

**NEM INSURANCE PLC**

***MANAGEMENT ACCOUNTS***

***FOR THE PERIOD ENDED***

***30<sup>TH</sup> SEPTEMBER, 2017***

**NEM INSURANCE PLC**

**STATEMENT OF FINANCIAL POSITION AS AT 30TH SEPTEMBER, 2017**

	NOTES	Sep-17 N'000	Dec-16 N'000
<b>Assets</b>			
Cash and Cash equivalents	1	3,250,447	3,464,575
Financial Assets	2	5,063,023	4,005,983
Trade receivables	3	-	668,040
Reinsurance assets	4	1,866,420	1,725,098
Deferred Acquisition cost	5	812,084	488,195
Other Receivables and Prepayments	6	1,266,466	129,741
Investment in an Associate	7	292,516	264,824
Investment in a Subsidiary	7a	192,500	142,500
Investment Properties	8	442,558	442,558
Statutory Deposit	9	320,000	320,000
Intangible asset	10	8,052	7,656
Property and equipment		2,962,465	2,815,591
Deferred Tax asset	11	57,220	57,220
<b>Total assets</b>		<b>16,533,751</b>	<b>14,531,978</b>
<b>Liabilities</b>			
Insurance contract liabilities	12	6,750,195	6,017,381
Trade payables	13	135,868	65,315
Other payables	13.1	469,658	506,016
Retirement benefit obligations	14	45,166	84,824
Income tax liability	15	431,573	426,473
Deferred tax liability	15	-	-
		<b>7,832,460</b>	<b>7,100,010</b>
<b>Equity</b>			
Issued share capital	16	2,640,251	2,640,251
Share premium	17	272,551	272,551
Contingency reserve	18	2,937,867	2,599,514
Retained earnings	19	2,822,372	1,891,401
Available for sale reserve	20	(138,249)	(138,249)
Other Res.-employee benefit act.surplus	21	166,499	166,499
<b>total Equity</b>		<b>8,701,291</b>	<b>7,431,968</b>
<b>Total equity and liabilities</b>		<b>16,533,751</b>	<b>14,531,978</b>

These accounts were signed by the director and Chief Financial Officer Stated below on 18/10/2017

Mr. Tope Smart (GMD/CEO)  
FRC/2013/CIIN/00000001331

Miss. Stella Omoraro (CFO)  
FRC/2013/ICAN/00000001238

**NEM INSURANCE PLC**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH SEPTEMBER, 2017**

	Notes	SEPT. 2017 N'000	SEPT, 2016 N'000
Gross premiums written	22	11,061,982	9,008,903
Decrease/(Increase) in unearned income		<u>(1,781,810)</u>	<u>(1,045,737)</u>
Gross premiums earned	22	9,280,172	7,963,166
Reinsurance expenses	23	<u>(2,906,815)</u>	<u>(1,824,378)</u>
Net premiums income		6,373,357	6,138,788
Fee and commission income	24	<u>571,478</u>	<u>458,537</u>
Net underwriting income		<b>6,944,835</b>	<b>6,597,325</b>
Claims expenses	25	(784,935)	(1,525,869)
Underwriting expenses	26	<u>(2,762,604)</u>	<u>(2,210,946)</u>
Underwriting profit		3,397,296	2,860,510
Investment Income	27	470,018	285,665
NetFair value gain	28	-	-
Other income	29	21,868	22,243
Profit /(loss) on disposal of Assets		-	-
Share of profit in Associate		-	-
Other operating and admin. Expenses	31	<u>(1,887,094)</u>	<u>(1,689,945)</u>
Profit before tax		2,002,088	1,478,473
Income taxes	15.2	<u>(310,324)</u>	<u>(229,163)</u>
Profit after tax		1,691,764	1,249,310
<b>Other Comprehensive Income</b>			
Fair value loss on Available for sale	21	-	-
Actuarial profit on defined benefit plan	22	-	-
		<u><b>1,691,764</b></u>	<u><b>1,249,310</b></u>

NEM INSURANCE PLC

UNDERWRITING RESULT PER CLASS OF BUSINESS  
FOR THE PERIOD ENDED 30TH SEPTEMBER, 2017

	MOTOR N'000	MARINE N'000	FIRE N'000	GEN.ACCID N'000	OIL & GAS N'000	TOTAL N'000	Sept. 2016 N'000
Direct Business Premium	3,798,007	1,005,486	2,743,598	2,149,718	1,128,187	10,824,996	8,812,801
Reinsurance Inward	77,990	29,131	58,703	69,260	1,903	236,987	196,100
Gross Premium	3,875,997	1,034,617	2,802,301	2,218,978	1,130,090	11,061,983	9,008,901
(Increase)/Decrease in Unexpired Risk	(619,898)	(140,735)	(499,168)	(225,342)	(296,666)	(1,781,809)	(1,045,737)
Gross Premium Earned	3,256,099	893,882	2,303,133	1,993,636	833,424	9,280,174	7,963,164
Reinsurance Expenses	(48,081)	(442,268)	(1,070,548)	(714,905)	(631,013)	(2,906,815)	(1,824,378)
Net Premium Earned	3,208,018	451,614	1,232,585	1,278,731	202,411	6,373,359	6,138,786
Commission Received	2,917	112,373	260,409	195,779	-	571,478	458,537
<b>Total Income</b>	<b>3,210,935</b>	<b>563,987</b>	<b>1,492,994</b>	<b>1,474,510</b>	<b>202,411</b>	<b>6,944,837</b>	<b>6,597,323</b>
Direct Claim Paid	(1,495,722)	(129,346)	(1,657,358)	(703,521)	(139,418)	(4,125,365)	(3,413,830)
Increase/Decrease in prov.for O/S Claims	150,762	106,986	342,847	344,513	103,888	1,048,996	633,577
Gross Claim Paid	(1,344,960)	(22,360)	(1,314,511)	(359,008)	(35,530)	(3,076,369)	(2,780,253)
Reinsurance Claim Recovery	92,833	341,334	1,367,690	489,577	-	2,291,434	1,254,386
Net Claim Incurred	(1,252,127)	318,974	53,179	130,569	(35,530)	(784,935)	(1,525,867)
Underwriting Expenses	(924,452)	(330,718)	(643,977)	(627,363)	(236,094)	(2,762,604)	(2,210,945)
Total Deduction	(2,176,579)	(11,744)	(590,798)	(496,794)	(271,624)	(3,547,539)	(3,736,812)
<b>Underwriting Profit</b>	<b>1,034,356</b>	<b>552,243</b>	<b>902,196</b>	<b>977,716</b>	<b>(69,213)</b>	<b>3,397,298</b>	<b>2,860,511</b>

**NEM INSURANCE PLC**

**Notes to the Financial Statements**

**1 CASH AND CASH EQUIVALENTS**

	2017 N'000	2016 N'000
Cash and bank balances	655,493	863,510
Short-term deposits [see Note below]	2,594,954	2,601,065
	<u>3,250,447</u>	<u>3,464,575</u>

Short-term deposits: are made for varying period averaging between 1-90 days depending on the immediate cash requirements of the group. All deposits are subject to an average interest rate of 6%

**2 FINANCIAL ASSETS**

The financial assets are as summarised below:

	2016 N'000	2016 N'000
Financial assets at fair value through prof	820,809	820,809
Available for Sale	4,053,464	2,992,467
Held to Maturity financial assets	188,750	192,707
	<u>5,063,023</u>	<u>4,005,983</u>
Current	4,053,464	2,992,467
Non-current	1,009,559	1,013,516
	<u>5,063,023</u>	<u>4,005,983</u>

**3 TRADE RECEIVABLES**

Opening Balance	668,040	531,497
Premium receivable in the year	8,484,171	10,757,674
Premium received in the period	(9,152,211)	(10,621,131)
Closing balance	<u>-</u>	<u>668,040</u>

**4 REINSURANCE ASSETS**

Opening Balance	1,725,098	690,838
For the year reinsurance assets	141,322	1,034,260
Transfer to Impairment	-	-
	<u>1,866,420</u>	<u>1,725,098</u>

**5 DEFERRED ACQUISITION COST**

At January	488,195	443,678
Acquisition during the quarter	2,017,855	1,844,905
Apportionment during the quarter	(1,693,966)	(1,800,388)
	<u>812,084</u>	<u>488,195</u>

**6 OTHER RECEIVABLES AND PREPAYMENT**

Prepayments	16,577	16,577
Accrued Income	-	65,109
Other Debtors	8,352	8,352
Other receivables	1,241,537	39,702
	<u>1,266,466</u>	<u>129,741</u>

**7a. INVESTMENT IN ASSOCIATE**

Opening Balance	264,824	193,308
Addition	27,692	71,516
	<u>292,516</u>	<u>264,824</u>

**7b. INVESTMENT IN SUBSIDIARY**

Opening Balance	142,500	193,308
Addition	50,000	142,500
Transfer to Associate	-	(193,808)
	<u>192,500</u>	<u>142,500</u>

**8 INVESTMENT PROPERTIES**

Opening Balance	442,558	388,371
Addition	-	4,926
Revaluation gain	-	49,261
Closing Balance	<u>442,558</u>	<u>442,558</u>

Investment properties are held at fair value, which has been determined based on valuations performed independent valuations performed by independent valuation

experts, Diya Fatimilehin & Co. property plaza, Muri Okunola Street, Victoria Island Lagos. The valuers are the industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represent the amount at which the assets could be exchanged between knowledgeable, willing buyers and knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with standards issued by International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the statement of comprehensive income.

This is an investment in land building held primarily for generating income or capital appreciation and occupied substantially for use in the operations of the company. This is carried in the statement of financial position at their market value.

#### 9 STATUTORY DEPOSIT

This represents the amount deposited with the Central Bank of Nigeria as at December 31, 2013 in accordance with section 9(1) and section 10(3) of Insurance Act 2003. Statutory deposit are measured at cost

	<u>320,000</u>	<u>320,000</u>
<b>10 INTANGIBLE ASSET</b>		
Cost		
At January 1,	58,329	58,329
Addition	3,267	-
Written off	-	-
Reclassification from non-current asset	-	-
As at Sept. 30	<u>61,596</u>	<u>58,329</u>
At January 1,	50,673	46,172
Written off	-	-
Amortisation during the year	<u>2,871</u>	<u>4,501</u>
As at Sept. 30	<u>53,544</u>	<u>50,673</u>
Net Book Value	<u>8,052</u>	<u>7,656</u>
<b>12 INSURANCE CONTRACT LIABILITIES</b>		
As at January 1,		
Reserve for unexpired premium	3,058,780	2,929,288
Reserve for outstanding claims	2,958,601	2,232,434
Addition during the year:		
Reserve for unexpired premium	1,781,810	129,492
Reserve for outstanding claims	<u>(1,048,996)</u>	<u>726,167</u>
	<u>6,750,195</u>	<u>6,017,381</u>
Reserve for unexpired premium	4,840,590	3,058,780
Reserve for outstanding claims	<u>1,909,605</u>	<u>2,958,601</u>
	<u>6,750,195</u>	<u>6,017,381</u>
<b>13 TRADE PAYABLES</b>		
Trade creditors	<u>135,868</u>	<u>65,315</u>
<b>13.1 OTHER CREDITORS</b>		
Accruals	-	132,534
Unclaimed Dividend	287,636	293,605
Others	<u>182,022</u>	<u>79,877</u>
	<u>469,658</u>	<u>506,016</u>
<b>14 RETIREMENTS BENEFITS OBLIGATIONS</b>		
As at January 1,	84,824	108,956
Addition	(39,658)	(24,132)
Gain-employee benefit actuarial surplus	-	-
Gratuity	<u>45,166</u>	<u>84,824</u>
<b>15 TAXATION</b>		
<b>15.1 Per Financial Position</b>		
At January 1,	426,473	154,348
Income tax for the year	310,324	378,595
Paid during the year	<u>(305,224)</u>	<u>(106,470)</u>

At September, 30	<u>431,573</u>	<u>426,473</u>
<b>15.2 Per Income Statement</b>		
Income tax	(282,395)	344,503
Education tax	(27,929)	34,093
	<u>(310,324)</u>	<u>378,595</u>
Deferred tax	-	(41,154)
	<u>(310,324)</u>	<u>337,441</u>
<b>15.3 DEFERRED TAX</b>		
At January 1,	57,220	(16,066)
Charge for the year	-	(41,154)
	<u>57,220</u>	<u>(57,220)</u>
<b>16 ISSUED SHARED CAPITAL</b>		
Authorised share:		
8,400,000,000 ordinary shares of 50k each	<u>4,200,000</u>	<u>4,200,000</u>
ordinary shares issued and fully paid:		
At January 1, 5,280,502,913 ordinary shares of 50k each		
At December 31,	<u>2,640,251</u>	<u>2,640,251</u>
<b>17 SHARE PREMIUM</b>	<u>272,551</u>	<u>272,551</u>
Premium from the issue of shares are reported in share premium		
<b>18 CONTINGENCY RESERVE</b>		
As at January 1,	2,599,514	2,276,784
Transfer from retained earnings	338,353	322,730
	<u>2,937,867</u>	<u>2,599,514</u>
Contingency reserve is calculated in accordance with the provisions of Section 21(2) of the Insurance Act, 2003 at the higher of 3% of the total premium or 20% of total profit after tax. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50% of net premium		
<b>19 RETAINED EARNINGS</b>		
As at 1 January	1,891,401	682,345
Transfer from comprehensive income	930,971	1,209,056
	<u>2,822,372</u>	<u>1,891,401</u>
Retained earnings consist of undistributed profits/loss from previous years		
<b>20 AVAILABLE FOR SALE RESERVE</b>		
Opening Balance	(138,249)	173,368
Movement	-	(311,617)
	<u>(138,249)</u>	<u>(138,249)</u>
The fair value reserve shows the effect from the fair value measurement of financial instruments of the category available for sale. Any gains or losses are not recognised in the comprehensive income statements until the asset has been sold or impaired.		
<b>21 OTHER RESERVE</b>		
Actuarial gains on retirement benefit		-
Opening Balance	166,499	162,035
Gain during the year	-	4,464
	<u>166,499</u>	<u>166,499</u>
This represents actuarial gains on employee retirement benefit		
<b>22 GROSS PREMIUM WRITTEN</b>		
The analysis of gross premium by business class is as follows:		
Fire	2,743,598	2,111,891
Oil and Gas	1,128,187	841,120
General accident	2,149,718	1,848,938
Marine	1,005,486	897,009
Motor	3,798,007	3,113,843
Inward reinsurance	236,986	196,102
Gross premium written	11,061,982	9,008,903
(Increase) in unearned premium	(1,781,810)	(1,045,737)
Gross premium income	9,280,172	7,963,166
Re-insurance Outward	(2,906,815)	(1,824,378)
	<u>6,373,357</u>	<u>6,138,788</u>
<b>23 RE-INSURANCE EXPENSE</b>		

Motor	48,081	8,568
Marine	442,268	320,524
Fire	1,070,548	732,958
General accident	714,905	543,483
Oil and Gas	631,013	218,845
	<u>2,906,815</u>	<u>1,824,378</u>

#### 24 FEE AND COMMISSION INCOME

Fee income represents commission received on direct business and transactions ceded to re-insurance during the year under review

Motor	2,917	1,733
Marine	112,373	93,749
Fire	260,409	203,633
General accident	195,779	159,422
Oil and Gas	-	-
	<u>571,478</u>	<u>458,537</u>

#### 25 CLAIMS EXPENSES

The analysis of claim expenses by business class is as follows:

Motor	(1,252,127)	(847,266)
Marine	318,974	(33,369)
Fire	53,180	(657,134)
General accident	130,568	(114,152)
Oil and Gas	(35,530)	126,052
	<u>(784,935)</u>	<u>(1,525,869)</u>

Claims expenses consist of claims paid during the financial year together with the movement in the provision for outstanding claims.

#### 26 UNDERWRITING EXPENSES

Commission expense	(1,693,966)	(1,342,998)
Maintenance expense	(1,068,638)	(867,948)
	<u>(2,762,604)</u>	<u>(2,210,946)</u>

##### 26.1 COMMISSION EXPENSE

The analysis of commission expenses by business class is as follows:

Motor	464,938	373,061
Marine	197,138	170,974
Fire	505,054	349,881
General accident	413,635	393,624
Oil and Gas	113,200	55,458
	<u>1,693,965</u>	<u>1,342,998</u>

##### 26.2 MAINTENANCE EXPENSE

Motor	459,514	373,218
Marine	133,580	108,493
Fire	138,923	112,833
General accident	213,728	173,590
Oil and Gas	122,893	99,814
	<u>1,068,638</u>	<u>867,948</u>

Underwriting expenses consist of acquisition and maintenance expenses which include commission and policy expenses, proportion of staff cost and insurance supervision levy. Underwriting expenses for insurance contracts are recognised as expense when incurred

#### 27 INVESTMENT INCOME

Dividend income	118,840	81,538
Interest from fixed deposit	300,646	169,920
Interest from statutory deposit	50,532	34,207
	<u>470,018</u>	<u>285,665</u>

#### 28 FAIR VALUE GAIN THROUGH PROFIT OR LOSS

Fin. assets at fair val throu p.or l at beg of the yr	(820,809)	(654,054)
Addition during the year	-	-
	<u>(820,809)</u>	<u>(654,054)</u>
Fin. assets at fair val throu p.or l at end of the yr	820,809	654,054
	<u>-</u>	<u>-</u>

#### 29 OTHER INCOME

Sundry Income	1,345	1,253
Rental Income	20,523	20,990
Exchange Gain	-	-



	<u>21,868</u>	<u>22,243</u>
<b>30 IMPAIRMENTS</b>		
Unquoted investment	-	-
trade receivable	-	-
Reinsurance assets	-	-
Available for sale	-	-
	<u>-</u>	<u>-</u>
<b>31 OTHER OPERATING &amp; ADMINISTRATIVE EXPENSES</b>		
Auditors Remuneration	-	-
Employee Benefits	(910,657)	(818,036)
Other Management Expenses	(715,678)	(638,523)
Depreciation	(260,759)	(233,386)
	<u>(1,887,094)</u>	<u>(1,689,945)</u>

11)

11. FIXED ASSET SCHEDULE

	Land & Building Under Const-Onlr N'000	Land & Building N'000	Partitioning N'000	Plant & Machinery N'000	Motor Vehicle N'000	Furniture & Fittings N'000	Office Equipment N'000	Total N'000
At 1st January 2017	654,874	1,514,157	284,379	140,194	447,298	135,836	358,711	3,535,449
Additions	185,000	2,352	-	435	176,637	920	42,287	407,631
Reclassification								
Disposal/Transfer								
At 30th September, 2017	839,874	1,516,509	284,379	140,629	623,935	136,756	400,998	3,943,080
<b>Depreciation/Amortisation</b>								
At 1st January 2017	-	60,107	111,686	64,106	277,628	57,501	148,828	719,856
Charge for the year		22,748	42,658	21,095	93,593	20,514	60,151	260,759
Depreciation on Disposal								
At 30th September, 2017	-	82,855	154,344	85,201	371,221	78,015	208,979	980,615
<b>Net Book Value</b>								
At 30th September, 2017	839,874	1,433,654	130,035	55,428	252,714	58,741	192,019	2,962,465
At 31st December, 2016	654,874	1,454,050	172,693	76,087	169,669	78,335	209,883	2,815,591

NEM INSURANCE PLC

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH SEPTEMBER, 2017

	Sep-17 N'000	Dec-16 N'000
<b>Cash flow from Operating Activities</b>		
Premium received from policy holders	9,152,211	10,621,131
Commission Received	571,478	544,813
Cash paid to and on behalf of Employees	(910,657)	(1,114,406)
Receipt from reinsurance recovery	2,086,819	1,580,888
Reinsurance premium paid	(2,906,815)	(2,614,627)
Commission Paid	(1,693,966)	(1,844,905)
Maintenance Expense paid	(1,068,638)	(1,150,134)
Other operating expense paid	(715,678)	(469,325)
Claims Payments	(4,125,365)	(4,059,851)
Company Income Tax Paid	(305,224)	(106,470)
	<b>84,165</b>	<b>1,387,114</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceed of disposal	-	1,194
Investment in subsidiary/Associates	(77,692)	(142,500)
Investment Income	470,018	479,472
Statutory deposits	-	-
Proceed from Redemption of HTM	1,108	39,070
Purchase of HTM	-	(50,000)
Purchase of financial assets - FVPL	-	(115,000)
Disposal of unquoted investment	-	-
Short term investment	31,514	(743,175)
Purchase of unquoted investment	-	-
Purchase of investment property	-	(4,926)
Purchase of intangible asset	(3,267)	-
Purchase of plant and equipment	(407,631)	(484,340)
<b>Net cash outflow for investment activities</b>	<b>14,050</b>	<b>(1,020,205)</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Dividends paid to equity holders of the parents	(422,440)	(316,830)
Unclaimed Dividend received	287,636	59,451
<b>Net cash outflow for financing activities</b>	<b>(134,804)</b>	<b>(257,379)</b>
<b>Total cash (outflow)/inflow</b>	<b>(36,589)</b>	<b>109,531</b>
Cash and cash equivalent at January 1	3,464,575	3,355,044
<b>Cash and cash equivalent at Sept. 30</b>	<b>3,427,986</b>	<b>3,464,575</b>
<b>Represented by:</b>		
Cash and cash equivalent at Sept. 30	<b>3,427,986</b>	<b>3,464,575</b>

STATEMENT OF CHANGE IN EQUITY

	<i>Issued</i> Share Capital	Share Premium	Retained Earnings	AFS Reserve	Other Reserves	Contingency Reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At January 1, 2017	2,640,251	272,551	1,891,401	(138,249)	166,499	2,599,514	7,431,967
Profit for the year	-	-	1,691,765	-	-	-	1,691,765
Transfer to Contingency reserves	-	-	(338,353)	-	-	338,353	-
<b>Other Comprehensive Income</b>							
Actuarial gain on defined benefit plan							
Gains on revaluation of investment propty	-	-	-				
<b>Distribution to owners</b>							
Dividend paid during the year			(422,440)				(422,440)
<b>As at 30th September, 2017</b>	<b>2,640,251</b>	<b>272,551</b>	<b>2,822,373</b>	<b>(138,249)</b>	<b>166,499</b>	<b>2,937,867</b>	<b>8,701,292</b>
As at December 31, 2016	2,640,251	272,551	1,891,401	(138,249)	166,499	2,599,514	7,431,968