Gross Outstanding claims | Reinsurance recoveries | Net |
| Motor | 200,482 | (27,423) | 173,059 | 165,739 | (24,635) | 141,104 |
| Fire | 703,609 | (502,694) | 200,915 | 234,389 | (175,624) | 58,765 |
| General accident | 654,828 | (383,100) | 271,728 | 375,859 | (152,567) | 223,292 |
| Engineering | 346,789 | (285,978) | 60,811 | 104,843 | (62,163) | 42,680 |
| Marine | 69,706 | (22,705) | 47,001 | 58,782 | (14,648) | 44,134 |
| Bond | 73,315 | - | 73,315 | 73,315 | - | 73,315 |
| Aviation | 31,835 | (5,000) | 26,835 | 71,652 | - | 71,652 |
| Oil & Gas | 694,082 | (12,108) | 681,974 | 1,183,283 | - | 1,183,283 |
| | 2,774,646 | (1,239,009) | 1,535,637 | 2,267,862 | (429,637) | 1,838,225 |

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

| | 31 Dec 2020 | 31 Dec 2019 |
|-------------------------|------------------|------------------|
| <i>Days outstanding</i> | ₦'000 | ₦'000 |
| 0 - 90 days | 1,259,250 | 586,096 |
| 91 - 180 days | 243,261 | 153,844 |
| 181 - 270 days | 130,443 | 96,322 |
| 271 - 365 days | 144,823 | 159,689 |
| Over 365 days | 996,869 | 1,271,911 |
| Total | 2,774,646 | 2,267,862 |

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

| Outstanding claims days | Amount | Remarks |
|--------------------------------|------------------|---|
| | ₦'000 | |
| 0 - 90 days | 1,259,250 | Claim reported but incomplete documentation |
| 91 - 180 days | 243,261 | Claim reported but incomplete documentation |
| 181 - 270 days | 130,443 | Claim reported but incomplete documentation |
| 271 - 365 days | 144,247 | Claim reported but incomplete documentation |
| 271 - 365 days | 576 | Claim repudiated |
| Over 365 days | 1,632 | Adjusters fee payable |
| Over 365 days | 36,695 | Awaiting adjusters final adjustment |
| Over 365 days | 790,017 | Claim reported but incomplete documentation |
| Over 365 days | 8,725 | Claim reported but no documentation |
| Over 365 days | 85,388 | Claim reported but being adjusted |
| Over 365 days | 73,315 | Litigation awarded |
| Over 365 days | 1,097 | Insured instructed has advices reopening |
| | 2,774,646 | |

Notes to the financial statements

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

| | 31 December 2020 | | | 31 December 2019 | | |
|------------------------------|------------------|----------------|----------------|------------------|------------------|----------------|
| <i>In thousands of Naira</i> | IBNR claims | Reinsurance | Net | IBNR claims | Reinsurance | Net |
| At the beginning of the year | 704,646 | 150,873 | 553,773 | 419,061 | (47,225) | 466,286 |
| Movement during the year | 190,145 | (6,859) | 197,004 | 285,585 | (103,648) | 389,233 |
| At the end of the year | 894,791 | 144,014 | 750,777 | 704,646 | (150,873) | 855,519 |

Analysis of IBNR claims per class of business:

| | 31 December 2020 | | | 31 December 2019 | | |
|------------------------------|------------------|------------------------|----------------|------------------|------------------------|----------------|
| <i>In thousands of Naira</i> | IBNR claims | Reinsurance recoveries | Net | IBNR claims | Reinsurance recoveries | Net |
| Motor | 152,908 | (9,812) | 143,096 | 89,639 | (20,060) | 69,579 |
| Fire | 131,469 | (67,695) | 63,774 | 125,908 | (52,633) | 73,275 |
| General accident | 99,077 | (31,659) | 67,418 | 94,350 | (29,406) | 64,944 |
| Engineering | 62,377 | (26,741) | 35,636 | 57,863 | (17,111) | 40,752 |
| Marine | 28,169 | (6,856) | 21,313 | 55,261 | (23,808) | 31,453 |
| Bond | 7,015 | (33) | 6,982 | - | - | - |
| Aviation | 21,821 | - | 21,821 | - | - | - |
| Oil & Gas | 391,955 | (1,218) | 390,737 | 281,625 | (7,855) | 273,770 |
| | 894,791 | (144,014) | 750,777 | 704,646 | (150,873) | 553,773 |

The Liability Adequacy Test (LAT) was carried out by EY Nigeria, a firm of certified actuaries with FRC number FRC/2012/00000000339. The valuation report was signed by O.O Okpaise with FRC number FRC/2012/NAS/00000000738. The claims reserve was calculated using the Discounted Basic Chain Ladder method. Assumptions used in the valuation are as follows:

| | 31 Dec 2020 | 31 Dec 2019 |
|---|-------------|-------------|
| Projected inflation rate (assume rate will remain unchanged into the future) | - | 12% |
| Current short-term yield | 7% | 19% |
| Discount rate | 7% | 14% |
| * Run off period of five years. | | |
| * Policies are written uniformly throughout the year for each class of business. | | |
| * Future claims follow a regression pattern from the historical data. Hence payment patterns will be broadly similar in each accident year. | | |
| * An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged into the future. | | |

Notes to the financial statements

17.2 Breakdown of unearned premium per class of business:

| | 31 December 2020 | | | 31 December 2019 | | |
|------------------------------|--------------------------------|------------------------|------------------|--------------------------------|------------------------|------------------|
| <i>In thousands of Naira</i> | Unearned Premium Reserve | Prepaid Reinsurance | Net | Unearned Premium Reserve | Prepaid Reinsurance | Net |
| Motor | 553,956 | (196) | 553,760 | 423,931 | - | 423,931 |
| Fire | 343,766 | (234,787) | 108,979 | 271,645 | 144,259 | 127,386 |
| General accident | 206,504 | (114,235) | 92,269 | 194,831 | 87,722 | 107,109 |
| Engineering | 169,395 | (87,567) | 81,828 | 77,758 | 58,596 | 19,163 |
| Marine | 211,240 | (136,557) | 74,683 | 106,341 | 49,925 | 56,415 |
| Bond | 1,155 | (624) | 531 | 3,046 | 762 | 2,284 |
| Aviation | 77,882 | (27,192) | 50,690 | 92,584 | 81,116 | 11,468 |
| Oil & Gas | 489,549 | (251,565) | 237,984 | 510,237 | 193,266 | 316,971 |
| | 2,053,447 | (852,723) | 1,200,724 | 1,680,373 | (615,645) | 1,064,728 |

(a) The movement in the unearned premium reserves is shown below:

| | 31 December 2020 | | | 31 December 2019 | | |
|--------------------------------------|--------------------------------|------------------------|------------------|--------------------------------|------------------------|------------------|
| <i>In thousands of Naira</i> | Unearned Premium Reserve | Prepaid Reinsurance | Net | Unearned Premium Reserve | Prepaid Reinsurance | Net |
| Balance at the beginning of the year | 1,680,373 | 615,645 | 1,064,728 | 1,488,029 | 357,810 | 1,130,219 |
| Premium written in the year | 8,331,841 | 3,739,666 | 4,592,175 | 6,518,964 | 2,871,075 | 3,647,889 |
| Premium earned during the year | (7,958,767) | (3,502,588) | (4,456,179) | (6,326,620) | (2,613,240) | (3,713,380) |
| Balance at the end of the year | 2,053,447 | 852,723 | 1,200,724 | 1,680,373 | 615,645 | 1,064,728 |

| | 31 December 2020 | | | 31 December 2019 | | |
|--|--------------------------------|------------------------|------------------|--------------------------------|------------------------|------------------|
| <i>In thousands of Naira</i> | Unearned Premium Reserve | Prepaid Reinsurance | Net | Unearned Premium Reserve | Prepaid Reinsurance | Net |
| Unexpired risk reserve | 1,680,373 | 615,645 | 1,064,728 | 1,488,029 | 357,810 | 1,130,219 |
| Additional unexpired risk reserve from actuarial valuation | 373,074 | 237,078 | 135,996 | 192,344 | 257,835 | (65,491) |
| Balance at the end of the year | 2,053,447 | 852,723 | 1,200,724 | 1,680,373 | 615,645 | 1,064,728 |

17.3 Breakdown of additional unexpired risk reserve per class of business:

| | 31 Dec 2020 | 31 Dec 2019 |
|------------------|--------------|-------------|
| | ₦'000 | ₦'000 |
| Fire | 3,409 | - |
| General accident | 2,368 | - |
| | 5,777 | - |

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

| | 31 Dec 2020 | 31 Dec 2019 |
|--------------------------------------|--------------|-------------|
| | ₦'000 | ₦'000 |
| Balance at the beginning of the year | - | - |
| Movement during the year | 5,777 | - |
| Balance at the end of the year | 5,777 | - |

Notes to the financial statements

18 Hypothecation

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, the Company's investment proceeds will not be sufficient to fund the obligations arising from its insurance contracts and investment portfolio. In response to this risk, the Company's assets and liabilities are allocated between Insurance fund and Shareholders funds as follows;

In thousands of Naira

Assets

| | 31-Dec-20 | | | 31-Dec-19 | | |
|-----------------------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | Insurance fund | Shareholders fund | Total | Insurance fund | Shareholders fund | Total |
| Cash and cash equivalents | 3,242,711 | 350,000 | 3,592,711 | 1,259,222 | 350,000 | 1,609,222 |
| Financial assets | 1,509,466 | 23,634,675 | 25,144,141 | 5,188,148 | 18,210,025 | 23,398,173 |
| Reinsurance assets | 2,445,920 | - | 2,445,920 | 1,121,787 | - | 1,121,787 |
| Deferred acquisition cost | - | 328,812 | 328,812 | - | 262,550 | 262,550 |
| Other receivables and prepayments | - | 501,131 | 501,131 | - | 408,303 | 408,303 |
| Investment properties | - | 150,000 | 150,000 | - | 150,000 | 150,000 |
| Intangible assets | - | 1,199 | 1,199 | - | 7,319 | 7,319 |
| Property and equipment | - | 1,349,516 | 1,349,516 | - | 1,381,180 | 1,381,180 |
| Statutory deposit | - | 300,000 | 300,000 | - | 300,000 | 300,000 |
| Total assets | 7,198,097 | 26,615,333 | 33,813,430 | 7,569,157 | 21,069,377 | 28,638,534 |

Liabilities

| | | | | | | |
|--------------------------------|------------------|--------------|--------------|------------------|------------------|------------------|
| Insurance contract liabilities | 5,728,661 | - | 5,728,661 | 4,652,881 | - | 4,652,881 |
| Trade payables | - | 704,169 | 704,169 | - | 363,724 | 363,724 |
| Other payables | - | 819,984 | 819,984 | - | 460,618 | 460,618 |
| Finance lease obligations | - | 219 | 219 | - | 61,923 | 61,923 |
| Defined benefit obligations | - | 62,981 | 62,981 | - | 49,846 | 49,846 |
| Income tax liabilities | - | 82,565 | 82,565 | - | 75,390 | 75,390 |
| Deferred tax liabilities | - | #REF! | #REF! | - | - | - |
| Total liabilities | 5,728,661 | #REF! | #REF! | 4,652,881 | 1,011,501 | 5,664,382 |

GAP

| | | | | | | |
|--|-----------|-------|-------|-----------|------------|------------|
| | 1,469,436 | #REF! | #REF! | 2,916,276 | 20,057,876 | 22,974,152 |
|--|-----------|-------|-------|-----------|------------|------------|

- (i) Asset allocation was done in accordance with NAICOM guidelines to meet the minimum requirement of Section 26(1)(c) of the Insurance Act 2003 for hypothecation of investments representing the insurance funds

19 Trade payables

Insurance payables (note 19.1)

| 31 Dec 2020 | 31 Dec 2019 |
|----------------|----------------|
| ₦'000 | ₦'000 |
| 704,169 | 363,724 |
| 704,169 | 363,724 |

19.1 Insurance payables

Commission payables to brokers
Premium received in advance
Due to re-insurers
Other payables to agents and brokers

| 31 Dec 2020 | 31 Dec 2019 |
|----------------|----------------|
| ₦'000 | ₦'000 |
| 96,037 | 63,749 |
| 2,936 | 2,868 |
| 504,926 | 223,235 |
| 100,270 | 73,872 |
| 704,169 | 363,724 |

Movement in insurance payables

Balance at the beginning of the year
Increase in the year
Balance at the end of the year

| 31 Dec 2020 | 31 Dec 2019 |
|----------------|----------------|
| ₦'000 | ₦'000 |
| 363,724 | 144,234 |
| 340,445 | 219,490 |
| 704,169 | 363,724 |

Notes to the financial statements

20 Other payables

| | 31 Dec 2020 | 31 Dec 2019 |
|---|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Due to Auditors | 25,000 | 25,000 |
| NAICOM levy | 83,318 | 65,190 |
| Expenses payable (see note 20.1) | 296,506 | 66,165 |
| Deferred commission revenue (see (a) below) | 175,234 | 108,373 |
| Other payables (see note 20.2a) | 239,926 | 192,890 |
| Provision (see note 20.2b) | 103,000 | 3,000 |
| | 922,984 | 460,618 |

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

| | 31 Dec 2020 | 31 Dec 2019 |
|--|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Deferred commission income as at 1 January | 108,373 | 74,399 |
| Fees and commission received during the year (see note 34.2) | 656,162 | 588,129 |
| Fees and commission earned during the year | (589,301) | (554,155) |
| Deferred commission income as at 31 December | 175,234 | 108,373 |

20.1 Expense payable

| | 31 Dec 2020 | 31 Dec 2019 |
|----------------------------------|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Expenses accrued (see (i) below) | 296,506 | 66,165 |
| | 296,506 | 66,165 |

- (i) This represents expenses incurred during the year by the Company but for which bills/invoices have not been received from vendors as at 31 December 2019.

20.2 Other liabilities

(a) Other payables

| | 31 Dec 2020 | 31 Dec 2019 |
|---|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Travel insurance | 975 | 2,517 |
| National Housing Fund (NHF) | 1,025 | 1,022 |
| Pension for Life agents/Company | 603 | 555 |
| Deposit without details (see (c) below) | 217,086 | 182,228 |
| Sundry payables | 20,237 | 6,568 |
| | 239,926 | 192,890 |

(b) Provisions

| | 31 Dec 2020 | 31 Dec 2019 |
|--|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Provision for litigation (see (i) below) | 103,000 | 3,000 |
| | 103,000 | 3,000 |

- (i) Included in provision for litigation is a provision of N100 million which represents estimated outflow from a judgment delivered against the Company during the year. The case is being handled by Hybrid Solicitors with FRC number FRC/2021/00000013862; and solicitor's response was duly signed by Adepte Demilade with FRC number FRC/2021/002/00000022694.

Movement in provisions

| | 31 Dec 2020 | 31 Dec 2019 |
|--------------------------------------|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Balance at the beginning of the year | 3,000 | - |
| Increase in the year | 100,000 | 3,000 |
| Balance at the end of the year | 103,000 | 3,000 |

- (c) These are receipts for which the purpose have not been identified as at reporting date.

Notes to the financial statements

21 Lease liabilities

The Company leased six motor vehicles under finance lease in 2018 and 2019. The average lease term is 3 years. The Company has the option to purchase the motor vehicles for a nominal amount at the end of the lease term. The Company's obligation under finance leases are secured by the lessor's title to the leased assets.

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

| | Future minimum lease payments | | Interest | | Present value of future minimum lease payments | |
|--|-------------------------------|-------------|-------------|-------------|--|-------------|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Not later than one year | - | 39,916 | 219 | 8,422 | 219 | 31,494 |
| Later than one year but not later than five year | - | 34,197 | - | 3,768 | - | 30,429 |
| | - | 74,113 | 219 | 12,190 | 219 | 61,923 |

22 Defined benefit obligations

| | Defined benefit liability | | Fair value of plan assets | | Defined benefit liability / (asset) | |
|--|---------------------------|-------------|---------------------------|-------------|-------------------------------------|-------------|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| At the beginning of the year | 141,078 | 104,048 | (91,232) | (81,143) | 49,846 | 22,905 |
| Current service cost | 29,573 | 22,790 | - | - | 29,573 | 22,790 |
| Past service cost | - | - | - | - | - | - |
| Interest cost (income) | 18,413 | 15,623 | (15,683) | (10,089) | 2,730 | 5,534 |
| Contribution by employer | - | - | - | - | - | - |
| Benefits paid by the employer | (32,691) | (6,713) | - | - | (32,691) | (6,713) |
| Actuarial (gain)/loss on liability arising from: | | | | | | |
| - Assumptions | 20,667 | 17,742 | 8,336 | - | 29,003 | 17,742 |
| - Experience | (15,480) | (12,412) | - | - | (15,480) | (12,412) |
| At the end of the year | 161,560 | 141,078 | (98,579) | (91,232) | 62,981 | 49,846 |

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

Actuarial valuation of the defined benefit obligation was carried out by EY Nigeria, a firm of certified actuaries with FRC number FRC/2012/00000000339. The valuation report was signed by O.O Okpaise with FRC number FRC/2012/NAS/00000000738.

The valuation of defined benefit obligations was carried out using the Projected Unit Credit (PCU) method to establish value of the accrued liabilities. The principal assumptions used for the purpose of the actuarial valuations were as follows.

| | 31 Dec 2020 | 31 Dec 2019 |
|----------------------------------|-------------|-------------|
| | % | % |
| Long term discount rate (p.a.) | 7.5% | 13.5% |
| Average pay increase (p.a.) | 8.0% | 12.0% |
| Average rate of inflation (p.a.) | 11.0% | 11.0% |

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

31 December 2020

| | Change in assumption | | Impact on overall liability | |
|-------------------------|----------------------|---------|-----------------------------|---------|
| Discount rate | -1.00% | +1.00% | 176,163 | 148,875 |
| Future salary increases | -1.00% | +1.00% | 148,129 | 176,761 |
| Mortality experience | -1 year | +1 year | 161,359 | 161,784 |

31 December 2019

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

Notes to the financial statements

23 Current tax liabilities

In thousands of Naira

| | 31 Dec 2020 | 31 Dec 2019 |
|---------------------------------|---------------|---------------|
| At the beginning of the period | 75,390 | 203,979 |
| Payment during the year | (133,882) | (173,542) |
| Back duty assessment | 95,687 | - |
| Charge for the year (note 23.1) | 45,370 | 44,953 |
| At the end of the period | 82,565 | 75,390 |

23.1 Major components of the tax expense

In thousands of Naira

| | 31 Dec 2020 | 31 Dec 2019 |
|---|----------------|------------------|
| Minimum tax expense | 19,882 | 31,633 |
| Income tax expense | | |
| NITDA Levy | 25,361 | 13,255 |
| Police Trust Fund levy | 127 | 65 |
| Current income tax | 25,488 | 13,320 |
| Reversal of deductible temporary difference (note 24) | - | (158,381) |
| Back duty assessment | 95,687 | - |
| Tax expense/(credit) | 121,175 | (145,061) |
| Net tax | 141,057 | (113,428) |

23.2 Reconciliation of tax charge

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

| | 31 Dec 2020 | | 31 Dec 2019 | |
|---|-------------|----------------|-------------|------------------|
| | Rate | ₦'000 | Rate | ₦'000 |
| Profit before tax | | 2,536,069 | | 1,338,726 |
| Information technology levy | | 25,361 | | 13,255 |
| | | 2,561,430 | | 1,351,981 |
| Expected income tax expense at statutory rate | 30% | 768,429 | 30% | 405,594 |
| Information technology levy | 1% | 25,361 | 1% | 13,255 |
| Tertiary education tax | 2% | 50,721 | 2% | 26,775 |
| Non-deductible expenses | 14% | 345,938 | 15% | 196,318 |
| Tax exempt income | -42% | (1,069,401) | -59% | (787,068) |
| Police Trust Fund levy | 0% | 127 | 0% | 65 |
| | 5% | 121,175 | -11% | (145,061) |

24 Deferred taxation

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

The Company did not have net deferred tax assets/(liabilities) that were recognized during the year. Information relating the unrecognized deferred tax assets for the year is shown in Note 24(a) and (b). The 2019 comparative are shown below.

31 Dec 2019

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

Notes to the financial statements

(a) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

| <i>In thousand of Naira</i> | 31 Dec 2020 | | 31 Dec 2019 | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | Gross Amount | Tax effect | Gross Amount | Tax effect |
| Tax losses (see 'b' below) | 752,543 | 240,814 | 749,624 | 239,880 |
| | 752,543 | 240,814 | 749,624 | 239,880 |

(b) Tax losses carried forward

Tax losses for which no deferred tax asset was recognized expire as follows.

| <i>In thousand of Naira</i> | 31 Dec 2020 | 31 Dec 2019 |
|-----------------------------|-------------|-------------|
| Never expire | 752,543 | 749,624 |

25 Share capital

Authorized - ordinary shares of 50k each
(30,000,000,000 units)

| 31 Dec 2020 | 31 Dec 2019 |
|-------------------|-------------------|
| ₦'000 | ₦'000 |
| 15,000,000 | 15,000,000 |

Issued and fully paid

At the beginning of the year

Addition (see (a) below)

Recognition of share fractions (see (b) below)

At the end of the year

| 31 Dec 2020 | 31 Dec 2019 |
|------------------|------------------|
| ₦'000 | ₦'000 |
| 3,999,999 | 3,999,999 |
| 1,000,000 | - |
| 1 | - |
| 5,000,000 | 3,999,999 |

(a) The addition to issued and fully paid-up share capital represents the value of bonus shares allocated to existing shareholders during the year. The bonus issue is one ordinary shares for every four existing shares. The bonus issue was made from retained earnings.

(b) This represents the recognition of fractions in the number of shares carried over from previous years.

26 Share premium

At the end of the year

| 31 Dec 2020 | 31 Dec 2019 |
|----------------|----------------|
| ₦'000 | ₦'000 |
| 729,044 | 729,044 |

27 Contingency reserve

At the beginning of the year

Transfer from retained earnings (see Note 28)

At the end of the year

| 31 Dec 2020 | 31 Dec 2019 |
|------------------|------------------|
| ₦'000 | ₦'000 |
| 2,068,770 | 1,778,339 |
| 479,002 | 290,431 |
| 2,547,773 | 2,068,770 |

Contingency reserve for general insurance business is calculated in accordance with section 21(2) and 22(1)(b) of the Insurance Act of Nigeria, as the higher of 3% of gross premiums and 20% of net profit for the year. For the year ended 2020, the transfer to contingency reserves was determined based on 20% of net profit for the year (2019: 20% of net profit).

28 Retained earnings

At the beginning of the year

Bonus share issue

Profit for the year

Transfer to contingency reserve (see Note 27)

At the end of the year

| 31 Dec 2020 | 31 Dec 2019 |
|------------------|------------------|
| ₦'000 | ₦'000 |
| 2,392,175 | 1,230,452 |
| (1,000,000) | - |
| 2,395,012 | 1,452,154 |
| (479,002) | (290,431) |
| 3,308,185 | 2,392,175 |

29 Assets revaluation reserve

At the beginning of the year

Revaluation gain/(loss) on property and equipment

At the end of the year

| 31 Dec 2020 | 31 Dec 2019 |
|----------------|----------------|
| ₦'000 | ₦'000 |
| 752,083 | 752,083 |
| 76,690 | - |
| 828,773 | 752,083 |

The asset revaluation reserves comprises cumulative net revaluation change on revalued Property and Equipment. The Company revalued its land and buildings as at 31 December 2020.

30 Other reserves

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

Notes to the financial statements

30.1 Fair value reserve

| | 31 Dec 2020 | 31 Dec 2019 |
|---------------------------|-------------|-------------|
| | ₦'000 | ₦'000 |
| Balance as at 31 December | 13,948,807 | 13,079,548 |

Movement in Fair value reserve

| | 31 Dec 2020 | 31 Dec 2019 |
|---------------------------------|-------------|-------------|
| | ₦'000 | ₦'000 |
| Balance as at January 1 | 13,079,548 | 9,406,809 |
| Fair value gain during the year | 869,259 | 3,672,739 |
| Balance as at December 31 | 13,948,807 | 13,079,548 |

30.2 Re-measurement reserve

| | 31 Dec 2020 | 31 Dec 2019 |
|--|-------------|-------------|
| | ₦'000 | ₦'000 |
| Balance as at 31 December | 18,431 | 23,761 |
| Defined benefits actuarial (loss)/gain | (5,187) | (5,330) |
| | 13,244 | 18,431 |

31 Gross premium written

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

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

31 December 2020

Motor
Fire
General accident
Engineering
Marine
Bond
Aviation
Oil & Gas

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

31 December 2019

Motor
Fire
General accident
Engineering
Marine
Bond
Aviation
Oil & Gas

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

32 Gross premium income

| | 31 Dec 2020 | 31 Dec 2019 |
|---|-------------|-------------|
| | ₦'000 | ₦'000 |
| Gross premium written (note 31) | 8,331,841 | 6,518,964 |
| Changes in reserve for unexpired risks (note 17.2(a)) | (378,851) | (192,344) |
| | 7,952,990 | 6,326,620 |

33 Reinsurance expenses

| 31 Dec 2020 | 31 Dec 2019 |
|-------------|-------------|
| ₦'000 | ₦'000 |
| 3,502,588 | 2,613,240 |

Notes to the financial statements

33.1 Premium ceded to reinsurance:

| | 31 Dec 2020 | 31 Dec 2019 |
|--|------------------|------------------|
| | ₦'000 | ₦'000 |
| Reinsurance premium cost | 3,121,391 | 2,592,312 |
| Facultative outwards | 618,275 | 278,763 |
| Total reinsurance cost (see (a) below) | 3,739,666 | 2,871,075 |
| Decrease in prepaid reinsurance | (237,078) | (257,835) |
| | 3,502,588 | 2,613,240 |

(a) Local and foreign reinsurance ceded during the year

| | | |
|----------------------------------|------------------|------------------|
| Reinsurance premium paid local | 1,789,012 | 279,697 |
| Reinsurance premium paid foreign | 1,950,654 | 2,591,378 |
| | 3,739,666 | 2,871,075 |

33.2 Breakdown of premium expenses by business class is as follows:

| | 31 Dec 2020 | 31 Dec 2019 |
|------------------|------------------|------------------|
| | ₦'000 | ₦'000 |
| Motor | 4,619 | 21,566 |
| Fire | 788,132 | 500,570 |
| General accident | 478,968 | 343,204 |
| Engineering | 227,927 | 174,804 |
| Marine | 279,283 | 171,613 |
| Bond | 3,315 | 7,547 |
| Aviation | 361,581 | 288,357 |
| Oil & Gas | 1,358,762 | 1,105,579 |
| | 3,502,588 | 2,613,240 |

34 Fees and commission income

| | 31 Dec 2020 | 31 Dec 2019 |
|--|----------------|----------------|
| | ₦'000 | ₦'000 |
| | 625,656 | 555,634 |

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

| | 31 Dec 2020 | 31 Dec 2019 |
|------------------|----------------|----------------|
| | ₦'000 | ₦'000 |
| Motor | 839 | 1,582 |
| Fire | 249,020 | 156,388 |
| General accident | 141,310 | 114,989 |
| Engineering | 97,850 | 52,354 |
| Marine | 85,050 | 54,853 |
| Bond | 967 | 2,029 |
| Aviation | 1,974 | 205 |
| Oil & Gas | 48,646 | 173,234 |
| | 625,656 | 555,634 |

34.2 Breakdown of fees and commission income is as follows:

| | 31 Dec 2020 | 31 Dec 2019 |
|--|----------------|----------------|
| | ₦'000 | ₦'000 |
| Lead underwriting commission | 36,355 | 1,479 |
| Reinsurance commission (Note 20(a)) | 656,163 | 588,129 |
| Changes in deferred commission revenue | (66,862) | (33,974) |
| | 625,656 | 555,634 |

35 Net claims expenses

| | 31 Dec 2020 | 31 Dec 2019 |
|--|------------------|------------------|
| | ₦'000 | ₦'000 |
| Gross claims paid | 2,404,455 | 2,436,577 |
| Movement in IBNR reserve (see note 17.1(c)) | 190,145 | 285,585 |
| Movement in reserve for outstanding claims | 506,784 | (114,302) |
| Gross claims incurred | 3,101,384 | 2,607,860 |
| Salvage recovery | (22,678) | (50,384) |
| Claims recovered and recoverable from reinsurers (see (a) below) | (1,710,772) | (909,573) |
| | 1,367,934 | 1,647,903 |

Notes to the financial statements

a) Analysis of claims recovered and recoverable from reinsurers

| | 31 Dec 2020 | 31 Dec 2019 |
|--|------------------|----------------|
| | ₦'000 | ₦'000 |
| Reinsurance claims recoveries (see note 45c) | 908,259 | 589,257 |
| Change in re-insurance recoverable (see note 10) | 809,372 | 216,668 |
| Change in recoverable in IBNR (see note 10) | (6,859) | 103,648 |
| | 1,710,772 | 909,573 |

36 Underwriting expenses

| | 31 Dec 2020 | 31 Dec 2019 |
|----------------------------------|------------------|------------------|
| | ₦'000 | ₦'000 |
| Acquisition expenses (note 36.1) | 1,608,622 | 1,328,969 |
| Maintenance expenses (note 36.2) | 1,273,913 | 882,902 |
| | 2,882,535 | 2,211,871 |

36.1 Analysis of acquisition expenses

| | 31 Dec 2020 | 31 Dec 2019 |
|---|------------------|------------------|
| | ₦'000 | ₦'000 |
| Commission cost during the year | 1,383,219 | 1,095,745 |
| Business acquisition cost | 291,665 | 236,676 |
| Movement in deferred acquisition cost (note 11.2) | (66,262) | (3,452) |
| | 1,608,622 | 1,328,969 |

36.2 Analysis of maintenance expenses

| | 31 Dec 2020 | 31 Dec 2019 |
|---------------------------------------|------------------|----------------|
| Staff costs (see note 41) | 441,186 | 327,052 |
| Directors' emoluments (see note 41) | 37,946 | 42,398 |
| Retirement benefit cost (see note 41) | 37,673 | 35,016 |
| Other operating expenses (note 41) | 757,107 | 478,436 |
| | 1,273,913 | 882,902 |

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

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

37 Investment income

| | 31 Dec 2020 | 31 Dec 2019 |
|---|------------------|------------------|
| | ₦'000 | ₦'000 |
| Dividend income (see (a) below) | 906,959 | 785,629 |
| Interest income (see (b) below) | 1,104,856 | 1,451,953 |
| Investment income per statement of profit or loss and OCI | 2,011,815 | 2,237,582 |
| Revaluation (loss)/gain on investment properties (see note 13b) | - | 6,000 |
| Investment income for hypothecation | 2,011,815 | 2,243,582 |

(a) Breakdown of Dividend income

| | 31 Dec 2020 | 31 Dec 2019 |
|--|----------------|----------------|
| | ₦'000 | ₦'000 |
| Stanbic IBTC Pension Manager Limited | 721,176 | 762,353 |
| Stanbic IBTC Holdings Plc | 1,076 | 1,121 |
| Zenith Bank Plc | 105,416 | 1,245 |
| Guaranty Trust Bank Plc | 48,373 | 6,491 |
| Dangote Cement Plc | 5,169 | 6,856 |
| Dangote Sugar Plc | 1,439 | - |
| Access Bank Plc | 889 | 342 |
| Stanbic IBTC Asset Management Limited | - | 1,815 |
| MTN Nigeria Communications Plc | 11,507 | 3,865 |
| Nestle Nigeria Plc | 825 | 207 |
| Seplat Petroleum Development Company Plc | - | 489 |
| Nigerian Breweries Plc | 4,991 | 33 |
| United Bank for Africa Plc | 5,719 | - |
| Presco Plc | - | 454 |
| May & Baker | 19 | - |
| Okomu Oil Palm Plc | 350 | 350 |
| Flour Mills Nigeria Plc | 10 | 8 |
| | 906,959 | 785,629 |

Notes to the financial statements

| | | | |
|--|--|--------------------|--------------------|
| (b) Breakdown of Interest income | | 31 Dec 2020 | 31 Dec 2019 |
| | | ₦'000 | ₦'000 |
| Interests from placement with Banks and financial institutions | | 168,817 | 174,404 |
| Interests from Treasury bills | | 90,895 | 946,268 |
| Interest income from FGN Bonds | | 576,640 | 220,598 |
| Interest income from State Bonds | | 56,139 | 19,265 |
| Interest income from Corporate Bonds | | 131,919 | 78,438 |
| Interest income from FGN Promissory notes | | 32,094 | - |
| Interest income from commercial papers | | - | 12,980 |
| Interest income from Corporate investment notes | | 48,352 | - |
| | | 1,104,856 | 1,451,953 |
| 37.1 Hypothecation of investment income | | 31 Dec 2020 | 31 Dec 2019 |
| | | ₦'000 | ₦'000 |
| Investment income that relate to policyholders (note 37.2) | | 168,817 | 174,404 |
| Investment income that relate to shareholders (note 37.3) | | 1,842,998 | 2,585,946 |
| | | 2,011,815 | 2,760,350 |
| 37.2 Investment income that relate to policy holders | | 31 Dec 2020 | 31 Dec 2019 |
| | | ₦'000 | ₦'000 |
| Income from money market | | 168,817 | 174,404 |
| | | 168,817 | 174,404 |
| 37.3 Investment income that relate to shareholders | | 31 Dec 2020 | 31 Dec 2019 |
| | | ₦'000 | ₦'000 |
| Dividend income | | 906,959 | 785,629 |
| Income from money market | | 90,895 | 946,268 |
| Income from bonds | | 764,698 | 318,301 |
| Other investment income | | 80,446 | 12,980 |
| Revaluation (loss)/gain on investment properties | | - | 6,000 |
| | | 1,842,998 | 2,585,946 |
| 38 Net impairment loss on financial assets | | 31 Dec 2020 | 31 Dec 2019 |
| | | ₦'000 | ₦'000 |
| Impairment loss on financial instruments | | 4,389 | 74,025 |
| Impairment loss on sundry receivables | | 7,828 | - |
| Impairment loss on loans and receivables | | 72,678 | 25,261 |
| | | 84,895 | 99,286 |
| 39 Net fair value gains/(loss) on financial assets at fair value through profit or loss | | 31 Dec 2020 | 31 Dec 2019 |
| | | ₦'000 | ₦'000 |
| Fair value change on FVTPL securities ((see (a) below) | | 1,819,593 | 516,768 |
| (a) Breakdown of Fair value changes on FVTPL securities | | 31 Dec 2020 | 31 Dec 2019 |
| | | ₦'000 | ₦'000 |
| Fair value gain/loss on FGN Bonds | | 1,274,637 | 244,508 |
| Fair value gain/loss on State Bonds | | 81,136 | 4,172 |
| Fair value gain/loss on Corporate Bonds | | 16,900 | 78,643 |
| Fair value gain/(loss) on Equity investments | | 356,226 | (90,589) |
| Fair value gain on Fund managers | | 90,694 | 280,034 |
| | | 1,819,593 | 516,768 |
| 40 Other operating income/(loss) (net) | | 31 Dec 2020 | 31 Dec 2019 |
| | | ₦'000 | ₦'000 |
| Sundry income | | 29,884 | 11,883 |
| (Loss)/profit on sale of property & equipment | | (4,204) | 5,275 |
| Foreign exchange gains/(loss) | | 33,859 | (1,774) |
| Rental income | | 4,500 | 11,000 |
| | | 64,039 | 26,384 |

Notes to the financial statements

41 Fair value changes on property and equipment

Revaluation loss on property and equipment (see (i) below)

| 31 Dec 2020 | 31 Dec 2019 |
|-------------|-------------|
| N'000 | N'000 |
| (10,240) | - |

- (i) The amount represents the excess of revaluation loss on items property and equipment recognized in statement of profit or loss and other comprehensive income. The Company had revaluation loss of N23.77 million on some items of property and equipment during the year, out of which, N13.53 million was used to reverse a previous revaluation gain recognized in asset revaluation reserve.

42 Operating expenses

Maintenance and management expenses comprise:

In thousands of Naira

| | 31 Dec 2020 | | 31 Dec 2019 | |
|--|----------------------|---------------------|----------------------|---------------------|
| | Maintenance Expenses | Management Expenses | Maintenance Expenses | Management Expenses |
| Staff costs | 441,186 | 661,779 | 327,052 | 490,578 |
| Director emoluments | 37,946 | 56,920 | 42,398 | 63,598 |
| Pension contribution | 13,371 | 20,056 | 12,804 | 19,207 |
| Retirement benefits | 24,302 | 36,454 | 22,211 | 33,317 |
| Outsourced staff costs | 57,939 | 86,908 | 54,099 | 81,148 |
| Advertising & publicity | 5,854 | 8,780 | 6,243 | 9,364 |
| Marketing expenses | 11,173 | 16,759 | 10,388 | 15,581 |
| Medical expenses | 19,044 | 28,566 | 14,706 | 22,058 |
| Staff training & development | 11,945 | 17,917 | 50,804 | 76,207 |
| Corporate expenses | 651,152 | - | 342,197 | - |
| AGM expenses | - | 15,000 | - | 28,249 |
| Bank charges | - | 38,766 | - | 31,766 |
| Computer consumables | - | 110 | - | 457 |
| Depreciation & amortization | - | 156,655 | - | 150,035 |
| Diesel and fuel expenses | - | 53,526 | - | 59,067 |
| Entertainment expenses | - | 1,376 | - | 2,060 |
| Fines & penalties | - | - | - | 7,250 |
| Industrial training fund | - | 4,874 | - | 8,824 |
| Insurance expenses | - | 19,646 | - | 32,956 |
| Insurance supervision fee | - | 104,135 | - | 92,514 |
| Legal and secretarial expenses | - | 151,842 | - | 38,287 |
| Lighting & heating | - | 6,896 | - | 7,445 |
| Maintenance expenses | - | 133,806 | - | 110,620 |
| Newspapers & periodicals | - | 872 | - | 871 |
| Postage and telephone | - | 19,816 | - | 14,359 |
| Consultancy expenses | - | 160,008 | - | 78,467 |
| Rent & rates | - | 40,388 | - | 41,608 |
| Stationaries | - | 12,178 | - | 18,252 |
| Subscriptions, contributions & donations | - | 14,771 | - | 40,813 |
| Transport and business travels | - | 10,588 | - | 19,805 |
| Withholding tax & VAT | - | 84,550 | - | 41,827 |
| Audit fees | - | 25,000 | - | 25,000 |
| Lease expense (see note (i) below) | - | 9,503 | - | 19,978 |
| Other expenses | - | 91,387 | - | 76,394 |
| Total | 1,273,913 | 2,089,832 | 882,902 | 1,757,962 |

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

- (ii) The increase in corporate expenses relates to corporate donations and expenses incurred for business growth.

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

| | 31 Dec 2020 | 31 Dec 2019 |
|--------------------|-------------|-------------|
| | Number | Number |
| Managing Director | 1 | 1 |
| Executive Director | 1 | 1 |
| Management | 28 | 12 |
| Non-Management | 144 | 166 |
| | 174 | 180 |

Notes to the financial statements

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

| | 31 Dec 2020 | 31 Dec 2019 |
|-------------------------|-------------|-------------|
| | Number | Number |
| Less than N300,000 | 2 | 3 |
| N300,001 - N2,000,000 | 15 | 26 |
| N2,000,001 - N2,800,000 | 61 | 55 |
| N2,800,001 - N3,500,000 | 10 | 6 |
| N3,500,001 - N4,000,000 | 24 | 29 |
| N4,000,001 - N5,500,000 | 22 | 21 |
| N5,500,001 - N6,500,000 | 10 | 13 |
| N6,500,001 - N7,800,000 | 16 | 13 |
| N7,800,001 - N9,000,000 | 6 | 5 |
| N9,000,001 and above | 8 | 9 |
| | 174 | 180 |

42.2 Directors' emoluments

Non-executive directors
Executive directors

| | 31 Dec 2020 | 31 Dec 2019 |
|-------------------------|----------------|----------------|
| | ₦'000 | ₦'000 |
| Non-executive directors | 89,093 | 98,098 |
| Executive directors | 62,964 | 60,326 |
| | 152,057 | 158,424 |

Amount disclosed for non-executives above includes amount paid to chairman as follows; 31 December 2020: N6.24 million; 31 December 2019: N6.27 million.

| | 31 Dec 2020 | 31 Dec 2019 |
|-----------------------|---------------|---------------|
| | ₦'000 | ₦'000 |
| Highest paid director | 34,811 | 26,430 |

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

| | Number | Number |
|--------------------------|-----------|-----------|
| Less than N5,000,000 | 4 | 6 |
| N5,000,001 - N25,000,000 | 8 | 6 |
| Above N25,000,000 | 2 | 2 |
| | 14 | 14 |

42.3 Employee benefits expenses

Short-term benefits
Post-employment benefits

| | 31 Dec 2020 | 31 Dec 2019 |
|--------------------------|------------------|----------------|
| | ₦'000 | ₦'000 |
| Short-term benefits | 1,150,574 | 854,395 |
| Post-employment benefits | 33,427 | 32,011 |
| | 1,184,001 | 886,406 |

Short-term benefits include salaries and wages, medical expenses and others. Post-employment benefits include pension contributions on behalf of employees to the pension funds administrators and gratuity paid.

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

| | 31 Dec 2020 | 31 Dec 2019 |
|--|----------------|------------------|
| | ₦'000 | ₦'000 |
| Fair value gain / (loss) in available-for-sale investments - quoted equities | - | (2,261) |
| Fair value gain / (loss) in available-for-sale investments - unquoted equities | 869,259 | 3,675,000 |
| | 869,259 | 3,672,739 |

44 Basic and diluted earnings per share

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

| | 31 Dec 2020 | 31 Dec 2019 |
|--|-------------------|-------------------|
| | ₦'000 | ₦'000 |
| Profit attributable to ordinary shareholders (N'000) | 2,395,012 | 1,452,154 |
| Weighted average number of ordinary shares | 10,000,000 | 10,000,000 |
| Basic and diluted earnings/(loss) per share (Kobo) | 24.0 | 14.5 |

- (i) The basic earnings per share for the year ended 31 December 2019 has been calculated using the new share capital of 10 billion ordinary shares. This is as a result of the bonus shares issued in 2020. The bonus shares issued is without consideration, hence, it is treated as if it had occurred before the beginning of 2019, the earliest period.

Notes to the financial statements

45 Cashflow reconciliation

a) Other operating cash payments

In thousands of Naira

| | 31 Dec 2020 | 31 Dec 2019 |
|--|--------------------|--------------------|
| | ₦'000 | ₦'000 |
| Management expenses (less staff expenses) | (1,199,149) | (1,048,056) |
| Adjustment for items not involving movement of cash: | | |
| Changes in unearned premium | (378,851) | (192,344) |
| Depreciation and amortization expense | 156,655 | 150,035 |
| Impairment loss | 84,895 | 74,025 |
| Exchange gain | (35,483) | - |
| Sundry income | (29,884) | (11,883) |
| Loss/(profit) on sale of PPE | 4,204 | (118) |
| Operating cash flows before movements in working capital | (1,397,613) | (1,028,341) |
| Increase/(decrease) in trade payables | 340,445 | (219,489) |
| Increase/(decrease) in trade payables | 103,000 | - |
| Changes in insurance contract liabilities | 696,929 | 171,283 |
| Other sundry (payable)/receivable | (36,264) | 201,769 |
| Increase in other receivables and prepayment | (92,828) | (121,202) |
| Changes in outstanding claims | (696,929) | (171,283) |
| Increase in other payables | 142,280 | 71,841 |
| | (940,980) | (1,095,422) |

b) Premium received from policy holders

In thousands of Naira

| | 31 Dec 2020 | 31 Dec 2019 |
|---------------------------------------|------------------|------------------|
| | ₦'000 | ₦'000 |
| Trade receivable at 1 January | 65,898 | 32,090 |
| Gross premium written during the year | 8,331,841 | 6,518,964 |
| Trade receivable at 31 December | (63,974) | (65,898) |
| Premium received in advance | (2,868) | (39,506) |
| | 8,330,897 | 6,445,650 |

c) Recovery and recoverable from reinsurers

In thousands of Naira

| | 31 Dec 2020 | 31 Dec 2019 |
|---|----------------|----------------|
| | ₦'000 | ₦'000 |
| Reinsurance claims recoveries (see note 35 (a)) | 908,259 | 589,257 |
| Salvage recovery (note 36) | 22,678 | 50,384 |
| Total reinsurance recoveries | 930,937 | 639,641 |

d) Reinsurance premium paid

In thousands of Naira

| | 31 Dec 2020 | 31 Dec 2019 |
|--|------------------|------------------|
| | ₦'000 | ₦'000 |
| Reinsurance premium payable at 1 January | - | - |
| Reinsurance premium cost (note 33.1) | 3,121,391 | 2,592,312 |
| Facultative outwards (note 33.1) | 618,275 | 278,763 |
| Due to reinsurers as at 31 December | (504,926) | (223,235) |
| Movement in treaty premium surplus | 253,697 | - |
| | 3,488,437 | 2,647,840 |

e) Commission paid

In thousands of Naira

| | 31 Dec 2020 | 31 Dec 2019 |
|--|------------------|------------------|
| | ₦'000 | ₦'000 |
| Commission payable to brokers at 1 January | 63,749 | 37,908 |
| Commission cost (Note 36.1) | 1,383,219 | 1,095,745 |
| Business acquisition cost prepaid 1 January (Note 12b) | 647 | - |
| Business acquisition cost (Note 36.1) | 291,665 | 236,676 |
| Business acquisition cost prepaid 31 December (Note 12b) | (272) | (647) |
| Commission payable to brokers at 31 December | (96,037) | (63,749) |
| | 1,642,971 | 1,305,933 |

f) Commission received

In thousands of Naira

| | 31 Dec 2020 | 31 Dec 2019 |
|--|----------------|----------------|
| | ₦'000 | ₦'000 |
| Deferred commission revenue at 1 January | (108,373) | (74,399) |
| Deferred commission revenue at 31 December | 175,234 | 108,373 |
| Movement | 66,861 | 33,974 |
| Commission income earned during the year | 589,301 | 554,155 |
| Lead underwriting commission | 36,355 | 1,479 |
| Commission income received during the year | 692,517 | 589,608 |

Notes to the financial statements

| | 31 Dec 2020 | 31 Dec 2019 |
|--|----------------|------------------|
| | ₦'000 | ₦'000 |
| g) Interest received | | |
| <i>In thousands of Naira</i> | | |
| Net receivable during the year | (245,875) | - |
| Interest income earned during the year | 1,104,856 | 1,451,953 |
| Interest received during the year | 858,981 | 1,451,953 |

h) Movement in financial assets

| | Fair value through profit or loss | Available for sale | Loans & receivables | Held to maturity | Total Movement |
|------------------------------|---|-----------------------|------------------------|---------------------|-------------------|
| <i>In thousands of Naira</i> | | | | | |
| Exchange (loss)/gain | (15,200) | - | - | 5,606 | (9,594) |
| Addition | 4,679,599 | 550,000 | 116,635 | 1,509,466 | 6,855,700 |
| Disposals/redemption | (2,293,652) | - | - | (5,251,890) | (7,545,542) |
| Loan repayment | - | - | (244,106) | - | (244,106) |
| Impairment | - | - | (72,678) | - | (72,678) |
| Fair value element | 1,819,593 | 869,259 | - | - | 2,688,852 |
| | 4,190,340 | 1,419,259 | (200,149) | (3,736,818) | 1,672,632 |

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---------------|----------------|
| | ₦'000 | ₦'000 |
| i) Purchase of property and equipment | | |
| <i>In thousands of Naira</i> | | |
| Addition for the year per movement schedule | 57,777 | 221,659 |
| Leased property and equipment (see (k) below) | - | (72,000) |
| Cash flow on addition to property and equipment | 57,777 | 149,659 |

| | 31 Dec 2020 | 31 Dec 2019 |
|---|--------------|----------------|
| | ₦'000 | ₦'000 |
| j) Sale of property and equipment | | |
| <i>In thousands of Naira</i> | | |
| Costs of assets disposed (Note 15) | 50,675 | 133,759 |
| Accumulated depreciation on assets disposed (Note 15) | (45,318) | (133,343) |
| Proceeds on sale of disposed asset | (1,153) | (5,691) |
| Loss on disposal | 4,204 | (5,275) |

| | 31 Dec 2020 | 31 Dec 2019 |
|--|-------------|---------------|
| | ₦'000 | ₦'000 |
| k) Finance lease obligation | | |
| <i>In thousands of Naira</i> | | |
| Balance at the beginning of the year | 61,923 | 56,037 |
| Additions | - | 72,000 |
| Payments made during the year | (61,704) | (66,114) |
| Balance at the end of the year (see note 21) | 219 | 61,923 |

| | 31 Dec 2020 | 31 Dec 2019 |
|---|----------------|----------------|
| | ₦'000 | ₦'000 |
| l) Cash payment to and on behalf of employees (excluding maintenance expenses) | | |
| <i>In thousands of Naira</i> | | |
| Staff cost | 661,779 | 490,578 |
| Director emolument | 56,920 | 63,598 |
| Pension contribution | 20,056 | 19,207 |
| Retirement benefits | 36,454 | 33,317 |
| Contract staff cost | 86,908 | 81,148 |
| Medical | 28,566 | 22,058 |
| | 890,683 | 709,906 |

46 Cash and cash equivalents

| | 31 Dec 2020 | 31 Dec 2019 |
|--|------------------|------------------|
| | ₦'000 | ₦'000 |
| Cash in hand | 642 | 541 |
| Balances with banks & other financial institutions | 3,592,069 | 1,608,681 |
| | 3,592,711 | 1,609,222 |

Notes to the financial Statements

47 Related party disclosures

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

47.1 Compensation of key management personnel

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

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

47.2 Sale of insurance contracts

During the year, the Company did not enter into any contract with related parties.

47.3 Other related party transactions

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

48 Contravention

There were no contraventions during the year (2019: N7.25 million).

49 Events after the reporting period

Subsequent to the reporting period, a bonus share issue of two shares for every five shares held by existing shareholders amounting to N2 billion (of 4 billion ordinary share at 50k per share) was proposed for approval by the shareholders. The Board also approved the payment of cash dividend of N500 million (N0.05 per share) which is subject to ratification by the shareholders. The bonus share and cash dividend are issued from the Company's retained earnings.

50 Contingencies

50.1 Contingent liabilities

The Company is involved in pending litigations with claims of N47.4 million (31 December 2019: N146.3million). Based on legal advice, the directors are of the opinion that no liability will eventuate therefrom.

51 Commitments

The Company had no capital commitments at the reporting date.

Other National Disclosures

Other National Disclosures
Statement of Value Added
For the year ending

| | 31 December 2020 | | 31 December 2019 | |
|--|-------------------------|------------|-------------------------|------------|
| | ₦'000 | % | ₦'000 | % |
| Net premium | 4,450,402 | 119 | 3,713,380 | 149 |
| Investment income | 2,011,815 | 54 | 2,237,582 | 90 |
| Other income | 689,695 | 18 | 582,018 | 23 |
| Claims incurred, commissions paid and operating expenses (local) | (3,416,245) | (91) | (4,044,385) | (163) |
| Value added | 3,735,667 | 100 | 2,488,595 | 100 |
| Distribution: | | | | |
| Employees and directors (staff cost) | 1,184,001 | 32 | 886,406 | 36 |
| Government (taxes) | - | 0 | - | 0 |
| Asset replacement (depreciation) | 156,654 | 4 | 150,035 | 6 |
| Contingency reserve | 479,002 | 13 | 290,431 | 12 |
| Expansion (retained on the business) | 1,916,010 | 51 | 1,161,723 | 47 |
| | 3,735,667 | 100 | 2,488,595 | 100 |

Other National Disclosures
Financial Summary

| | 31 Dec 2020 ₦'000 | 31 Dec 2019 ₦'000 | 31 Dec 2018 ₦'000 | 31 Dec 2017 ₦'000 | 31 Dec 2016 ₦'000 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Statement of financial position | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 3,592,711 | 1,609,222 | 1,205,124 | 1,843,757 | 2,843,284 |
| Financial assets | 25,144,141 | 23,398,173 | 19,057,336 | 18,659,073 | 14,829,344 |
| Trade receivables | 63,974 | 65,898 | 32,090 | 13,741 | 18,637 |
| Reinsurance assets | 2,445,920 | 1,121,787 | 543,636 | 558,813 | 784,347 |
| Deferred acquisition cost | 328,812 | 262,550 | 259,098 | 176,274 | 189,626 |
| Deferred tax assets | - | - | - | - | - |
| Other receivables and prepayments | 501,131 | 408,303 | 287,101 | 238,777 | 139,769 |
| Investment property | 150,000 | 150,000 | 144,000 | 135,000 | 92,000 |
| Intangible assets | 1,199 | 7,319 | 14,109 | 26,445 | 24,101 |
| Property and equipment | 1,349,516 | 1,381,180 | 1,303,014 | 1,356,278 | 1,111,339 |
| Statutory deposit | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| | 33,877,404 | 28,704,432 | 23,145,508 | 23,308,157 | 20,332,447 |
| Liabilities | | | | | |
| Insurance contract liabilities | 5,728,661 | 4,652,881 | 4,289,254 | 2,443,857 | 2,860,449 |
| Trade payables | 704,169 | 363,724 | 144,234 | 107,346 | 43,749 |
| Finance lease obligations | 819,984 | 460,618 | 350,231 | 307,547 | - |
| Provision and other payables | 219 | 61,923 | 56,037 | 88,222 | 264,261 |
| Retirement benefit obligations | 62,981 | 49,846 | 22,905 | 30,471 | 68,948 |
| Income tax liabilities | 82,565 | 75,390 | 203,979 | 177,941 | 337,109 |
| Deferred tax liabilities | #REF! | - | 158,381 | 199,942 | 224,639 |
| Total liabilities | #REF! | 5,664,382 | 5,225,021 | 3,355,327 | 3,799,155 |
| Capital and reserves | | | | | |
| Issued and paid-up share capital | 5,000,000 | 3,999,999 | 3,999,999 | 3,999,999 | 3,999,999 |
| Share premium | 729,044 | 729,044 | 729,044 | 729,044 | 729,044 |
| Contingency reserve | 2,547,773 | 2,068,770 | 1,778,339 | 1,616,603 | 1,038,349 |
| Retained earnings | 3,308,185 | 2,392,175 | 1,230,452 | 2,082,306 | (230,708) |
| Assets revaluation reserve | 828,773 | 752,083 | 752,083 | 752,083 | 733,656 |
| Re-measurement reserve | 13,244 | 18,431 | 23,761 | 4,484 | 42,368 |
| Fair value reserve | 13,948,807 | 13,079,548 | 9,406,809 | 10,768,313 | 10,220,584 |
| Total equity | 26,375,825 | 23,040,050 | 17,920,487 | 19,952,832 | 16,533,292 |
| Total liabilities and equity | #REF! | 28,704,432 | 23,145,508 | 23,308,159 | 20,332,447 |
| Statement of profit or loss | | | | | |
| Net premium income | 4,450,402 | 3,713,380 | 3,477,836 | 2,840,378 | 2,835,885 |
| Underwriting results | 825,589 | 409,240 | (772,480) | 456,861 | 701,864 |
| Profit/(loss) before taxation | 2,536,069 | 1,338,726 | 134,703 | 2,996,101 | 942,682 |
| Taxation | (19,882) | (31,633) | - | (70,560) | (398,118) |
| Profit/(loss) after taxation | 2,516,187 | 1,307,093 | 134,703 | 2,925,541 | 544,564 |
| Transfer to contingency reserve | 479,002 | 290,431 | 161,736 | 578,254 | 120,962 |
| Dividend | - | - | (400,000) | - | - |
| Transfer to revenue reserve | 2,037,185 | 1,016,662 | 372,967 | 2,347,287 | 423,602 |
| Basic earnings per share (kobo) | 24.0 | 18.2 | (3.6) | 36.1 | 6.8 |

Other National Disclosures

Revenue Account

For the year ending

31 December 2020

| <i>In thousands of naira</i> | Fire | Accident | Motor | Marine | Aviation | Bond | Engineering | Oil & Gas | Total |
|---------------------------------------|------------------|----------------|------------------|----------------|-----------------|--------------|----------------|------------------|------------------|
| Direct receipted premium | 1,253,081 | 847,328 | 1,522,097 | 592,927 | 505,561 | 5,553 | 509,955 | 2,797,073 | 8,033,575 |
| Inward premium | 32,257 | 20,180 | 81,231 | 89,466 | 18,305 | - | 3,133 | 53,694 | 298,266 |
| Gross premium written | 1,285,338 | 867,508 | 1,603,328 | 682,393 | 523,866 | 5,553 | 513,088 | 2,850,767 | 8,331,841 |
| Changes in reserve for unexpired risk | (75,530) | (14,041) | (130,026) | (104,899) | 14,702 | 1,891 | (91,637) | 20,689 | (378,851) |
| Gross premium earned | 1,209,808 | 853,467 | 1,473,302 | 577,494 | 538,568 | 7,444 | 421,451 | 2,871,456 | 7,952,990 |
| Reinsurance expenses (Note 33) | 788,132 | 478,968 | 4,619 | 279,283 | 361,581 | 3,315 | 227,927 | 1,358,762 | 3,502,588 |
| Net earned premium | 421,676 | 374,498 | 1,468,683 | 298,210 | 176,987 | 4,129 | 193,523 | 1,512,694 | 4,450,402 |
| Commissions received | 249,020 | 141,310 | 839 | 85,050 | 1,974 | 967 | 97,850 | 48,646 | 625,656 |
| Total underwriting income | 670,696 | 515,808 | 1,469,523 | 383,261 | 178,961 | 5,096 | 291,373 | 1,561,340 | 5,076,058 |
| Underwriting expenses | | | | | | | | | |
| Claims expenses (Note 35) | (318,387) | (164,589) | (470,092) | (58,815) | (93,519) | (577) | (101,548) | (160,406) | (1,367,934) |
| Acquisition expenses (Note 36) | (242,028) | (201,507) | (209,203) | (157,133) | (87,376) | (1,383) | (70,963) | (639,030) | (1,608,622) |
| Maintenance cost | (196,524) | (132,639) | (245,144) | (104,336) | (80,098) | (849) | (78,450) | (435,874) | (1,273,913) |
| Underwriting profit | (86,244) | 17,073 | 545,083 | 62,977 | (82,030) | 2,287 | 40,412 | 326,030 | 825,589 |

31 December 2019

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