

**NEM INSURANCE PLC**

***MANAGEMENT ACCOUNTS***

***FOR THE PERIOD ENDED***

***31<sup>ST</sup> MARCH, 2017***

NEM INSURANCE PLC

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2017

	NOTES	Mar-17 N'000	Dec-16 N'000
<b>Assets</b>			
Cash and Cash equivalents	1	4,889,214	3,464,575
Financial Assets	2	3,796,182	4,005,983
Trade receivables	3	-	668,040
Reinsurance assets	4	1,757,384	1,725,098
Deferred Acquisition cost	5	861,504	488,195
Other Receivables and Prepayments	6	1,434,382	129,741
Investment in an Associate	7	264,824	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	6,699	7,656
Property and equipment		2,871,027	2,815,591
Deferred Tax asset	11	57,220	57,220
<b>Total assets</b>		<b>16,893,494</b>	<b>14,531,978</b>
<b>Liabilities</b>			
Insurance contract liabilities	12	7,726,558	6,017,381
Trade payables	13	81,099	65,315
Other payables	13.1	488,533	506,016
Retirement benefit obligations	14	64,448	84,824
Income tax liability	15	496,329	426,473
Deferred tax liability	15	-	-
		<b>8,856,967</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	2,720,426	2,599,514
Retained earnings	19	2,375,049	1,891,401
Available for sale reserve	20	(138,249)	(138,249)
Other Res.-employee benefit act.surplus	21	166,499	166,499
total Equity		<b>8,036,527</b>	<b>7,431,968</b>
<b>Total equity and liabilities</b>		<b>16,893,494</b>	<b>14,531,978</b>

These accounts were signed by the director and chief financial officer stated below on 26/04/2017



Mr. Alani Olojede (ED OPERATION)  
FRC/2013/CIIN/00000001352



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

**NEM INSURANCE PLC**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31ST MARCH, 2017**

	Notes	MAR. 2017	MAR. 2016
		N'000	N'000
Gross premiums written	22	5,187,889	4,013,041
Decrease/(Increase) in unearned income		<u>(2,559,035)</u>	<u>(1,401,617)</u>
Gross premiums earned	22	2,628,854	2,611,424
Reinsurance expenses	23	<u>(911,708)</u>	<u>(81,675)</u>
Net premiums income		1,717,146	2,529,749
Fee and commission income	24	<u>235,067</u>	<u>13,872</u>
Net underwriting income		<b>1,952,213</b>	<b>2,543,621</b>
Claims expenses	25	439,907	1,317,389
Underwriting expenses	26	<u>(885,634)</u>	<u>(618,666)</u>
Underwriting profit		1,506,486	3,242,344
Investment Income	27	67,840	46,412
NetFair value gain	28	-	-
Other income	29	6,735	7,997
Profit /(loss) on disposal of Assets		-	-
Share of profit in Associate		-	-
Other operating and admin. Expenses	31	<u>(865,605)</u>	<u>(584,795)</u>
Profit before tax .		715,456	2,711,958
Income taxes	15.2	<u>(110,896)</u>	<u>(420,353)</u>
Profit after tax		604,560	2,291,605
<b>Other Comprehensive Income</b>			
<b>Fair value loss on Available for sale</b>	21	-	-
Actuarial profit on defined benefit plan	22	-	-
		<u>604,560</u>	<u>2,291,605</u>

**NEM INSURANCE PLC**

**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31ST MARCH, 2017**

	Mar-17 N'000	Dec-16 N'000
<b>Cash flow from Operating Activities</b>		
Premium received from policy holders	4,647,832	10,621,131
Commission Received	235,067	544,813
Cash paid to and on behalf of Employees	(366,811)	(1,114,406)
Receipt from reinsurance recovery	673,370	1,580,888
Reinsurance premium paid	(911,708)	(2,614,627)
Commission Paid	(528,469)	(1,844,905)
Maintenance Expense paid	(355,384)	(1,150,134)
Other operating expense paid	(498,794)	(469,325)
Claims Payments	(1,083,319)	(4,059,851)
Company Income Tax Paid	(41,040)	(106,470)
	<u>1,770,744</u>	<u>1,387,114</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceed of disposal	-	1,194
Investment in subsidiary/Associates	(50,000)	(142,500)
Investment Income	67,840	479,472
Statutory deposits	-	-
Proceed from Redemption of HTM	-	39,070
Purchase of HTM	-	(50,000)
Purchase of financial assets - FVPL	-	(115,000)
Disposal of unquoted investment	-	-
Short term investment	(230,970)	(743,175)
Purchase of unquoted investment	-	-
Purchase of investment property	-	(4,926)
Purchase of intangible asset	-	-
Purchase of plant and equipment	(132,975)	(484,340)
<b>Net cash outflow for investment activities</b>	<u>(346,105)</u>	<u>(1,020,205)</u>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Dividends paid to equity holders of the parents	-	(316,830)
Unclaimed Dividend received	-	59,451
<b>Net cash outflow for financing activities</b>	<u>-</u>	<u>(257,379)</u>
<b>Total cash (outflow)/inflow</b>	1,424,639	109,531
<b>Cash and cash equivalent at January 1</b>	<u>3,464,575</u>	<u>3,355,044</u>
<b>Cash and cash equivalent at June 30</b>	<u>4,889,214</u>	<u>3,464,575</u>
<b>Represented by:</b>		
<b>Cash and cash equivalent at June 30</b>	<u>4,889,214</u>	<u>3,464,575</u>

STATEMENT OF CHANGE IN EQUITY

	<i>Issued</i>		Share Premium	Retained Earnings	AFS Reserve	Other Reserves	Contingency Reserves	Total
	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	-	-	604,560	-	-	-	604,560	
Transfer to Contingency reserves	-	-	(120,912)	-	-	120,912	-	
<b>Other Comprehensive Income</b>								
Actuarial gain on defined benefit plan								
Gains on revaluation of investment property								
<b>Distribution to owners</b>								
Dividend paid during the year								
As at 31st Mar, 2017	2,640,251	272,551	2,375,049	(138,249)	166,499	2,720,426	8,036,527	
As at December 31, 2016	2,640,251	272,551	1,891,401	(138,249)	166,499	2,599,514	7,431,968	

NEM INSURANCE PLC

UNDERWRITING RESULT PER CLASS OF BUSINESS  
FOR THE PERIOD ENDED 31ST MARCH, 2017

	MOTOR N'000	MARINE N'000	FIRE N'000	GEN.ACCID N'000	OIL & GAS N'000	TOTAL N'000	March, 2016 N'000
Direct Business Premium	2,006,378	445,473	1,119,340	1,274,774	263,083	5,109,048	3,966,885
Reinsurance Inward	15,398	6,091	29,215	28,027	109	78,840	46,157
Gross Premium	2,021,776	451,564	1,148,555	1,302,801	263,192	5,187,888	4,013,042
(Increase)/Decrease in Unexpired Risk	(975,603)	(195,211)	(402,579)	(698,646)	(286,995)	(2,559,034)	(1,401,617)
Gross Premium Earned	1,046,173	256,353	745,976	604,155	(23,803)	2,628,854	2,611,425
Reinsurance Expenses	(6,422)	(183,324)	(350,511)	(350,638)	(20,812)	(911,707)	(81,675)
Net Premium Earned	1,039,751	73,029	395,465	253,517	(44,615)	1,717,147	2,529,750
Commission Received	739	47,230	95,187	91,910	-	235,066	13,872
<b>Total Income</b>	<b>1,040,490</b>	<b>120,259</b>	<b>490,652</b>	<b>345,427</b>	<b>(44,615)</b>	<b>1,952,213</b>	<b>2,543,622</b>
Direct Claim Paid	(523,761)	(70,677)	(258,907)	(225,012)	(4,961)	(1,083,318)	(868,683)
Increase/Decrease in prov. for O/S Claims	61,277	239,030	38,685	360,763	150,102	849,857	2,163,057
Gross Claim Paid	(462,484)	168,353	(220,222)	135,751	145,141	(233,461)	1,294,374
Reinsurance Claim Recovery	18,126	188,622	235,127	231,494	-	673,369	23,015
Net Claim Incurred	(444,358)	356,975	14,905	367,245	145,141	439,908	1,317,389
Underwriting Expenses	(303,691)	(104,327)	(224,237)	(201,571)	(51,808)	(885,634)	(618,667)
Total Deduction	(748,049)	252,648	(209,332)	165,674	93,333	(445,726)	698,722
<b>Underwriting Profit</b>	<b>292,441</b>	<b>372,907</b>	<b>281,320</b>	<b>511,101</b>	<b>48,718</b>	<b>1,506,487</b>	<b>3,242,344</b>

## Notes to the Financial Statements

## 1 CASH AND CASH EQUIVALENTS

	2017	2016
	N'000	N'000
Cash and bank balances	1,259,947	863,510
Short-term deposits [see Note below]	3,629,267	2,601,065
	<u>4,889,214</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:

	2017	2016
	N'000	N'000
Financial assets at fair value through prof	820,809	820,809
Available for Sale	2,782,666	2,992,467
Held to Maturity financial assets	192,707	192,707
	<u>3,796,182</u>	<u>4,005,983</u>
Current	2,782,666	2,992,467
Non-current	1,013,516	1,013,516
	<u>3,796,182</u>	<u>4,005,983</u>

## 3 TRADE RECEIVABLES

Opening Balance	668,040	531,497
Premium receivable in the year	5,187,889	10,757,674
Premium received in the period	(5,855,929)	(10,621,131)
Closing balance	<u>-</u>	<u>668,040</u>

## 4 REINSURANCE ASSETS

Opening Balance	<u>1,725,098</u>	690,838
For the year reinsurance assets	32,286	1,034,260
Transfer to Impairment	-	-
	<u>1,757,384</u>	<u>1,725,098</u>

## 5 DEFERRED ACQUISITION COST

At January	488,195	443,678
Acquisition during the quarter	901,778	1,844,905
Apportionment during the quarter	(528,469)	(1,800,388)
	<u>861,504</u>	<u>488,195</u>

## 6 OTHER RECEIVABLES AND PREPAYMENT

Prepayments	16,577	16,577
Accrued Income	-	65,109
Other Debtors	1,409,453	8,352
Other receivables	8,352	39,702
	<u>1,434,382</u>	<u>129,741</u>

## 7 INVESTMENT IN ASSOCIATE

Opening Balance	264,824	193,308
Addition	-	71,516
Investment in subsidiary	<u>264,824</u>	<u>264,824</u>

## 7a. 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>
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10 INTANGIBLE ASSET

Cost		
At January 1,	58,329	58,329
Addition	-	-
Written off	-	-
Reclassification from non-current asset	-	-
As at March 31	<u>58,329</u>	<u>58,329</u>
At January 1,	50,673	46,172
Written off	-	-
Amortisation during the year	957	4,501
As at March 31	<u>51,630</u>	<u>50,673</u>
Net Book Value	<u>6,699</u>	<u>7,656</u>



11. FIXED ASSET SCHEDULE

	Land & Building Under Const-Oniru 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	100,000	-	-	-	-	920	18,440	132,975
Reclassification	-	-	-	-	-	-	-	-
Disposal/Transfer	-	-	-	-	-	-	-	-
At 31st March, 2017	754,874	1,514,157	284,379	140,194	460,913	136,756	377,151	3,668,424
<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	-	7,571	14,219	7,010	23,046	6,838	18,857	77,541
Depreciation on Disposal	-	-	-	-	-	-	-	-
At 31st March, 2017	-	67,678	125,905	71,116	300,674	64,339	167,685	797,397
<b>Net Book Value</b>								
At 31st March, 2017	754,874	1,446,479	158,474	69,078	160,239	72,417	209,466	2,871,027
At 31st December, 2016	654,874	1,454,050	172,693	76,087	169,669	78,335	209,883	2,815,591

<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	2,559,034	129,492
Reserve for outstanding claims	(849,857)	726,167
	<u>7,726,558</u>	<u>6,017,381</u>
Reserve for unexpired premium		
	5,617,814	3,058,780
Reserve for outstanding claims	2,108,744	2,958,601
	<u>7,726,558</u>	<u>6,017,381</u>
<b>13 TRADE PAYABLES</b>		
Trade creditors	<u>81,099</u>	<u>65,315</u>
<b>13.1 OTHER CREDITORS</b>		
Accruals	76,000	132,534
Unclaimed Dividend	293,605	293,605
Others	118,928	79,877
	<u>488,533</u>	<u>506,016</u>
<b>14 RETIREMENTS BENEFITS OBLIGATIONS</b>		
As at January 1,		
	84,824	108,956
Addition	(20,376)	(24,132)
Gain-employee benefit actuarial surplus	-	-
Gratuity	<u>64,448</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	110,896	378,595
Paid during the year	(41,040)	(106,470)
At March 31	<u>496,329</u>	<u>426,473</u>
<b>15.2 Per Income Statement</b>		
Income tax	(96,587)	344,503
Education tax	(14,309)	34,093
	<u>(110,896)</u>	<u>378,595</u>
Deferred tax	-	(41,154)
	<u>(110,896)</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		

**18 CONTINGENCY RESERVE**

As at January 1,	2,599,514	2,276,784
Transfer from retained earnings	120,912	322,730
	<u>2,720,426</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

**19 RETAINED EARNINGS**

As at 1 January	1,891,401	682,345
Transfer from comprehensive income	483,648	1,209,056
	<u>2,375,049</u>	<u>1,891,401</u>

Retained earnings consist of undistributed profits/loss from previous years

**20 AVAILABLE FOR SALE RESERVE**

Opening Balance	<u>(138,249)</u>	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.

**21 OTHER RESERVE**

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

**22 GROSS PREMIUM WRITTEN**

The analysis of gross premium by business class is as follows:

Fire	1,119,340	863,748
Oil and Gas	263,083	443,059
General accident	1,274,774	968,138
Marine	445,473	321,137
Motor	2,006,378	1,370,802
Inward reinsurance	78,840	46,156
Gross premium written	<u>5,187,888</u>	<u>4,013,040</u>
(Increase) in unearned premium	<u>(2,559,034)</u>	<u>(1,401,617)</u>
Gross premium income	2,628,854	2,611,423
Re-insurance Outward	<u>(911,708)</u>	<u>(81,675)</u>
	1,717,146	2,529,748

**23 RE-INSURANCE EXPENSE**

Motor	6,422	3,963
Marine	183,324	2,310
Fire	350,511	13,537
General accident	350,638	18,879
Oil and Gas	20,812	42,986
	<u>911,707</u>	<u>81,675</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	739	728
Marine	47,230	728
Fire	95,187	3,909
General accident	91,910	8,507
Oil and Gas	-	-
	<u>235,066</u>	<u>13,872</u>

**25 CLAIMS EXPENSES**

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

Motor	(444,359)	79,801
Marine	356,975	173,783
Fire	14,905	315,981
General accident	367,246	566,886
Oil and Gas	145,140	180,938
	<u>439,907</u>	<u>1,317,389</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	528,469	434,915
Maintenance expense	357,165	183,751
	<u>885,634</u>	<u>618,666</u>

**26.1 COMMISSION EXPENSE**

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

Motor	150,110	119,578
Marine	59,681	60,890
Fire	177,806	109,543
General accident	130,138	122,029
Oil and Gas	10,734	22,875
	<u>528,469</u>	<u>434,915</u>

**26.2 MAINTENANCE EXPENSE**

Motor	153,581	79,013
Marine	44,646	22,969
Fire	46,431	23,888
General accident	71,433	36,750
Oil and Gas	41,074	21,131
	<u>357,165</u>	<u>183,751</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	27,542	3,288
Interest from fixed deposit	20,340	25,987
Interest from statutory deposit	19,958	17,137
	<u>67,840</u>	<u>46,412</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	226	25
Rental Income	6,509	7,972
Exchange Gain	-	-
	<u>6,735</u>	<u>7,997</u>

**30 IMPAIRMENTS**

Unquoted investment	-	-
trade receivable	-	-
Reinsurance assets	-	-
Available for sale	-	-
	<u>-</u>	<u>-</u>

**31 OTHER OPERATING & ADMINISTRATIVE EXPENSES**

Auditors Remuneration	2,280	(1,600)
Employee Benefits	366,811	220,519
Other Management Expenses	418,017	290,238
Depreciation	78,497	75,638
	<u>865,605</u>	<u>584,795</u>