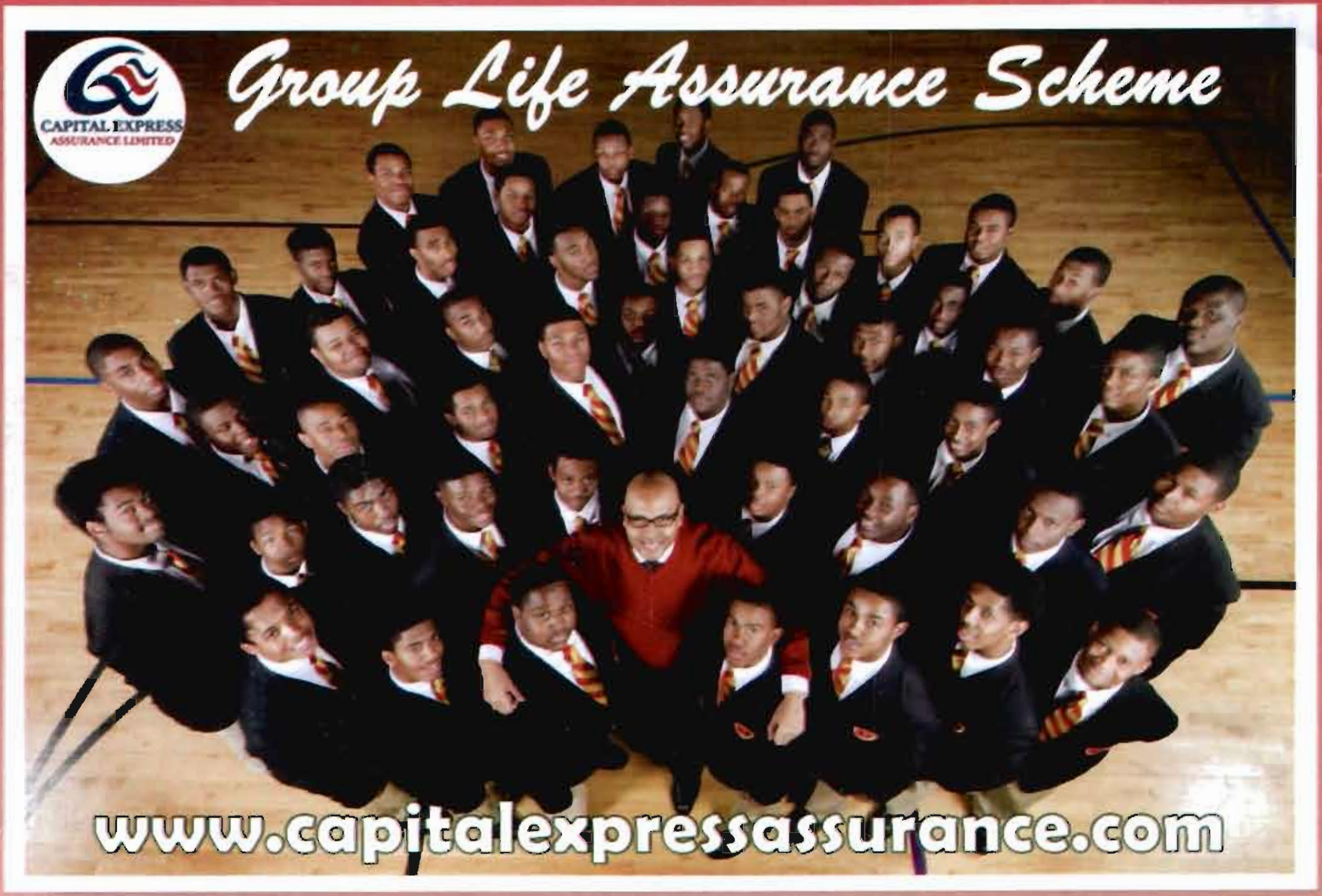
RC 380157

CAPITAL EXPRESS ASSURANCE LIMITED

ANNUAL REPORTS & ACCOUNTS 2018


CAPITAL EXPRESS
ASSURANCE LIMITED
Group Life Assurance Scheme
www.capitalexpressassurance.com

Our Vision

To be a world-class financial services provider.

Our Mission

To be in every household providing wealth management and risk protection services, using the most sophisticated technology and man-power, thereby creating value to all stakeholders.

Shared Values

- **CUSTOMER DEDICATION**

  Our philosophy is being customer focused and desirous of exceeding customer expectation at all times. Customers can count on us to deliver superior products and services which are tailored to enable them achieve their personal and business goals.

- **RESPECT FOR INDIVIDUALS**

  We treat ourselves with respect and dignity, valuing our natural differences. Our environment supports growth, continuous learning and professionalism.

- **CREATIVITY**

  We are certain that creativity is the driving force which keeps us growing and which is most vital to our customers.

- **TEAMWORK**

  We appreciate and reward both individual and team achievements. We relate freely with colleagues across organisational boundaries. Our team spirit is excellent and worthy of emulation.

- **INTEGRITY**

  We ensure that the confidence reposed in us by our stakeholders will never be undermined and we are continuously striving to fulfill our obligations to them.

Contents

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of Capital Express Assurance Limited will hold on Thursday 19th September, 2019 at the Metropolitan Club, 15 Kofo Abayomi Street, Victoria Island, Lagos at 12 noon to transact the following businesses:

Ordinary Business

- **i)** To receive the Audited Approved Financial Statements for the year ended 31st December 2018, the report of the Directors, and the Auditors report thereon
- **ii)** To consider and if thought fit, fix the remuneration of the Directors
- **iii)** To consider and if thought fit, authorize the Directors to fix the remuneration of the Auditors
- **iv)** To re-elect the Members of the Audit Committee
- **v)** To consider and if thought fit, re-appoint the following Non-Executive Directors:
    - Mr. Anthony Aletor
    - Dr. (Mrs.) 'Dere Awosika (MFR, mni)
    - Mr. Osahon Idemudia (Esq.)
- **vi)** To consider and if thought fit, appoint Mr. Adeyinka Emmanuel Obalade as a Non-Executive Director

Special Business

- **i.** To consider and if thought fit and consequent upon the Regulator's directive on recapitalization, increase the Company's authorized share capital from the current position of N7.5 billion to N10 billion and depending on the palliatives extended on the basis of the recapitalization directive, increase the said figure of N10 billion to N15 billion.
- **ii.** To consider and if thought fit, approve the recapitalization plan submitted by the Board in line with NAICOM circulars on Minimum Paid-up Share Capital Policy of July 23, 2019
- **iii.** To consider and if thought fit, in line with the submitted recapitalization plan, authorize the Board to take required actions to implement the submitted recapitalization plan through:
    - Rights issues
    - Private Placement, and
    - Acquisitions of Life Assurance Companies

NOTES

Proxies

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Company. For the appointment to be valid, a proxy form must be completed and duly signed/stamped by the Member and delivered to the Company Secretary, at the Head Office of the Company at 13, Bishop Kale Close, Off Saka Tinubu Street, Off Kasumu Ekemode Street, Victoria Island, Lagos, not less than forty-eight (48) hours before the date of the meeting.

Closure of Register

The register of members shall be closed from 17th to 18th September, 2019, both dates inclusive.

Dated this 9th day of August, 2019

....

I.J. Sulucainan
Company Secretary/Legal Adviser
Capital Express Assurance Limited
13 Bishop Kale Close, Off Saka Tinubu Street, Off Kasumu Ekemode Street
Victoria Island
Lagos.

Distinguished Shareholders, Special Guests, Colleagues on the Board, Ladies and Gentlemen.

It is my pleasure to welcome you to the Eighteenth Annual General Meeting of our company, Capital Express Assurance Limited and to highlight some of our major accomplishments and present the financial statements for the year ended December 31, 2018.

MACROECONOMIC REVIEW

The 2018 global economic environment started off with great expectation and momentum due to sustained fiscal expansion by most major economies including United States of America and Asian countries. Emerging markets also benefited from recovery in commodity prices, which saw key commodity exporters emerging from recession.

There was a decline in the second half of 2018 largely due to implementation of tariff regime by major economies especially United States of America and resultant retaliatory action by other countries , China in particular leading to market volatility and uncertainty in global economic direction. Growth in developed economies took a downturn from 2.4% in 2017 to 2.2% in 2018 while that of emerging markets remained moderate at 4.5%. On aggregate, the global economy expanded by 3.6% in 2018.

DOMESTIC ENVIRONMENT

The domestic economic performance was mixed, after emerging from recession in the second quarter of 2017. A growth of 1.93% was recorded in national output, up from 0.82% in 2017.

The positive trajectory was driven by 2.32% growth in non-oil sector activities, including Information and Communications Technology, Agriculture and Services. The oil sector contracted by 2.9% on a year-on-year basis due to lower production and demand levels. The economic growth was also hampered by heightened capital outflows on the back rising yields in developed countries and uncertain political environment due to approaching national and state elections. However, The GDP growth was below government projections and our population growth rate. Also the single digit inflation rate projection was not attained although it maintained a downward trend closing at 11.44%. The Nigerian Stock Exchange market capitalization fell from N22.73 trillion in December 2017 to N21.90 trillion in December 2018. Meanwhile, foreign exchange rates were relatively stable between N360 andN365/ $1(US Dollar) within the period.

INSURANCE SECTOR

The Sector did not record any significant growth as the lingering effect of insurance affordability remain a key threat.

In the second half of the year, National Insurance Commission (NAICOM) released guidelines on the implementation of Tier Based Minimum Solvency Capital (TBMSC) and State Insurance

Producers (SIP) – both aimed of addressing the inadequacy of capital base of insurance operators and encouraging participation of state governments in the enforcement of compulsory classes of insurance. Although both have been discontinued, the Commission is still looking at other options to ensure that insurance companies are adequately capitalized to enhance their risk bearing capabilities.

HIGHLIGHTS OF OUR FINANCIAL PERFORMANCE

Despite the challenging environment and relatively sluggish performance of Insurance business in the year under review, our gross premium written recorded an increase of **48%**to **N3.391 billion** as against **N2.297 billion** in the previous year. This feat was due to our strategy for sustained growth momentum and reinvigorated marketing team.

Similarly, our total assets and shareholders' fund grew by **28%** and **44%** to **N8.890 billion** and **N3.108 billion** respectively , up from **N6.925 billion** and **N2.156 billion** in 2017. We will continue to build on our financial strength in support of the plans of our clients and those they love in order to reinforce unwavering commitment to fulfilling our obligations.

We are in the business of paying claims and we were able to do this creditably well as our total claims paid in the year 2018 was **N2.074 billion** from **N1.616**. This translates to an increase of **28%** from the position in 2017.

Despite the challenges posed by the tough operating environment, high claim cost and management expenses we were able to return the Company back to profitability with a reported profit before tax of **N581 million** from the previous year's loss of **N344.981 million**. This was a growth of **268%**

Appreciation

I would like to thank everyone - the Board of Directors, Distinguished Shareholders, Customers, Brokers and other stakeholders for your valuable contributions . You are indeed the reason we exist.

I want to assure you that we will not renege in our commitment to the delivery of optimal returns and promoting a mutually beneficial relationship.

Thank you

Tony Aletor
Acting Chairman

Corporate Information

Country of incorporation and domicile	Nigeria
Company registration number	RC 380157
Nature of business and principal activities	The principal activities of the Company are the provision of Life Assurance and Mortgage Protection
Directors	Alhaji Isa Bello Sali — Chairman - Resigned 1/1/2018 Mr. Anthony Aletor — Acting Chairman Mrs.Bola Odukale — Managing Director/CEO Mr. Festus Olabiyi — Executive Director Mrs. (Dr.) Dere Awosika — Independent Director Dr. Olusegun Aina — Independent Director Barr. Osahon Idemudia — Independent Director
Company Secretary	Mrs. Joy Sulucainan Capital Express Assurance Limited 13, Bishop Kale Close Off Kasumu Ekemode Street Behind Saka Tinubu Street, Victoria Island, Lagos
Registered Office	13, Bishop Kale Close Off Kasumu Ekemode Street Behind Saka Tinubu Street, Victoria Island, Lagos.
Corporate Head Office	13, Bishop Kale Close Off Kasumu Ekemode Street Behind Saka Tinubu Street, Victoria Island, Lagos.
Bankers	Access Bank Plc Ecobank Nigeria Limited Fidelity Bank Plc First Bank of Nigeria Limited Guaranty Trust Bank Plc Skye Bank Plc United Bank for Africa Plc Zenith Bank Plc
Auditors	BDO Professional Services (Chartered Accountants) ADOL House, 15 CIPM Avenue Central Business District Alausa, Ikeja, Lagos. P.O.Box 4929,GPO, Marina Lagos. www.bdo-ng.com

Board of Directors

DR. OLUSEGUN AINA
Director

BARR. OSAHON IDEMUDIA
Director

DR. (MRS) 'DERE AWOSIKA MFR, mni
Director

MR. ANTHONY ALETOR
Acting Chairman

MRS. ADEBOLA ODUKALE
Managing Director/CEO

MR. FESTUS OLABIYI
Executive Director

Management Team

Mrs. Adebola Odukale	Managing Director/CEO
Mr. Festus Olabiyi	Executive Director, Operations
Mr. Francis Oketola	Chief Risk Officer
Mr. Akin Aboaba	Head, Abuja Annex Office
Mr. Timothy Alimi	Chief Financial Officer
Mrs. Joy Sulucainan	Company Secretary/Chief Compliance Officer
Mr. Dipo Anifowose	Head, Information Communication Technology
Mr. Olugbenga Owodunni	Head, Lagos Marketing
Mr. Matthew Ogwezhi	Head, Branch Marketing and Agency Operation
Mr. Olufemi Adediran	Head, Agency Operations
Mr. Olugbemileke Olusesan	Zonal Manager, South-South
Mr. Chima Okeoma	Zonal Manager, South-East
Mr Sani Ahmed	Zonal Manager, North

Management Team

MR. FESTUS OLABIYI
Executive Director

MRS. ADEBOLA ODUKALE
Managing Director / CEO

MR. AKIN ABOABA
Head, Abuja Head Office Annex

MR. TIMOTHY ALIMI
Chief Finance Officer

FRANCIS OKETOLA
Chief Risk Officer

JOY SULUCAINAN (MRS.)
Company Secretary/Chief Compliance Officer

MR. OLUGBENGA OWODUNNI
Head, Lagos Region

MR. MATTHEW OGWEZHI
Head, Branch / Agency Operations

Management Team (Cont'd)

MR. OLADIPO ANIFOWOSHE
Head, Information Technology

MR. OLUFEMI ADEDIRAN
Head, Agency Administration

AKOLAWOLE OGUNBAYO
Head, Actuarial Services

MR. OLUGBEMILEKE OLUSESAN
Zonal Manager, South-South Region

MR. STEVE AKADIRI
Zonal Manager, South-West Region

AHMED SANI
Zonal Manager, North Region

MR. CHIOMA EKEOBA
Zonal Manager, South-East Region

Result at a Glance

	2018	2017	Changes	
Major Financial Position Items	N'000	N'000	N'000	%
Assets				
Cash and cash equivalents	375,821	334,904	40,917	12
Financial assets	4,090,819	2,585,549	1,505,270	58
Investment properties	2,933,645	2,502,445	431,200	-
Property, plant and equipment	903,432	828,837	74,595	9
Liabilities				
Insurance contract liabilities	(2,561,094)	(2,748,523)	187,429	(7)
Investment contract liabilities	(1,796,137)	(1,640,668)	(155,469)	9
Trade payable	(37,548)	(64,679)	27,131	(42)
Major profit or loss items				
Gross premium written	3,391,365	2,297,253	1,094,112	48
Gross premium income	3,373,807	2,349,871	1,023,936	44
Reinsurance expense	(91,406)	(14,462)	76,944	(532)
Net underwriting income	3,317,750	2,360,659	957,091	41
Net claims expenses	1,866,334	2,036,268	169,934	8
Underwriting profit	1,132,403	32,664	1,099,739	3,367
Investment income	113,588	136,781	(23,193)	(17)
Management expenses	(1,026,274)	(932,333)	(93,941)	(10)
Profit/(loss) before taxation	575,272	(344,981)	920,253	(267)
Profit/(loss) for the year	563,000	(353,710)	916,710	(259)
Total comprehensive profit for the year	952,049	8,697	943,352	10,847
Per Share Data				
Basic earnings/(loss) per share (kobo)	27	(17)		
Diluted earnings/(loss) per share (kobo)	27	(17)		

Report of Directors

Statement of Directors' Responsibilities in relation to the Financial Statements for the year ended 31 December 2018.

In accordance with the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004, the Insurance Act CAP I17, LFN, 2004 and National Insurance Commission's operational guidelines 2011, the Directors are responsible for the preparation of annual financial statements which reflect a true and fair view of the state of affairs of the Company and the profit or loss and other comprehensive income for the financial year.

The Directors responsibilities include ensuring that the Company:

I. implements appropriate internal controls to secure the assets of the Company, prevent and detect fraud and other financial irregularities.

ii. keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act CAP C20, LFN 2004, Insurance Act CAP I17, LFN, 2004, and NAICOM Operational Guidelines and Circulars.

iii. has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

The Directors accept responsibility for maintaining adequate accounting records as required by:

a. International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
b. Companies and Allied Matters Act, CAP C20, LFN 2004;
c. Insurance Act, CAP I17, LFN 2004;
d. NAICOM Operational Guidelines and circulars.
e. Banks and Other Financial Institutions Act, 1991;
f. Financial Reporting Council Act 2011.
g. Investment and Securities Act 2007.

The Directors are of the opinion that the financial statements give a true and fair view of the state of affairs of the Company and of the profit for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the Directors indicating that the Company will not remain a going concern for at least 12 (twelve) months from the date of approval of the financial statements.

....
Mr. Tony Aletor
Acting Chairman
FRC/2013/CISN/00000003344

....
Mrs. Adebola Odukale
Managing Director
FRC/2013/CIIN/00000003501

Report of Directors (Cont'd)

The Directors submit their report together with the financial statements of Capital Express Assurance Limited for the year ended 31 December 2018.

1. Legal form

The Company was incorporated as a Private Limited Liability Company on 9th May 2000 under the Companies and Allied Matters Act, CAP C20 LFN 2004 and was licensed by the National Insurance Commission to transact life insurance business. It formally commenced business in the year 2000 under a restructured management and the corporate name, Capital Express Insurance Company Limited, was changed to Capital Express Assurance Limited.

2. Principal activities and corporate development

The Company underwrites life assurance and related products, investment products; investment funds derived there from are utilised among other things to meet claims obligations to its numerous policyholders.

3. Result for the year

	N'000
Gross premium written	3,391,365
Gross premium income	3,373,807
Reinsurance expense	(91,406)
Net underwriting income	3,317,750
Net claims expenses	1,866,334
Underwriting profit	1,132,403
Investment income	113,588
Management expenses	(1,026,274)
Profit before taxation	575,272
Profit for the year	563,000
Total comprehensive profit for the year	952,049

Per Share Data

Basic earnings per share (kobo)	27
Diluted earnings per share (kobo)	27

4. Corporate governance

The Company conducts its business under structured corporate governance environment incorporating the Board, Committees and an Executive Management system. The Board of Directors is the apex decision making body responsible for controlling and managing the strategic business of the Company and constantly reviews and presents a balanced and comprehensive assessment of the Company's performance and future prospects.

The Company is committed to the principles of Corporate Governance and the Code of Best Practices. The business of the Company is conducted with integrity which pays due regard to the legitimate interests of all stakeholders. The Board, in compliance with the guidelines of the National Insurance Commission carries out its oversight function through its standing committees, each of which has a charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, tenure and reporting lines to the Board.

Report of Directors (Cont'd)

THE BOARD OF DIRECTORS

The Board of Directors employs effective tools in the delivery of good corporate practice and other objectives. The Board exercises effective oversight functions on management performance primarily through its committees. The Board may exercise all such powers of the Company as are not, by law or the Articles of the Company, required to be exercised by the Company in general meetings.

The Board of Directors of the Company is composed of a mix of non-executive and executive members whereby the number of non-executives exceeds the executives while the position of the Chairman of the Board is clearly delineated from that of the Chief Executive Officer.

The Chairman

The Chairman of Capital Express Assurance Limited was duly appointed. The Chairman's primary role is to ensure that the Board carries out its governance role in the most effective manner. The Chairman manages the operations of the Board effectively and ensures that Board Members make concrete contributions towards the decisions of the Board and that the Board operates in harmony.

The Chief Executive Officer

The Chief Executive Officer with members of Management is responsible for developing, implementing and monitoring the strategic and financial plans of the Company with the cooperation and support of the Board. The CEO sees to the effective operation and management of the Chairman's resources in order to ensure profitability of its operations and that all significant matters affecting the Company are brought to the attention of the Board.

Independent Director

The Board appointed two independent members who has remained truly independent since their appointments.

(a) **ACTIVITIES OF THE BOARD**

The Board meets at least quarterly to discuss critical issues affecting the Organisation and performs other responsibilities that fall within its purview as provided in the Company's Article of Association and by other relevant regulatory authorities. Meetings were well attended with sufficient notice given well in advance of the meetings.

Names	Status	'Feb 26	Jun 25	Jul 30	Sep 13	Dec 19
Alhaji Isa Bello Sali	Chairman	X	X	X	X	X
Mr. Anthony Aletor	Vice Chairman	√	√	√	√	√
Dr. (Mrs.) Dere Awosika	Independent Director	√	√	√	√	√
Dr. Olusegun Aina	Independent Director	X	√	X	√	√
Bar. Osahon Idemudia	Director	√	√	√	√	√
Mrs. Adebola Odukale	Managing Director	√	√	√	√	√
Mr. Festus Olabiyi	Exec. Director	√	√	√	√	√

(b) **Board Committees**

The Board functions through the below stated committees, whose memberships are as follows:

REPORT OF DIRECTORS (CONT'D)

i. **Audit and Compliance Committee**

In line with the National Insurance Commission's code, the Committee is responsible for providing oversight functions with regards to the financial statements and its internal control and risk management functions. Also, the Committee reviews the terms of engagement and recommends the appointment or reappointment and compensations of the independent auditors to the Board and the Shareholders. The Committee also reviews the Committee's compliance level to relevant laws, regulations, guidelines, directives and circulars that are currently in force regarding the Committee's operations.

Below is the dates of the meetings called in 2018 and the attendance:

Names	Status	Jan 18	May 3	July 12	Dec 17
Dr. Olusegun Aina	Chairman	√	√	√	√
Mr. Anthony Aletor	Member	√	√	√	√
Mr. Anthony Eromosele (Shareholder)	Member	√	√	√	√
Mr. Segun Olorunfunmi (Shareholder)	Member	√	√	√	√
Mr. Festus Olabiyi	Member	√	√	√	√

ii. **Enterprise Risk Management and Governance Committee**

The Board Enterprise Risk Management and Governance Committee is responsible at ensuring that the generated risks by the Company in its pursuit of its corporate goals and objectives are within the risk appetite level approved by the Board, ensures that the mitigating solutions proffered to manage the identified risks are adequate and effective to allow a comfortable solvency level that would support the Committee's operations. In addition the Committee also ensure that the Organization's governance structures are well established and working optimally to ease the Committee's operations.

The recorded attendance at the meeting of the Committee is stated below:

Names	Status	Feb 26	May 3	July 23	Oct 31
Dr. (Mrs.) Dere Awosika	Chairman	√	√	√	√
Mr. Anthony Aletor	Member	√	√	√	X
Bar. Osahon Idemudia	Member	√	√	√	√
Mrs. Adebola Odukale	Member	√	√	√	√
Mr. Festus Olabiyi	Member	√	√	√	√

iii. **The Board of Finance, Investment and General Purpose Committee**

The Board of Finance, Investment and General Purpose Committee is responsible for budget monitoring, evaluating the financial performance in accordance with budget targets,comparison of the Company's performance to its peers in the industry ensuring its operating ratios are competitive and within estimated levels, control of expenses, ensuring the reliability and integrity of the quarterly management accounts submitted to the Regulator, setting the investment policy and periodic reviews of same, approving the Committee's investment plan, reviews and evaluates the Committee's various investment portfolios amongst other things. In addition the Committee also oversees all other matters of the Committee's operations not specifically assigned to the other Board Committees under its general purpose roles.

The meetings held by the Committee and the recorded attendance by its members is reported below:

REPORT OF DIRECTORS (CONT'D)

Names	Status	Jan 19	Apr 30	July 11	Oct 25
Mr. Anthony Aletor	Chairman	√	√	√	N/A
Dr. Olusegun Aina	Member	√	√	√	√
Dr. (Mrs) Dere Awosika	Member	√	√	√	√
Mrs. Bola Odukale	Member	√	√	√	√
Mr. Festus Olabiyi	Member	√	√	√	√

***N/A** means not on Board

5. **Directors' Interest**

Directors

None of the directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts in which the Company was involved during the year ended 31 December 2018.

Directors' interest

The direct and indirect interest of directors in the issued share capital of the Company as recorded in the register of directors shareholding and/or as notified by the directors for the purposes of Section 275 and 276 of the Companies and Allied Matters Act CAP C20 LFN 2004 is as noted:

	Direct Units	Indirect Units	Total Units
Mr. Anthony Aletor	213,595,000	295,000,000	508,595,000

6. **Property, plant and equipment**

Movement in property, Plant and equipment during the year is shown in note 10 of the notes to the financial statements. In the opinion of the Directors, the market value of the Chairman's property is not less than the value shown in the financial statements.

7. **Dividends**

The Directors did not recommend dividend for the financial year ended 31 December 2018.

8. **Event after reporting date**

There are no events after the reporting date which could have had material effect on the state of affairs of the Company, and the result for the year ended 31 December 2018 which have not been adequately provided for in the financial statements.

9. **Reinsurance arrangement**

The Company maintains a Life Reassurance Treaty with African Reinsurance Corporation during the financial year under review.

10. **Business outlook**

The Company continues to pursue its vision of being a world class financial service provider. It enhanced its re-engineering processes aimed at rendering wealth management and financial protection services to every household.

11. **Employment and Employees**

A. **Employment of physically challenged Persons:**

It is the Chairman's policy that there should be no discrimination in considering applications for employment including those from physically challenged persons. All employees are given equal opportunities for self-development. As at 31 December 2018 however, no physically challenged person was in the employment of the Company.

REPORT OF DIRECTORS (CONT'D)

B. Health, Safety and Welfare

Health, Safety and Welfare regulations for employees are enforced within the premises of the Company and employees are fully aware of existing safety regulations. The Company provides safety equipment at all its premises and also has in force an arrangement with a Health Management Organisation (HMO) to provide medical services to all categories of employees. The Company has enhanced safety measures in this regard as well as educating staff and its clients on appropriate hygiene manners.

C. Employee involvement and training

The Company has continued to ensure that it maintains an efficient and effective information dissemination system. Information is circulated constantly to update the various categories of staff in terms of the Company's values, goals, policies, performance, procedures and progress. Employees at various levels are encouraged to express their opinions on issues ranging from personal to corporate management matters.

This is mainly achieved at different meetings such as Staff General Meetings, Departmental/Divisional Meetings, Regional Directors Meetings, Executive Management Meetings and Branch Managers Meetings, all of which are structured and held at stated times.

Capital Express Assurance Limited places high premium on employee development. The Company continuously trains its staff both locally and internationally and encourages each staff to embrace professional tutelage and certification. With its corporate policy on employee development, the Company is able to strengthen the skills and competencies of its employees with the aim of increasing the value that we bring to our clients, business partners and other stakeholders.

D. Whistle blowing policy

The Company has installed an effective whistle blowing mechanism which encourages staff to put forward their opinion with regard to certain corporate and operational issues under strict confidence. The mechanism also provides the needed protection to such staff to ensure that they are not unnecessarily victimised for whistle blowing.

12. Auditors

The Auditors, Messrs BDO Professional Services (Chartered Accountants) have indicated their willingness to continue in office in compliance with NAICOM Corporate Governance regulation. Messrs BDO has been appointed as Auditors in compliance with section 357(1) of the Companies and Allied Matters Act of Nigeria.

COMPLIANCE WITH CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2018

In line with the principles of Corporate Governance, the Company made efforts to satisfy the requirement of convening a Board Meeting every quarter. The Board Committees are equally viable and are efficiently working in line with their Terms of References.

By Order of the Board

Joy I. Sulucainan (Mrs.)
Company Secretary/Legal Adviser

Date 25-06-19
FRC/2013/NBA/00000003483

ENTERPRISE RISK MANAGEMENT REPORT

OVERVIEW

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. In line with best practice, operational risk in the Company is composed of the following risk types: operations risk, legal risk, regulatory compliance risk, financial crime risk, people risk, property, technology, vendor, financial, and environmental risks.

The Company recognises the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

Objectives

The Company is committed to the management of operational risks. The Company's operational risk management framework aims to:

- Reduce losses arising from operational risk – a key role of operational risk management in the Company is to reduce losses from operational failure and in particular avoid potentially large or catastrophic risk losses;
- Improve performance measurement – the Company's improved understanding of its operational risk profile shall enable appropriate allocation of risk and economic capital to individual lines of business, which would allow improved performance measurement and evaluation of activities;
- Ensure better control of operations – the Company expects that increased understanding of risk activities within various business units, the Board and senior management will lead to improvement in the control of operations and the emergence of a more proactive operational risk management culture;
- Provide early warning signals of deterioration in the Company's internal control system; and
- Raise awareness of operational risk in the Company from top to bottom through the implementation of an enterprise-wide operational risk approach.

Philosophy and principles

The following philosophy and principles govern the management of operational risk in the Company:

- The Board of Directors is responsible for setting the operational risk strategy of the Company and its implementation.
- The Board approves and periodically reviews the operational risk management framework.
- Operational risk in the Company is coordinated through a centralised and independent risk management function.
- Ownership, management and accountability for operational risk are decentralised with business and functional units.
- There are consistent standards for defining, evaluating, measuring, monitoring and reporting operational risk.
- The Company's operational risk management practices are in line with best practices.
- The Company's operational risk management practices are subject to regular independent review internally and externally.
- Operational risk management is governed by well-defined policies and procedures which are clearly communicated across the Company.
- Operational risk-related issues are taken into consideration in business decisions including new product and process designs.

ENTERPRISE RISK MANAGEMENT REPORT (CONT'D)

- Operational risk and loss events are reported openly and fully to the appropriate levels once they are identified.
- Adequate processes and systems for identifying, measuring, monitoring, reporting and controlling operational risks are being implemented by the Company.

Methodologies

In order to meet its operational risk management objectives, each business function within the Company is required to identify, assess, measure and control its operational risk in line with the policy set by the Board.

The following are some of the key tools and techniques used by each business unit, in line with the nature and scale of the business risks:

Operational risk reporting template

This template is used for operational risk reporting on a monthly basis. Issues to be reported using this template take the form of significant operational risk exposures, exceptions from Key Risk Indicators (KRI) analysis and trending, exceptions from Control Risk Self-Assessment (CRSA), operational and fraudulent losses incidences, significant control breakdowns rectified during the month, all exceptions to corporate governance standards and outstanding audit issues, and any other issues with operational risk implications.

Real time incidence reporting

This is for reporting urgent and significant operational risk issues/events that have to be escalated to relevant senior management stakeholders within 72 hours of the incidence without having to wait for the monthly risk reporting cycle. Examples of significant operational risk issues are: fraud, accidents and whistle blowers' alerts.

Risk and Control Self-Assessment (RCSA)

Risk and Control Self-Assessment is a key component of the Company's operational risk framework and involves, on a quarterly basis, each business unit within the Company proactively identifying and assessing its significant operational risks and the controls in place to manage those risks.

Internal loss data

The tracking of internal loss event data is a key component of the Company's operational risk framework. Internal loss events and data are analysed with a view to focusing attention on where they are needed and to forestall re-occurrence through sharing lessons learnt.

Key Risk indicators (KRIs)

Key risk indicators are measures that track the risk profile of the Company. Each business unit within the Company develops and monitors key risk indicators for its significant risks, which:

- target key operational risk exposures for the business unit;
- enable management of the underlying causes of risk exposures;
- use thresholds aligned to the Company's risk appetite and enable risk-based decision-making;
- are monitored with a frequency that matches the nature of the risks;
- complement the self-assessment and loss-event collection processes; and
- are reported as part of monthly management reporting.

ENTERPRISE RISK MANAGEMENT REPORT (CONT'D)

Key operational risks

Major operational risks faced by the Company are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed, control failures identified and new controls designed. The Company is also investing in enhanced loss control. Key counter-measures put in place include:

- enhanced staff training;
- enhanced Know Your Policyholder (KYP) drive and background checks on employees;
- issuance of appropriate and deterrent circulars;
- job rotation and segregation;
- dissemination of email and SMS alerts to the Company's customers for each activity on their accounts;
- imposition of stiff disciplinary measures including prosecution of fraudulent staff, agents and brokers; and
- installation of panic alarm system, CCTV.

Strategy

Failure to manage operational risk effectively often results in significant financial losses, regulatory fines or censure, reputational damage, brand erosion or even the loss of insurance license, all of which directly impact shareholders' value. Accordingly, the Company's operational risk strategy aims to minimise the impact of operational risk on its shareholders' value. In more specific terms, the Company's strategy is to:

- reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;
- minimise the impact of unexpected and catastrophic events including related costs through risk financing strategies that support the Company's long-term growth, cash flow management and statement of affairs protection, and;
- make all managers responsible for the management of operational risk and thus minimise actual or potential losses. The Company recognises that some losses, such as operational errors, are inevitable and are normal business cost but will ensure these costs are kept within acceptable levels and potential losses are minimised.

In implementing this strategy, the Company:

- has put in place best-practice operational risk management policies and procedures. These include procedures to help identify, assess, control, manage and report on operational risk within the Company;
- ensures that roles and responsibilities are agreed and clearly understood by employees at all levels;
- ensures that all staff in business and support functions are aware of their responsibilities for operational risk management;
- considers the potential operational risk impact of its activities and products at the outset with a view to minimising these as far as possible;
- has put in place structures and processes for reporting control failures to designated individuals and escalating material issues to the Board Audit & Risk Committees respectively;
- ensures that staff are provided with appropriate operational risk management training that is commensurate to their roles;

ENTERPRISE RISK MANAGEMENT REPORT (CONT'D)

- establishes a workable business continuity plan (including disaster recovery and crisis management procedures) that minimises the impact of unexpected and catastrophic events on business operations and customer service;
- minimises the financial impact of operational losses, through management of risk factors and utilisation of insurance and other risk transfer strategies; and
- ensures that staff responsibility with respect to operational risk management is communicated through ongoing risk awareness workshops and management action.

Governance

The overall responsibility for operational risk management in the Company resides with the Board. The responsibility of the day-to-day management has been delegated as described in this section. On a regular basis, the Board receives reports on Company's operational risk profile through the Board Risk Committee.

To ensure consistency and prudent management of operational risks, the responsibility for managing operational risk has been split as follows:

- the overall governance owned by the Board and Board Committees (Board Audit & Risk Committees) and Management Risk Committee;
- the approval of operational risk policies and standards of risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board and Board Committees;
- the operational risk management framework implementation and review is owned by the Risk Management department; and
- the implementation of the operational risk framework within the branches, departments/business units and the day-to-day management of operational risks is owned by their respective core processes and executed through their management structure.
- the assurance role that operational risk management controls are effective is owned by the internal audit function.

The Board and Board Committees

The Board of Directors, Board Audit & Risk Committees and the Management Risk Committee shall have overall oversight function for operational risk management. It shall be their responsibility to ensure effective management of operational risk and adherence to the approved operational risk policies.

Board of Directors

The Board of Directors:

- Sets the Company's operational risk strategy and direction in line with the Company's corporate strategy;
- Gives final approval for the Company's operational risk management framework, policies and procedures; and
- Periodically reviews the framework to ensure its relevance and effectiveness; and ensures that senior management is performing its risk management responsibilities.

ENTERPRISE RISK MANAGEMENT REPORT (CONT'D)

Board Audit & Risk Committee

The Board Committees:

- Ensures that the operational risk management framework is comprehensive and in line with the Company's strategy;
- Approves the operational risk management framework and oversees its implementation;
- Establishes a management structure capable of implementing the framework with clear lines of responsibility, accountability and reporting; and
- Reports significant operational risk issues to the Board of Directors.

Management Risk Committee

The Company's Management Risk Committee:

- Ensures that the framework is implemented consistently across the Company;
- Ensures policies and procedures are developed for operational risk management;
- Ensures that all levels of staff understand their responsibilities with respect to operational risk management;
- Reviews the Company's risk dashboard and assesses potential impact on the activities of the Company or business unit;
- Ensures the Company's risk profile is within established risk parameters;
- Ensures that staff are adequately trained and have access to the necessary resources;
- Obtains and reviews periodic reports on operational loss events, risk profiling and control failures Company-wide and ensures corrective measures are being implemented;
- Ensures that the outputs from the operational risk management process are factored into the day-to-day management decisions of the Company; and
- Ensures that the Company's operational policies and procedures promote the desired risk culture.

Chief Risk Officer

The Chief Risk Officer shall:

- Lead the development and implementation of operational risk management across the Company.
- Develop operational risk management strategy, principles, framework and policy.
- Implements appropriate operational risk management processes and methodologies.
- Advise and coach management and business units on risk management.
- Coordinate the appropriate and timely delivery of risk management information.
- Exercise supervisory responsibilities over operational risk management in addition to responsibility over insurance risk, market risk, credit risk and other key risk types.
- Approve all reports, operational risk policy proposals, recommendations and other documents prepared for presentation to the Management Risk Committee, and Board Audit & Risk Committees.

Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters, monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit.

ENTERPRISE RISK MANAGEMENT REPORT (CONT'D)

Future outlook

The Company is on a journey to embedding a robust operational risk management practice, culture and environment beyond complying with regulatory requirements. The goal is to make risk management a value driver that enhances and contributes to stakeholders' value and the long-term existence and survival of the institution. To this end, a number of initiatives and projects are being initiated. When completed, it will enhance the risk management culture and practices within the organisation and by extension significantly reduce the Company's operational risk exposures and incidences, monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from natural disasters.

Some of these key initiatives and projects are as follows:

- Sourcing of a risk solution that has capacity to support the management of insurance risks, operational risk, credit risk and market risk in line with best practices and ultimately complying with risk-based capital regulation in anticipation;
- Structuring a business continuity management framework and infrastructure;
- Review and update of existing operational risk management processes and introduction of new ones; and
- Ongoing aggressive Company-wide operational risk awareness campaign to increase employees' risk-awareness level, competence and involvement in managing risks.

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 2018 that:

- We have reviewed the report;
- To the best of our knowledge, the report does not contain:
  - Any untrue statement of a material fact, or
  - Omit to state a material fact, which would make the statements, misleading in the light of circumstances under which such statements were made;
- To the best of our knowledge, the financial statement and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Company as of, and for the periods presented in the report.
- 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 entries 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;
- We have disclosed to the auditors of the Company and audit committee:
  - All significant deficiency in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarise 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. Timothy Alimi	**Mrs. Adebola Odukale**
Chief Finance Officer	**Managing Director/CEO**
Date. 25-06-19.	Date. 25-06-19.
FRC/2019/ICAN/00000019617	**FRC/2013/CIIN/00000003501**

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CAPITAL EXPRESS ASSURANCE LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **Capital Express Assurance Limited** which comprise, the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria, Act No 6, 2011, the Companies and Allied Matters Act, CAP C20, LFN 2004, Insurance Act CAP I17, LFN 2004 and the Prudential Guidelines issued by National Insurance Commission.

2. **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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants 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 International Ethics Standards Board Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. 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.

(i) **Revenue recognition**

In view of large number of policies underwritten by the Company, the gap between the underwritting and finance departments, and manual interference in the premium documentation, there is a risk that revenue may not be completely accounted for in the financial statements.

Response

- We have tested the design and implementation of key controls over revenue recognition, focusing on the flow o information from the underwriting systems to the financial reporting ledger. In addition, we performed substantive analytical procedures on gross and unearned premium balances.

We performed other substantive procedures to confirm completeness of revenue by:

- Selecting some debit notes from hard copy files and traced to soft copy listing of premium and obtained a serially generated debit notes and investigated missing and duplicated debit notes
- We ensured that an appropriate and consistent revenue recognition policy is in place and in line with the Company's accounting policies and international accounting standard number 15.

ii) **Valuation of investment properties**

Management has estimated the value of the Company' investment properties to be **2.9billion** s at 1 December 2018. Independent external valuations were obtained in order to support the value in the Company' financial statements. These valuations are dependent on certain key assumptions and significant judgments including capitalization rates and fair market rents.

Our response

We ascertained the following valuated the independent external valuers' competence, capabilities and objectivity

- Assessed the methodologies used and the appropriateness of the key assumptions.
- Checked the accuracy and relevance of the input data used.

We also reviewed and found the disclosures on note 9 to be appropriate based on the assumptions and available evidence.

iii) **Valuation of insurance and investment contracts liabilities.**

Management has estimated the value of insurance and investment contract liabilities in the Company' financial statements to be **4.36 billion** s at year ended 31 December 2018 based on the actuarial valuation and liability adequacy test carried out by an external firm of Actuaries.

The valuation has been made on the following key assumptions which were determined by the actuary:

- Reserves were calculated via a cash flow projection approach, taking into account future premiums, expenses and benefit payments including an allowance for benefits.
- The unexpired premium reserve for general business is calculated on the assumption that risk will occur evenly during the duration of the policy.
- The Company's claim payment approach will be sustained into the future.
- Weighted past average inflation will remain unchanged over the claim projection period.
- Gross claim amount includes all relate claim expenses.
- An unexpired premium reserve was included for Group life business, after allowing for acquisition expenses at a ratio of 20% premium.
- An allowance was made for IBNR (Incurred But Not Reported) claims in Group Life to take care of the dela in reporting claims.

Our response

We ascertained the following

- valuated and validated controls over insurance and investment contract liabilities,
- Checked the claims register for completeness and accuracy of claims accrued, additional adjustment as raised
- Reviewed transactions after year end for claims paid but not accrued, additional audit adjustment was raised
- valuated the independent external Actuary' competence, capability and objectivity,
- Assessed the methodologies used and the appropriates of the key assumptions,
- Checked the accuracy and relevance of data provided to the Actuary by management,
- Reviewed the results based on the assumptions.

4. **Responsibilities of the Directors for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria Act, No 6, 2011, the Companies and Allied Matters Act, CAP C20 LFN 2004, Insurance Act, CAP I17 LFN 2004, and the Prudential Guidelines issued by National Insurance Commission, 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.

5. **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Chairman's and Directors' statements, but does not include the financial statements and our auditors' report thereon. 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 during 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 information, we are required to report that fact. We have nothing to report in this regard.

6. **Auditors' 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 a 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 International Standards on Auditing 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 International Standards on Auditing, 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 auditors' 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 auditors' 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 directors regarding, among other matters, the planned scope and timing of the audit, and significant audit findings and any significant deficiencies in internal control that we identify during our audit.

7. **Contravention of laws and regulations**

As stated in note 46 of these financial statements, the Company paid the sum of four hundred and ninety thousand naira only (N490,000) to Lagos State Internal Revenue Service for penalty on 2015 Tax Audit and the sum of five million naira only (N5,000,000) to Financial Reporting Council of Nigeria for Penalty on Contravention.

Report on other legal and regulatory requirements

The Companies and Allied Matters Act, CAP C20, LFN, 2004 and Insurance Act CAP I17 LFN 2004 require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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, and iii) the Company's statement of financial position, and its statement of profit or loss and other comprehensive income are in agreement with the books of account.

Olugbemiga A. Akibayo
FRC/2013/ICAN/00000001076
For: BDO Professional Services
Chartered Accountants

Lagos, Nigeria
17 July 2019

REPORT OF THE AUDIT COMMITTEE

To the members of Capital Express Assurance Limited

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, Cap 59 of the Laws of the Federation of Nigeria 2004, we the Members of the Audit Committee of Capital Express Assurance Limited, have carried out our statutory functions under the Act, and hereby report as follows:

- We have reviewed the scope and planning of the audit for the year ended 31 December 2018 and we confirm that they were adequate;
- The Company's reporting and accounting policies as well as internal control systems conform to legal requirements and agreed ethical practices; and
- We are satisfied with the departmental responses to the External Auditors' findings on management matters for the year ended 31 December 2018.

Finally, we acknowledge and appreciate the co-operation of Management and Staff in the conduct of these duties.

Mr. Tony Ailen Eromosele
Chairman of the Audit Committee
Date 25/02/19
FRN/2013/ICAN/00000002939

Members of the Audit Committee

Dr. Olusegun Aina	Chairman
Mr. Anthony Aletor	Member
Mr. Festus Olabiyi	Member
Mr. Segun Olorunfunmi	Member
Mr. Tony Ailen Eromosele	Member

The Company Secretary/Legal Adviser acted as the Secretary to the Committee.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. General Information

Capital ExpressAssuranceLimited ("CAPEX" or "the Company") was incorporated in Nigeria on 9 May 2000 as a private Limited Liability Company domiciled in Nigeria. It was licensed to carry on insurance business in the same year. The address of the Company's registered office is 13, Bishop Kale Close, Victoria Island Lagos. Capital Express Assurance Limited is a specialist life assurance Company with operations in major parts of the Country. The Company's vision is to be a world class financial services provider.

Ownership structure

Capital Express Assurance Limited is fully owned by Nigerians.

Authorisation for issue

The financial statements of Capital Express Assurance Limited for the year ended 31 December 2018 were authorised for issue by the Directors on 14 June 2019

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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 management believes 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 by the Company to ensure that there are no going concerns threats to the operations of the Company.

2.2 Basis of Preparation and Compliance with IFRS

The Company's financial statements for the year 2018 have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria, Act No 6, 2011, the Companies and Allied Matters Act, CAP C20, LFN 2004, Insurance Act CAP I17, LFN 2004 and the Prudential Guidelines issued by National Insurance Commission.

2.2.1 Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss;
- Financial assets classified as Available-for-sale which are measured at fair value through other comprehensive income;
- Land and building (included in property and equipment) which are measured at fair value through other comprehensive income;
- Loans and receivables and held to maturity financial assets and financial liabilities which are measured at amortised costs; and
- Investment properties which are measured at fair value.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.3 Critical Accounting Estimates, Judgments and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial positions and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.4

2.4 Judgments, Estimates and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

2.4.1 Income Taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

2.4.2 Retirement Benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The assumptions used in determining the net cost (income) for gratuity include the discount rate, rate of return on assets, future salary increments and mortality rates.

The Company determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related gratuity liability. Other key assumptions for gratuity obligations are based in part on current market conditions.

In most cases, no explicit assumptions are made regarding the 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 assessthe extent to which past trends may not apply in future, (e.g. 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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 amortisation of unearned premium on a basis other than time apportionment.

2.4.3 Fair Valuation of Investment Properties

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is determined by reference to observable market prices. The fair value of investment property does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers. Assumptions are made about expected future cash flows and the discounting rates.

2.5 Changes in accounting policies

2.5.1 New standards, interpretations and amendments effective from 1 January 2018

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the financial year ended 31 December 2018. They have not been adopted in preparing the financial statements for the year ended 31 December 2018 and are expected to affect the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated below.

(a) **IFRS 15 - Revenue from Contracts with Customers**

In May 2014, the IASBissued IFRS15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments, insurance contracts and leases will continue to fall outside the scope of IFRS15 and will be regulated by the other applicable standards (e.g. IFRS 9, 4 and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferror anticipates entitlement to goods and services. The following five step model in IFRS 15 is applied in determining when to recognise revenue, and at what amount.

i Identify the contract(s) with a customer
ii Identify the performance obligations in the contract
iii Determine the transaction price
iv Allocate the transaction price to the performance obligations in the contract
v Recognise revenue when (or as) the entity satisfies a performance obligation

The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. This standard does not have any significant impact on the Company.

(b) **IFRS 9 - Financial instruments**

IFRS 9 introduces a new approach for classification and measurement of financial instruments, a more forward looking Impairment methodology and a new general hedge accounting requirement.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(i) Classification and Measurement

IFRS 9 requires financial assets to be classified into one of three measurement categories: fair value through

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. The Company has undertaken an assessment to determine the potential impact of changes in classification and measurement of financial assets. Our assessment revealed that the adoption of IFRS9 is unlikely to result in significant changes to existing asset measurement bases. IFRS9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk shall be presented in Other Comprehensive Income.

IFRS9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk shall be presented in Other Comprehensive Income.

(ii) Impairment Methodology

The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantees not measured at fair value through profit or loss. IFRS9 replaces the existing 'incurred loss' impairment approach with an Expected Credit Loss ('ECL') model, resulting in earlier recognition of credit losses compared with IAS 39. Expected credit losses are the unbiased probability weighted average credit losses determined by evaluating a range of possible outcomes and future economic conditions. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.

The requirement to recognise lifetime ECL for assets which have experienced a significant increase in credit risk since origination, but which are not credit impaired, does not exist under IAS 39. The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument, not the change in the amount of expected credit losses. Reasonable and supportable forward looking information will also be used in determining the stage allocation. In general, assets more than 30 days past due, but not credit impaired, will be classed as stage 2.

IFRS 9 requires the use of more forward looking information including reasonable and supportable forecasts of future economic conditions. The Company has developed the capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes. Appropriate governance and oversight has been established around the process.

An assessment of the ECL in the Company's statement of financial position reflects an increase in the provisions for credit losses. However, this increase will not have a significant impact on regulatory capital and invariably the Capital adequacy due to the Company's strong earnings and retention capacity over the years.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(iii) **Hedge Accounting**

The hedge accounting requirements in IFRS 9 are optional. If certain eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on financial hedging instruments with losses or gains on the risk exposures they hedge. The application of the hedge accounting requirements in IFRS9 is optional and can only be applied when certain eligibility and qualification criteria are met. A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- At inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity "s risk management objective and strategy for undertaking the hedge; and
- The hedging relationship meets all of the hedge effectiveness requirements

Hedge accounting allows an entity to reflect its risk management activities in the financial statements by matching gains or losses on hedging instruments (e.g. derivatives) with losses or gains on the risk exposures they hedge (e.g. foreign currency sales).

Further amendments to IFRS9 (Effective 2019) covers prepayment features with negative compensation and modifications of financial liabilities. The amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract. The amendment also clarifies that when a financial liability measured at amortised cost is modified without this resulting to a derecognition, a gain or loss should be recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

(c) **Amendments to IFRS 4 - Insurance Contract, regarding implementation of IFRS 9**

The IASB issued the amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:

1 An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is called the overlay approach;

2 An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS4; this is called the deferral approach. The Company chooses to apply the deferral approach.

The Company conducted an initial predominance assessmentand having met the criteria for exemption, the Board opted for temporary exemption option (deferral approach). The result of the predominance assessment using 2015 financial report as stated in IFRS 4 amended 2016 section 20D of the standard is stated below;

The carrying amount of its liabilities arising from insurance contracts and insurance connected liabilities for the company amounted to N4.39billion as at 31 Dec 2018 (31 Dec 2017 : N4.39billion), which is greater than 80 per cent of the total carrying amount of all its liabilities as at 31 Dec 2018 and 31 Dec 2017 respectively ;

The Company is registered with Corporate Affairs Commissionto carryout insurance activities and its activities are predominantly connected with insurance contracts.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Predominance Assessment
Using 2015 Financial Report

Insurance Liabilities	**Carrying amount**	**Insurance Liabilities**
	N'000	**N'000**
Insurance Contract Liabilities	3,834,261	3,834,261
Investment Contract Liabilities	950,393	950,393
Trade Payables	9,953	9,953
Other Payables and Provision	159,557	-
Income Tax Liabilities	40,487	40,487
	4,994,651	4,835,094
Predominance ratio		**97%**

The impact assessment of IFRS 9 on the Company's financial assets as at December 31, 2017 which is the reporting date that immediately precedes January 1, 2018, i.e. the effective implementation date of the standard, is stated below;

2017 Impact analysis on Financial Assets	**IAS 39**	**IFRS 9**	**Impact**
Financial Assets;	**N'000**	**N'000**	**N'000**
-At fair value through profit or loss	1,335,165	1,335,165	-
-Loans and receivables(Amortised Cost)	40,122	39,636	486
-Available for sale assets(FVOCI)	1,136,598	1,136,598	-
-Held to maturity (Amortised Cost)	73,664	73,664	-
Trade receivables	171,814	171,814	-
Placement with banks	283,576	278,607	4,969
	3,040,939	3,035,484	5,455

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Fair value disclosures

Financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest:

The Company 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)

Financial Assets that meet the SPPI Test		N'000	N'000
Categories	IAS 39 Carrying	IFRS 9 Fair Value	Fair Value Changes (Impact on 2018) Accounts (C')=(A)-(B)
	Amount As at 31 Decemeber 2018 (A)	As at 31 Decemeber 2018 (B)	
Available- for-sale (Note 7(a))			
Mutual funds	-	-	-
Bond	-	-	-
Sub-Total	-	-	-
Held to Maturity (Note 4.3):			
Treasury Bills	56,849	56,849	-
Government Bonds	11,440	11,440	-
Sub-Total	68,289	68,289	-
Loans and receivables (Note 4.4):			
Loan to policy holders	26,123	25,717	406
Staff Loans	5,159	5,079	80
Sub-Total	31,282	30,796	486
Cash and Cash Equivalents (Note 3)			
Placement & Short term deposit with financial Institutions	375,815	370,846	4,969
Trade Receivables (Note 8)			
Premium due from brokers,agents & Insurance entities	-	-	-
Other receivables and prepayments			
Loans and advances	-	-	-
Grand Total	**475,386**	**469,931**	**5,455**

(b) **Financial assets with contractual terms that do not give rise to cash flows that are solely payments of principal and interest :**

Financial Assets that meet the SPPI Test		N'000	N'000
Categories	IAS 39 Carrying	IFRS 9 Fair Value	Fair Value Changes
	Amount As at 31 Decemeber 2018 (A)	As at 31 Decemeber 2018 (B)	(Impact on 2018) Accounts (C')=(A)-(B)
Available-for-sale (Note 4.1)			
Quoted/Unquoted equity securities measured at fair value	1,415,431	-	1,415,431
Quoted/Unquoted equity securities measured at cost	-	-	-
	1,415,431	**-**	**1,415,431**
Fair value through profit or loss - FVTPL (Note 4.2)			
Quoted equity securities measured at fair value	2,575,817	-	2,575,817
Total	**3,991,248**		**3,991,248**

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.5.2 **New standards, interpretations and amendments not yet effective**

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are:

Title	Key requirements	Effective Date
IFRS 16 Leases	IFRS 16 will affect primarily the accounting by leases and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additional, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS16, a contract is, or contain, 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.	1 January 2019 Early adoption is permitted.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long - term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).	1 January 2019.Earlier application is permitted.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

IFRS 17 Insurance Contracts	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders "options and guarantees. The implementation of the Standard is likely to bring significant changes to an entity "sprocesses and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT. • that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment. • that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and • that the judgments and estimates made must be reassessed whenever circumstance have changed or there is new information that affects the judgements. While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgments and estimates made in preparing the financial statements.	The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application
IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses: • how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty • that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored • that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment. • that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and • that the judgments and estimates made must be reassessed whenever circumstance have changed or there is new information that affects the judgements. While there are no new disclosure requirements, entities are reminded of the general requirements to provide information about judgments and estimates made in preparing the financial statements.	1 January 2019

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Prepayment Features with Negative Compensation-Amendments to IFRS 9	The narrow-scope amendments made to IFRS 9 Financial instruments in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract "and the asset must be held within a „held to collect " business model.	1 January 2019
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • any reduction in a surplus should be recognized immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In order words, a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. • separately recognize any changes in the asset ceiling through other comprehensive income.	1 January 2019

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.6 Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency).

The financial statements are presented in Nigerian naira (N), which is the presentation currency, and rounded to the nearest thousand (N'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 gains or losses resulting from the settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statements.

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

2.7 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 less than three months, 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 flows, cash and cash equivalents consist of cash and cash equivalents, net of outstanding bank overdrafts.

2.8 Trade receivables

They are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Company will not be able to collect the entire amount due under the original terms of the invoice.

Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt.

Impaired debts are derecognised when they are assessed as uncollectible. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previous recognised impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. Any subsequent reversal of an impairment loss is recognised in the Income Statement.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.9 Deferred Acquisition Costs

Deferred acquisition costs comprise of commission, brokerage and other related expenses arising from generation and conclusion of insurance contracts. The proportion of acquisition costs that correspond to the unearned premiums are deferred as an asset and recognised in the subsequent period. They are recognised on a basis consistent with the related provision for unearned premiums.

2.10 Financial Assets

A financial asset is recognised when the Company becomes a party to the contractual provisions of the instrument.

2.10.1 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 financial assets;
- Loans and receivables; and
- Available-for-sale financial assets.

Management determines the appropriate classification of the financial assets at initial recognition and the classification depends on the purpose for which the financial assets 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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets classified as trading are acquired principally for the purpose of selling in the short term.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value, with gains and losses arising from changes in this value recognised in the income statement in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices. The fair values of unquoted equities, and quoted equities for which there is no active market, are established using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in investment income.

Held to maturity

Held-to-maturity financial assets 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 an insignificant amount of held-to- maturity assets, the entire category would be obtained and classified as available for sale.

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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Available-for-sale financial assets (AFS)

Available for sale financial investments include equity and debt securities. The Company classifies as available-for-sale those financial assets that are generally not designated as another category of financial assets, and strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are carried at fair value, with the exception of investments in equity instruments where fair value cannot be reliably determined, which are carried at cost. Fair values are determined in the same manner as for investments at fair value through profit or loss. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income while the investment is held, and are subsequently transferred to the income statement upon sale or de-recognition of the investment.

Dividends received on available-for-sale instruments are recognised in income statement when the Company's right to receive payment has been established.

2.10.2 Initial recognition and measurement

Financial assets are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy is to manage financial assets on a fair value basis, because the related liabilities are also managed on this basis.

2.10.3 Subsequent measurement

Fair values of quoted investments in active markets are based on quoted bid prices.
Equity securities for which fair values cannot be measured reliably are measured at cost less impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are re-measured subsequent to initial recognition, at fair value.

Held to maturity

Held-to-maturity investments after initial measurement are carried at amortised cost using the effective interest rate method (EIR), less impairment. Gains and losses are recognised in the Income Statement when the investments are derecognised or impaired.

Loans and receivables

Loans, advances and receivables after initial measurement are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement.

Available-for-sale financial assets

Changes in the carrying amount of available for sale financial assets are recognised in other comprehensive income and accumulated under the heading of "Available-for-sale reserve". Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any identified impairment losses at the end of each reporting period.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.10.4 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets 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 or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial re-organisation; and
- the disappearance of an active market for that financial asset because of financial difficulties.

Financial assets carried at amortised cost

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at financial asset's original effective interest rate.

If a financial asset measured at amortised cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, past-due status and other relevant factors.

Future cash flows of a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the end of reporting period, that have an impact on the future cash flows of the asset.

An available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. „Significant "is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is a decline in available-for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the loss recognised in the income statement is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Financial assets carried at cost

For financial assets carried at cost, if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.10.5 De-recognition of financial assets

The Company derecognises 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 recognised as a separate asset or liability.

2.11 Reinsurance Assets

The Company cedes insurance risk in the normal course of business on the bases of treaty agreements. Reinsurance assets represent balances due from Reinsurance Companies. Reinsurance assets are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Reinsurance assets also include prepaid reinsurance cost as at the reporting date. The Company assessesits reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in the income statement. There are no indications of impairment as at year end. Amounts recoverable from reinsurers are estimated in a manner consistent with settled claims associated with the reinsurer "s policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Premiums, losses and other amounts relating to reinsurance treaties are recognised over the period from inception of a treaty to expiration of the related business. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

2.12 Prepayments and Other Receivables

Prepayments and other receivables are carried at cost less accumulated impairment losses. The carrying amounts of the Company's non-financial assets other than deferred tax assets are assessed at the end of 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in income statement.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Any increase in assets carrying amount, as a result of revaluation is credited to other comprehensive income and accumulated in Revaluation Surplus within Revaluation reserves in equity. The increase is recognized in profit or loss to the extent that it reverses reduction decrease of the same asset previously recognised in profit or loss.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised 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, plant and equipment are recognised in income statement as incurred.

Depreciation

Land is not depreciated. Depreciation on other assets is provided on a straight line basis so as to allocate the cost/revalued amounts less their residual values over the estimated useful lives of the assets. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is de- recognised or classified as held for sale in accordance with IFRS5 „*Non-current Assets Held for Sale and Discontinued Operations'*.

The depreciation rates for the current and comparative periods are as follows:

Buildings	2%
Furniture and fittings	10%
Motor vehicles	20%
Machinery	10%
Computer equipment	15%
Office equipment	15%

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

De-recognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or 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 derecognised.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in income statement.

2.15 Statutory Deposit

Statutory deposit represents the amount deposited with the Central Bank of Nigeria in accordance with Section 9 (1) and Section 10 (3) of Insurance Act, 2003. This is restricted cash as management does not have access to the balances in its day to day activities. Statutory deposits are measured at cost and interest income earned on the deposit is included in investment income.

2.16 Intangible assets (Software)

2.16.1 Recognition and Measurement

Recognition of software acquired is only allowed if it is probable that future economic benefits to this intangible asset are attributable to and will flow to the Company. Software acquired is initially measured at cost. The cost of acquired software comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

After initial recognition, software acquired is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Maintenance costs are not to be included. Internally developed software is capitalised when the Company has the intention and demonstrates the ability to complete the development and use of the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs include all costs directly attributable to the development of the software. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

2.16.2 Amortisation

Amortisation is calculated on intangible assets on the straight line basis to write down the cost of software to its residual value over its estimated useful life. Amortisation methods, useful lives and residual values are reassessed at each reporting date. No Amortisation is charged on intangible assets until they are available for use.

Amortisation reduces an asset's carrying value to its residual value at the end of its useful life, and is allocated on a straight line basis over the estimated useful lives, as follows:

IES-Online Software	20%

2.17 Insurance Contracts Liabilities

2.17.1 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 issues life insurance contracts that transfer insurance risk or financial risk or both. 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. Such contracts may also transfer financial risk when the insurer issues contracts with a discretionary participation feature.

2.17.2 Recognition and Measurement of Insurance Contracts

Premium income is recognised on assumption of risks. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission and are gross of any taxes.

Gross Premiums

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

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 premiums written. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Premiums, losses and other amounts relating to reinsurance treaties are measured over the period from inception of a treaty to expiration of the related business. The actual profit or loss on reinsurance business is therefore not recognised at the inception but as such profit or loss emerges. In particular, any initial reinsurance commissions are recognised on the same basis as the acquisition costs incurred. Premiums ceded, claims recovered and commission received are presented in the Income Statement separately from the gross amounts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due under the contract terms and that the event has a reliably measurable impact on the amounts the Company will receive from the reinsurer.

Claims and policyholder benefits payable

For long term insurance business, benefits are recorded as an expense when they are incurred. Claims arising on maturing policies are recognised when the claims become due for payment. Death claims are accounted for on notification. Surrenders are accounted for on payment. 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.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.

Receivables and Payables related to Insurance Contracts

Receivables and Payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. 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 recognised as impairment loss in income statement.

2.18 Investment Contracts Liabilities

Investment Contracts Liabilities are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

2.18.1 Interest on Investment Contracts

Interest accruing to the assured from investment of the savings is recognised in the income statement in the period it is earned while interest paid and due to depositors is recognised as expense. The net amount of the deposit administration revenue is transferred to the income statement.

2.18.2 Recognition and measurement of investment contracts

Receipt and payments under investment contracts are not classified as insurance contracts in the Income statement but are deposits accounted in the Statement of Financial Position in line with the accounting policies for financial instruments. The deposit liability recognised in the Statement of Financial Position represents the amounts payable to the holders of the investment contracts inclusive of allocated investment income.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A number of insurance and investment contracts contain a discretionary feature. This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that is likely to be a significant portion of the total contractual benefits.
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract
- realised and /or unrealised investment returns on a specified pool of assets held by the Company
- the profit or loss of the Company, fund or other entity that issues the contract.

Investment Contracts with Discretionary Participation Feature (DPF)

Insurance contracts and investment contracts with DPF are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Long -term Insurance Business (i.e. Long-term insurance contracts with fixed and guaranteed terms, and Long-term insurance contracts without fixed terms and with DPF) includes insurance business of all or any of the following classes, namely; life insurance business, superannuation business and business incidental to any such class of business.

The Company is concerned with Long-term insurance contracts without fixed terms and with DPF. Life assurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability insurance contract), and include a contract which is subject to the payment of premiums for term dependent on the termination or continuation of human life and any contract securing the grant of an annuity for a term dependent upon human life.

2.19 Financial Liabilities

Financial liabilities are classified as either financial liability at fair value through profit or loss (FVTPL) or " other financial liabilities". Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.The Company's financial liabilities include investment contracts without discretionary participation feature (DPF) trade and other payables, insurance payables.

The Company does not have financial liabilities classified as at FVTPL. Other financial liabilities which includes creditors arising out of reinsurance arrangements and direct insurance arrangement and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised 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-recognises 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 recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Dividend

Dividends on ordinary shares are recognised 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 that are approved after the reporting date are disclosed as an event after reporting date.

2.24 Statutory Contingency Reserve

Contingency reserve is done in accordance with the provisions of Section 22(1) (b) of the Insurance Act CAPI17 LFN2004. The contingency reserve is credited with the higher of an amount equal to 1% of the gross premium or 10%of the profit. The amount shall accumulate until it reaches the amount of the minimum paid up capital.

2.25 Asset Revaluation Reserve

Subsequent to initial recognition, an item of property and equipment and, in certain circumstances, an intangible asset, 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 recognised in equity, unless it reverses a decrease in the fair value of the same asset which was previously recognised as an expense, in which case it is recognised in income statement. 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 recognised in profit or loss.

2.26 Available-For-Sale Reserve

The fair value reserve shows the effect from the fair value measurement of financial instruments categorised as available-for-sale financial assets after deduction of deferred taxes. Any gains or losses are not recognised in the Income Statement until the financial asset has been sold or impaired.

2.27 Retained Earnings

Retained earnings comprise of undistributed profits from previous years, which have not been reclassified to any other reserve attributable to shareholders.

2.28 Revenue Recognition

Revenue comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period.

2.28.1 Insurance Premium Revenue

Gross recurring premium on life and investment contracts with Discretionary Participating Features (DPF) are recognised as revenue when payment is made by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. These are shown gross of any taxes or duties levied on premiums. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.28.2 Unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

2.28.3 Reinsurance premium

Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into for the period and are recognised on the date on which the policy incepts. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

2.28.4 Fees and commission income

Fees are charged on insurance and investment contracts for policy administration services, investment management services, surrenders, reinstatement and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Commission income is earned on reinsurance arrangement made with the reinsurer. It is recognised as revenue over the period in which the related reinsurance arrangement covered.

2.28.5 Interest Income

Interest income for interest bearing financial instruments, are recognised within 'interest income' in the Income Statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts 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.

2.28.6 Dividend Income

Dividend income is recognised in the Income Statement when the Company's right to receive payment is established.

2.28.7 Realised gains and losses

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

2.29 Benefits, claims and expenses recognition

2.29.1 Gross benefits and claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims. Changes in the gross valuation of insurance are also included. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.29.2 Claims expenses recovered

This represents claims expenses recovered or recoverable from reassurers based on reinsurance contracts arrangement made with reinsurance companies.

2.29.3 Changes in Life Insurance Contract Liability

This is based on actuarial valuation reports as at the reporting date. Actuarial valuation of the life fund is conducted annually to determine the net liabilities on the existing policies and the adequacy of the assets representing the insurance fund as at the date of valuation. All deficits arising there are charged to the income statement while the surplus is appropriated to the shareholders and credited to the income statement.

2.30 Expense Recognition

2.30.1 Underwriting expenses

Underwriting expenses comprise acquisition costs and other underwriting expenses. Acquisition costs comprise all direct and indirect costs arising from the writing of insurance and investment contracts. These costs include, but are not limited to, commission expense and other technical expenses.

Other underwriting expenses are those incurred in servicing existing policies/contract. These expenses are charged in the accounting year in which they are incurred.

2.30.2 Management expenses

Management expenses are charged to Income Statement when the goods are received or services rendered. They are expenses other than claims, investments and underwriting expenses. It includes audit fee, Directors' emoluments, employee benefits, depreciation charges, amortisation charge, finance charges, legal and professional fees, marketing and other administration/operating expenses.

Finance charge relates to Interest expense for interest bearing financial instruments. It is recognised within „finance charge "included in management expenses in the Income Statement using the effective interest rate 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 liability (or, where appropriate, a shorter period) to the net carrying amount of the financial liability. The effective interest rate is calculated on initial recognition of the financial liability and is not revised subsequently.

2.30.3 Short -term employee benefit

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

The Company operates a defined contribution plan in accordance with the provisions of the Pension Reform Act 2004. The contribution of the Company is 10% of the qualifying monthly emoluments (i.e. basic, housing and transport) of employees. Employees' contribution is 8%. The Company's obligations for contributions to the plan are recognised as an expense in Income Statement when they are due.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.31 Earnings per share

The Company presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and date of completion of these financial statements that could give rise to dilution of equity.

2.32 Provisions, contingent liabilities and contingent assets

a. Provisions

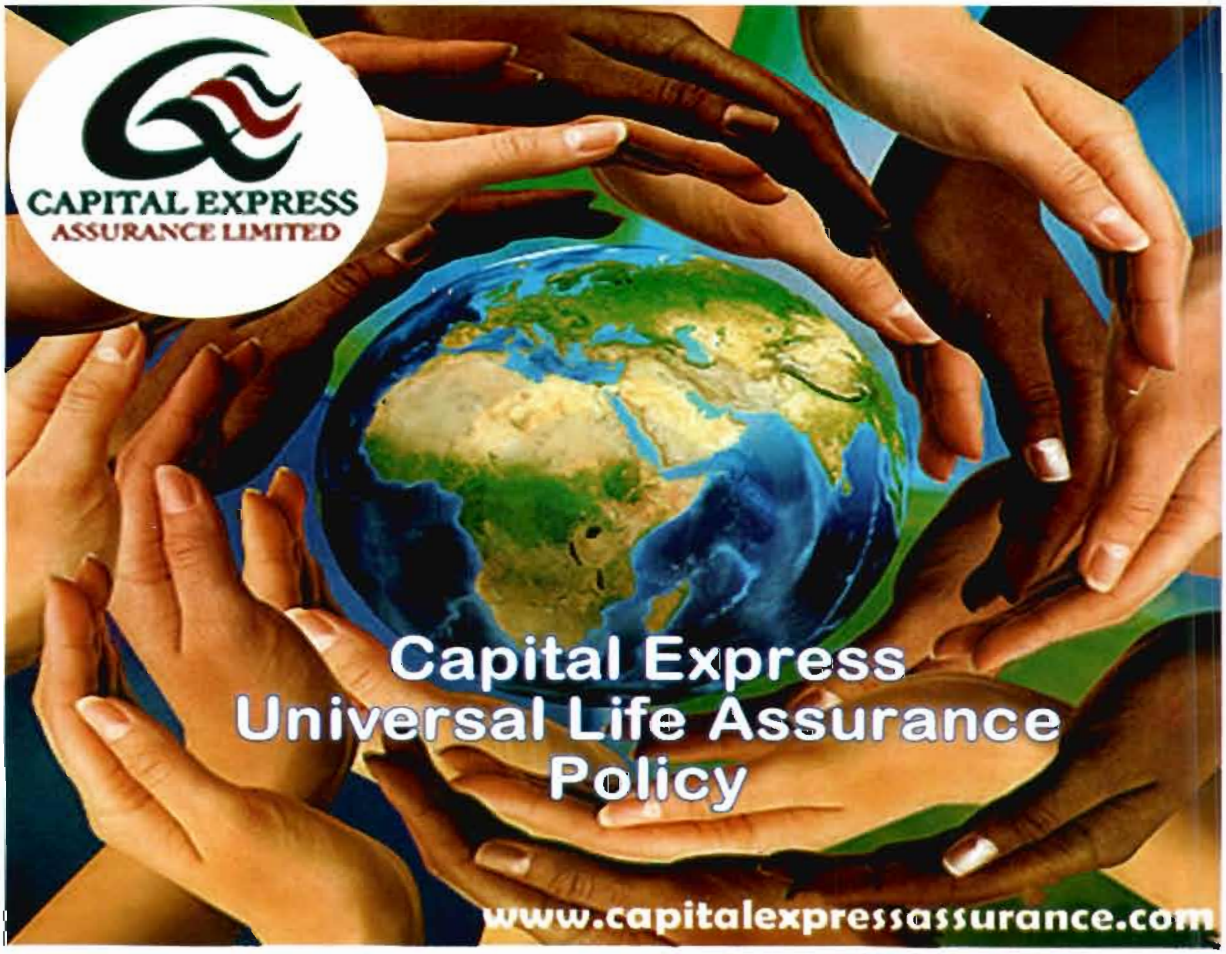
A provision is recognised when the Company has present obligations as a result of past event, it is probable that a outflow of resources embodying economic benefits will be required to settle the obligations and reliable estimate can be made of amount of the obligation. Provisions are not discounted at their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

b. Contingent assets

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognised but they are disclosed when it is more likely than not that an inflow of benefits will occur. However, when the inflow of benefits is virtually certain an asset is recognised in the statement of financial position, because that asset is no longer considered to be contingent.

c. Contingent liabilities

A Contingent liability is a possible obligation that arises from the past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability alos arises in extremely rare cases where there is liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contigent liability but discloses its existence in the financial statements.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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

Assets	**Note**	**2018 N'000**	**2017 N'000**
Cash and cash equivalents	3	375,821	334,904
Financial assets:			
- Available-for-sale	4.1	1,415,431	1,136,598
- Fair value through profit or loss	4.2	2,575,817	1,335,165
- Held to maturity	4.3	68,289	73,664
- Loans and receivables	4.4	31,282	40,122
Trade receivables	5	-	171,814
Reinsurance assets	6	257,402	165,600
Deferred acquisition cost	7	23,451	32,618
Prepayments and other receivables	8	76,997	69,615
Investment properties	9	2,933,645	2,502,445
Property, plant and equipment	10	903,432	828,837
Statutory deposit	11	215,000	215,000
Intangible assets	12	13,442	18,941
Total assets		8,890,009	6,925,323
Liabilities			
Insurance contract liabilities	13	2,561,094	2,748,523
Investment contract liabilities	14	1,796,137	1,640,668
Trade payables	15	37,548	64,679
Other payables & accruals	16	1,333,908	283,722
Current income tax payable	17	18,025	8,729
Deferred tax	18	35,056	22,810
Total liabilities		5,781,768	4,769,131
Equity			
Issued share capital	19	2,116,595	2,116,595
Statutory contingency reserve	20	401,366	345,066
Available-for-sale reserve	22	723,017	444,184
Asset revaluation reserve	21	466,915	356,699
Retained earnings	23	(599,652)	(1,106,352)
Total equity		3,108,241	2,156,192
Total liabilities and equity		8,890,009	6,925,323

The financial statements were approved by the Board of Directors and authorised for issue on 14 June 2019 and signed on its behalf by:

Mr. Tony Aletor	**Mrs. Adebola Odukale**	**Mr. Timothy Alimi**
Vice Chairman	**Managing Director/CEO**	**Chief Finance Officer**
FRC/2013/CISN/00000003344	**FRC/2013/CIIN/00000003501**	**FRC/2019/ICAN/00000019617**

The accompanying notes and significant accounting policies on pages 6 to 66 and other national disclosures on pages 67 and 68 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 N'000	2017 N'000
Gross premium written	24	3,391,365	2,297,253
Changes in unearned premium	25	(17,558)	52,618
Gross premium income		3,373,807	2,349,871
Reinsurance expenses	26	(91,406)	(14,462)
Net premium income		3,282,401	2,335,409
Fees and commission income	27	35,349	25,250
Net underwriting income		3,317,750	2,360,659
Net claims incurred	28	(1,866,334)	(2,036,268)
Changes in life insurance contract liabilities	13.3	47,287	88,501
Underwriting expenses	29	(366,300)	(380,228)
Total underwriting expenses		(2,185,347)	(2,327,995)
Underwriting profit		1,132,403	32,664
Investment income	30.2	113,588	136,781
Net realised gains	31	42,187	491
Net fair value gains	32	315,294	492,452
Profit/(loss) on investment contract liabilities	33	11,672	(75,036)
Exchange Loss		(7,845)	-
Management expenses	34	(1,026,274)	(932,333)
Profit /(loss) before taxation		581,025	(344,981)
Information Technology Development Levy	17.2	(5,753)	-
		575,272	(344,981)
Income tax expense	17.2	(12,272)	(8,729)
Profit /(loss) for the year		563,000	(353,710)
Other comprehensive income			
Item that may be reclassified to Profit or Loss:			
Fair value gains on available-for-sale financial assets	22	278,833	233,931
Item that will not be reclassified to profit or loss:			
Revaluation gain on property, plant and equipment (net of tax)	21	110,216	128,476
Other comprehensive income for the year		389,049	362,407
Total comprehensive Profit for the year		952,049	8,697
Earnings per share			
Basic/diluted earnings/(loss) per share	36	0.27	(0.17)

The accompanying notes and significant accounting policies on pages 6 to 66 and other national disclosures on pages 67 and 68 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Issued Share capital	Statutory contingency reserve	Asset revaluation reserve	Available-for-sale reserve	Deposit for shares	Retained earnings	Total equity
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2018	2,116,595	345,066	356,699	444,184	-	(1,106,352)	2,156,192
Profit for the year	-	-	-	-	-	563,000	563,000
Other comprehensive income:							
Changes in Available-for-sale financial assets	-	-	-	278,833	-	-	278,833
Changes in valuation of land and building	-	-	110,216	-	-	-	110,216
Transfer between reserves	-	56,300	-	-	-	(56,300)	-
Balance at 31 December 2018	2,116,595	401,366	466,915	723,017	-	(599,652)	3,108,241
Balance at 1 January 2017	2,116,595	322,093	228,223	210,253	-	(729,669)	2,147,495
Loss for the year	-	-	-	-	-	(353,710)	(353,710)
Other comprehensive income:							
Changes in Available-for-sale financial assets	-	-	-	233,931	-	-	233,931
Changes in valuation of land and building	-	-	128,476	-	-	-	128,476
Transfer between reserves	-	22,973	-	-	-	(22,973)	-
Balance at 31 December 2017	2,116,595	345,066	356,699	444,184	-	(1,106,352)	2,156,192

The accompanying notes and significant accounting policies on pages 6 to 66 and other national disclosures on pages 67 and 68 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
Cash flows from operating activities	**Notes**	**N'000**	**N'000**
Premium received from policy holders		3,563,179	2,139,741
Commission paid - Group life		(120,444)	(140,623)
Commission paid - Investment Contract Liabilities	33	(56,301)	(38,779)
Commission received	27	35,349	25,250
Recoveries from co-assurance		30,023	-
Cash paid to and on behalf of Employees	34	(365,388)	(383,562)
Cash received from Investment Contract Holders - Group	14.1	61,334	11,014
Cash received from Investment Contract Holders - Individual	14.2	536,147	374,742
Cash paid to Investment Contract Holders - Group	14.1	(259,594)	(98,951)
Cash paid to Investment Contract Holders - Individual	14.2	(286,712)	(108,204)
Reinsurance premium paid	15.1	(118,734)	(36,341)
Other underwriting expenses	29.2	(237,926)	(232,933)
Unallocated premium received		-	57,136
Other operating cash payments		386,395	(208,280)
Claims paid	28	(2,073,957)	(1,615,575)
Fund in trust	14.3	(24,500)	(11,935)
Cash generated/(used) in operating activities	39	1,068,871	(267,300)
Company income tax paid	17.1	(8,729)	(13,617)
Net cash generated/(used) in operating activities		1,060,142	(280,917)
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(3,194)	(8,245)
Purchase of Intangible assets	12	-	(6,101)
Proceeds from sale of property and equipment	31.1	-	(1,700)
Proceeds from sale of financial assets -FVPL	4.2	921,612	-
Proceeds from sale of financial assets -HTM	4.3	65,692	51,361
Purchase of financial assets - FVPL	4.2	(1,297,675)	-
Equities transferred as deposit for shares	4.2	(938,308)	
Purchase of financial assets - HTM	4.3	(52,992)	(56,438)
Loan granted to staff & policy holders	4.4	(6,671)	(15,415)
Repayment of staff & policy loan	4.4	17,403	13,653
Dividend received	8.2.2	53,919	46,789
Rent Income received	16.6	26,000	18,000
Interest received on statutory deposit	8.2.1	33,037	33,600
Interest and other investment incomes received		161,952	69,788
Net Cash (out)/inflow from investing activities		(1,019,225)	145,292
Cash flows from financing activities:			
Proceeds from borrowings		-	30,207
Net Cash inflow from financing activities		-	30,207
Net increase/(decrease) in cash and cash equivalents		40,917	(105,418)
Cash and cash equivalents at the beginning		334,904	440,322
Cash and cash equivalents at the end of the year		375,821	334,904

The accompanying notes and significant accounting policies on pages 6 to 66 and other national disclosures on pages 67 and 68 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
3.	**Cash and cash equivalents**	**N'000**	**N'000**
	Cash - petty cash	6	15
	Balances with Local banks	50,993	46,088
	Domiciliary accounts with local banks	17,770	5,225
	Placement with banks	307,052	283,576
		375,821	334,904
		N'000	**N'000**
	Current	375,821	334,904
	Non-current	-	-
		375,821	334,904

Placements with banks are made for varying periods of between one day and ninety days, depending on the immediate cash requirements of the Company. All deposits are subject to an average variable rate of 11.6%, (2017: 14.5%)

3.1	**Attributable to policyholders**	**N'000**	**N'000**
	Balances with Local Banks	27,536	36,923
	Domiciliary Accounts with local banks	9,596	-
	Placement with Banks	177,142	129,581
		214,274	166,504
3.2	**Attributable to investment contracts**	**N'000**	**N'000**
	Balances with local banks	23,457	9,165
	Domiciliary Accounts with local banks	8,174	5,225
	Placement with Banks	129,910	153,995
		161,541	168,385
3.3	**Attributable to shareholders**	**N'000**	**N'000**
	Cash - Petty Cash	6	15
	Balances with local banks	-	-
		6	15
	Cash and cash equivalents	375,821	334,904

4.	**Financial assets**	**N'000**	**N'000**
	The Company's financial assets are summarised by categories as follows:		
	Available-for-sale (Note 4.1)	1,415,431	1,136,598
	Fair value through profit or loss (Note 4.2)	2,575,817	1,335,165
	Held to maturity (Note 4.3)	68,289	73,664
	Loans and receivables (Note 4.4)	31,282	40,122
		4,090,819	2,585,549
		N'000	**N'000**
	Current	2,607,099	1,375,287
	Non-current	1,483,720	1,210,262
		4,090,819	2,585,549
4.1	**Available-for-Sale**	**N'000**	**N'000**
	Balance at the beginning of the year	1,136,598	902,667
	Fair value gains (Note 22)	278,833	233,931
	Disposal during the year	-	-
	Balance at the end of the year	1,415,431	1,136,598
(a)	Equity instrument measured at Available-for-Sale includes:	**N'000**	**N'000**
	Consolidated Hallmark Inssurance Plc	380,000	500,000
	NEM Insurance Plc	1,035,431	636,598
	Total equity instruments measured at Available-for-Sale	1,415,431	1,136,598

NOTES TO THE FINANCIAL STATEMENTS

	2018 N'000	2017 N'000
Attributable to policy holders	707,716	500,000
Attributable to investment contract	707,716	636,598
	1,415,431	1,136,598

The fair value gains in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of Available-For-Sale Reserve.

4.2 **Fair Value through Profit or Loss**	N'000	N'000
Balance at the beginning of the year	1,335,165	847,978
Purchases during the year	1,297,675	-
Equities transferred as deposit for shares (Note 16.3)	938,308	-
Fair value (loss)/gain (Note 32)	(115,906)	487,187
Carrying amount of FVTPL disposed	(879,425)	-
Balance at the end of the year	2,575,817	1,335,165

(a) **Profit/(loss) on disposal of FVTPL**	N'000	N'000
Proceeds from sale of financial assets -FVTPL	921,612	-
Carrying amount of FVTPL disposed	(879,425)	-
Gain on disposal (Note 31)	42,187	-

	N'000	N'000
Attributable to policy holders	444,586	869,860
Attributable to investment contract	318,598	180,454
Attributable to shareholders	1,812,633	284,851
	2,575,817	1,335,165

(b) Management valued the Company's **quoted equities** at market value which is a reasonable measurement of fair value since the prices of the shares are quoted in an active market. This prompted the classification of quoted investment as Financial Assets Fair Value through Profit or Loss (FVTPL).

The fair value gain in the carrying amount of fair value through profit or loss financial assets are recognised under 'fair value gains/losses' in the income statement. None of the financial assets fair value through profit or loss was designated at initial recognition. The prices used in valuation above is as provided on trading floor of the Nigerian Stock Exchange market.

4.3 **Held to maturity**

Profit/(loss) before taxation is stated after accounting for the following:

	N'000	N'000
Balance at the beginning of the year	73,664	59,469
Purchases during the year	52,992	56,438
Accrued interest capitalised (Note 30)	7,325	9,118
	133,981	125,025
Disposal during the year	(65,692)	(51,361)
Balance at the end of the year	68,289	73,664

	N'000	N'000
Attributable to policy holders	68,289	73,664
Attributable to investment contract	-	-
	68,289	73,664

(a) Debt instruments Held to maturity includes	N'000	N'000
FGN Bond	11,440	11,440
CBN Treasury Bill	56,849	62,224
	68,289	73,664

This represents investment in 91 days Federal Government of Nigeria Treasury Bills issued by Central Bank of Nigeria at 13.0% per annum.

NOTES TO THE FINANCIAL STATEMENTS

	2018	2017
4.4 Loans and receivables	**N'000**	**N'000**
Balance at the beginning of the year	40,122	34,532
Loan granted during the period	6,671	15,415
Interest on loan	1,892	3,828
	48,685	53,775
Repayment during the period	(17,403)	(13,653)
Balance at the end of the year	31,282	40,122

(a) Loans and receivables comprises of:	**N'000**	**N'000**
Loan to policy holder	26,123	32,968
Staff loans	5,159	7,154
	31,282	40,122

	N'000	**N'000**
Attributable to policy holders (Note 4.4.1)	26,123	32,968
Attributable to shareholders (Note 4.4.2)	5,159	7,154
	31,282	40,122

4.4.1 Loan to policy holder	**N'000**	**N'000**
Balance at the beginning of the year	32,968	27,104
Loan granted during the year	6,671	11,500
Interest on loan (Note 30)	1,739	3,604
	41,378	42,208
Repayment during the year	(15,255)	(9,240)
Balance at the end of the year	26,123	32,968

The Company grants cash loans to policyholders in line with the policy provisions (terms and conditions). The maximum loan amount that could be granted to policyholders is 80% of the policy cash value. The cash value (worth of the policy as determined by the actuary) is the cash amount due to policyholder upon cancellation of the insurance contact as at the date of determination and it is used as collateral on policy cash loan granted.

Policy Loansare not impaired as balances are set-off against benefits accruable to the policyholder. The tenor of the loan is not beyond the policy duration and such policy must be in force and has acquired cash value before loan application can be considered. A pre-determined interest rate (compounded daily) is applied on the loan. The rate is currently 15% per annum and it is reviewed periodically.

4.4.2 Staff loans	**N'000**	**N'000**
Balance at the beginning of the year	7,154	7,428
Loan granted during the year	-	3,916
Interest on loan (Note 30)	153	224
	7,307	11,568
Repayment during the year	(2,148)	(4,414)
Balance at the end of the year	5,159	7,154

The Companygrants loans to staff at below market rate (7%)per annum, these loans were re-measured at transition date at amortize cost using average prime lending rate issued by Central Bank of Nigeria. The difference between the fair value using average prime lending rate and the rate at which the loan was granted is included in employee costs.

5. **Trade receivables**	**N'000**	**N'000**
Premium receivable (Note 5.1)	-	171,814
Impairment-trade receivables (Note 5.2)	-	-
	-	171,814

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
5.1	**Premium receivable**	**N'000**	**N'000**
	Balance at the beginning of the year	171,814	233,696
	Gross written premium during the year (Note 24)	3,391,365	2,297,253
	Premium received during the year	(3,563,179)	(2,139,741)
	Amount written off against bad debts	-	(219,394)
	Balance at the end of the year	-	171,814
		N'000	**N'000**
	Current	-	171,814
	Non-current	-	-
		-	171,814
5.2	**Impairment - Trade receivables**	**N'000**	**N'000**
	Balance at the beginning of the year	-	219,394
	Impairment during the year	-	-
	Amount written off against bad debts	-	(219,394)
	Balance at the end of the year	-	-

5.3 Basis of Impairment

An impairment rate is derived based on the likelihood that a premium debt will not be paid and will fall into default. Debts are assessed individually and where objective evidence of impairment exists, for receivables considered significant, they are impaired accordingly.

If the Company determines that no objective evidence of impairment exists for an individually assessedreceivable, whether significant or not, it includes the receivable in a group of receivables with the same credit risk characteristics and collectively assesses them for impairment.

6. Reinsurance assets

		N'000	**N'000**
	Reinsurer Share of UPR (Note 6.1)	52,720	28,912
	Reinsurer Share of IBNR (Note 6.2)	38,919	19,019
	Balance as per Actuary's Estimate	**91,639**	**47,931**
	Prepaid Reinsurance Expenses M & D (Note 6.3)	53,487	25,128
	Co assurance receivables (Note 6.4)	112,276	92,541
		257,402	165,600
		N'000	**N'000**
	Current	257,402	165,600
6.1	**Reinsurer share of UPR**	**N'000**	**N'000**
	Balance at the beginning of the year	28,912	8,363
	Movement during the year (Note 26)	23,808	20,549
	Balance at the end of the year	52,720	28,912
6.2	**Reinsurer share of IBNR**	**N'000**	**N'000**
	Balance at the beginning of the year	19,019	106,645
	Movement during the year (Note 28(a))	19,900	(87,626)
	Balance at the end of the year	38,919	19,019
6.3	**Prepaid Reinsurance expenses M& D**	**N'000**	**N'000**
	Balance at the beginning of the year	25,128	6,949
	Movement during the year (Note 26)	28,359	18,179
	Balance at the end of the year	53,487	25,128
6.4	**Co assurance receivables**	**N'000**	**N'000**
	Balance at the beginning of the year	92,541	155,182
	Addition during the year	73,263	13,001
	Claims expenses recovered during the year (Note 28(a))	(30,023)	-
	Impairment loss (Note 6.5)	(23,505)	(75,642)
		112,276	92,541

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
6.5	**Impairment loss**	**N'000**	**N'000**
	Balance at the beginning of the year	75,642	75,642
	Write back during the year (Note 30.1)	(52,137)	-
	Balance at the end of the year	23,505	75,642

7.	**Deferred acquisition cost**	**N'000**	**N'000**
	Balance at the beginning of the year	32,618	39,290
	Acquisition Cost during the year (Note 29.1)	119,207	140,623
	Total Acquisition cost	151,825	179,913
	Amortised acquisition cost during the year (Note 29.1)	(128,374)	(147,295)
	Balance at the end of the year	23,451	32,618

	N'000	N'000
Current	23,451	32,618
Non-current	-	-

		2018	2017
8.	**Prepayments and other receivables**	**N'000**	**N'000**
	Prepayments (Note 8.1)	14,857	18,081
	Stock brokers' current account (Note 8(a))	22,497	19,457
	Withholding tax recoverable	8,070	11,168
	Other receivables (Note 8.3)	2,849	9,505
		48,273	58,211
	Accrued investment income (Note 8.2)	28,724	11,404
		76,997	69,615

	N'000	N'000
Current	76,997	69,615
Non-current	-	-
	76,997	69,615

The carrying value of prepayments and other receivables approximate their fair value.

(a) Stock brokers' current account comprise of amount due to Capital Express Assurance Limited from stock brokers who manage the Company's equities on the stock exchange.

8.1	**Prepayments**	**N'000**	**N'000**
	Prepaid rent (Note 8.1.1)	6,973	9,698
	Prepaid insurance (Note 8.1.2)	2,889	3,824
	Other prepayment (Note 8.1.3)	4,995	4,559
		14,857	18,081

8.1.1	**Prepaid rent**	**N'000**	**N'000**
	Balance at the beginning of the year	9,698	10,964
	Payment during the year	14,629	17,479
	Accrued rent (Note 16.1)	7,024	4,956
	Amortisation during the year (Note 34)	(24,378)	(23,701)
	Balance at the end of the year	6,973	9,698

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
8.1.2	**Prepaid insurance**	N'000	N'000
	Balance at the beginning of the year	3,824	2,097
	Payment during the year	12,512	12,585
	Amortisation during the year (Note 34)	(13,447)	(10,858)
	Balance at the end of the year	2,889	3,824

8.1.3	**Other prepayment**	N'000	N'000
	Balance at the beginning of the year	4,559	4,503
	Payment during the year	9,831	11,426
	Amortisation during the year	(9,395)	(11,370)
	Balance at the end of the year	4,995	4,559

8.2	**Accrued investment income**	N'000	N'000
	Accrued interest on statutory deposit (Note 8.2.1)	27,326	11,404
	Dividend receivable (Note 8.2.2)	1,398	-
		28,724	11,404

8.2.1	**Accrued interest receivable**	N'000	N'000
	Balance at the beginning of the year	11,404	13,330
	Interest earned on Bond (Note 30)	1,554	1,552
	Interest earned on statutory deposit (Note 30)	33,037	30,122
	Interest received during the year	(18,669)	(33,600)
	Balance at the end of the year	27,326	11,404

8.2.2	**Dividend receivable**	N'000	N'000
	Balance at the beginning of the year	-	-
	Dividend earned during the year (Note 30)	53,919	46,789
	Dividend received during the year	(52,521)	(46,789)
	Balance at the end of the year	1,398	-

8.3	**Other receivables**	N'000	N'000
	Balance at the beginning of the year	9,505	-
	Addition during the year	-	9,505
	Repayments during the year	(6,656)	-
	Balance at the end of the year	2,849	9,505

(a) Other receivables represent cash and touring advances given to staff yet to be retired.

9.	**Investment properties**	N'000	N'000
	Balance at the beginning of the year	2,502,445	2,497,180
	Fair value gains (Note 32)	431,200	5,265
	Balance at the end of the year	2,933,645	2,502,445

9.1

The Company's investment properties are as stated below:	Balance at the begining of the year	Addition during the year	Disposal during the year	Reclassification	Fair value changes	Carrying amount
	N'000	N'000	N'000	N'000	N'000	N'000
Oba Adesida Road Akure	36,100	-	-	-	1,010	37,110
Oko Orisan Water Front Lekki Lagos	39,200	-	-	-	3,035	42,235
4A Robinson Street Apapa Lagos	203,080	-	-	-	35,520	238,600
Plot 383 Cadastral Zone AO2 Wuse 1 Abuja	406,170	-	-	-	36,580	442,750
18 Bishop Kale Street Victoria Island Lagos	507,475	-	-	-	73,525	581,000
35 Akin Adesola Street Victoria Island Lagos	555,450	-	-	-	103,190	658,640
162C Idejo Street Victoria Island Lagos	754,970	-	-	-	178,340	933,310
Total investment properties	2,502,445	-	-	-	431,200	2,933,645

NOTES TO THE FINANCIAL STATEMENTS

9.2	**The Company's investment properties are allocated as follows:**	**N'000**	**N'000**
	Attributable to policyholders	896,383	961,708
	Attributable to investment contract	628,648	574,070
	Attributable to shareholders	1,408,614	966,667
		2,933,645	2,502,445

Investment properties are stated at fair value, which has been determined based on valuations performed by Austine Udoh & Partners (FRC/2013/NIESV/00000004380) who are accredited independent valuers, as at 31 December 2018.

The valuer is an industry specialist in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable, willing buyers and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with standards issued by International Valuation Standard Committee. Valuation is performed on an annual basis and the fair value gains and losses are recorded within the Income Statement.

The present status of the properties is presented hereunder:

Property	Type	Acquisition Date	Present Title	Rental Status
Oba Adesida Road Akue Ondo State	Land	14th February 2007	Capital Express Asssurance Ltd	This is for future development and capital appreciation
Oko Orisan Water Front Lekki, Lagos	Land	20th April 2012	Capital Express Asssurance Ltd	This is for future development and capital appreciation
4A Robinson Close Apapa Lagos	Land	24th October 2007	Capital Express Asssurance Ltd	This is for future development and capital appreciation
Plot 383 Cadastral Zone A02 Abuja FCT	Land & Building	30th May 2012	Capital Express Asssurance Ltd	The building is scheduled for renovation upon relevant government approval
18 Bishop Kale Close Victoria Island Lagos	Land & Building	3rd April 2007	Capital Express Asssurance Ltd	The building is currently occupied by tenants
35 Akin Adesola Street Victoria Island	Land & Building	14th February 2007	Capital Express Asssurance Ltd	The building is currently occupied by tenants
162C Idejo Street Victoria Island Lagos	Land & Building	6th July 2007	Capital Express Asssurance Ltd	The building is currently occupied by tenants

10. **Property, plant and equipment**

(a) **As at 31 December 2018**

	Land	Building	Plant and machinery	Motor vehicles	Computer equipment	Office equipment	Furniture & Fittings	Total
Cost	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2017	272,600	398,275	31,143	258,528	50,763	30,626	78,985	1,120,920
Additions	-	-	320	-	4,432	1,590	1,903	8,245
Disposals	-	-	-	(7,201)	-	-	-	(7,201)
Asset revaluation reserve (Note 21)	400	60,550	-	-	-	-	-	60,950
At 31 December 2017	273,000	458,825	31,463	251,327	55,195	32,216	80,888	1,182,914
At 1 January 2018	273,000	458,825	31,463	251,327	55,195	32,216	80,888	1,182,914
Additions	-	-	210	340	792	312	1,540	3,194
Disposals	-	-	-	-	-	-	-	-
Asset revaluation reserve (Note 21)	24,010	89,275	-	-	-	-	-	113,285
At 31 December 2018	297,010	548,100	31,673	251,667	55,987	32,528	82,428	1,299,393
Accumulated depreciation								
At 1 January 2017	-	65,655	15,592	166,170	39,335	23,961	63,514	374,227
Charge for the year	-	7,966	2,970	39,319	3,360	1,572	4,276	59,463
Disposals	-	-	-	(5,992)	-	-	-	(5,992)
Transfer to revaluation reserve (Note 21)	-	(73,621)	-	-	-	-	-	(73,621)
At 31 December 2017	-	-	18,562	199,497	42,695	25,533	67,790	354,077
At 1 January 2018	-	-	18,562	199,497	42,695	25,533	67,790	354,077
Charge for the year	-	9,177	2,485	31,943	3,267	1,675	2,514	51,061
Disposals	-	-	-	-	-	-	-	-
Transfer to revaluation reserve (Note 21)	-	(9,177)	-	-	-	-	-	(9,177)
At 31 December 2018	-	-	21,047	231,440	45,962	27,208	70,304	395,961
Carrying amounts at:								
31 December 2018	297,010	548,100	10,626	20,227	10,025	5,320	12,124	903,432
31 December 2017	273,000	458,825	12,901	51,830	12,500	6,683	13,098	828,837

NOTES TO THE FINANCIAL STATEMENTS

Other than land and building, the carrying value of assets had been under cost model. There is no indication of impairment on any items of property,plant and equipment as at the reporting date.

(a) The Company's land and building were professionally valued at the reporting date by Austine Udoh & Partners, an accredited independent valuer, with registration number FRC/2013/NIESV/00000004380 based on the open market value of the properties. The revaluation surpluses arising therefrom were taken to revaluation reserve in accordance with International Accounting Standard - IAS 16 paragrah 31.

(b) No leased assets are included in the above property, plant and equipment (2017: Nil)
(c) The Company had no capital commitments as at the statement of financial position date (2017: Nil).
(d) There is no restriction on title of any item of property, plant and equipment.

11. Statutory deposit	2018 N'000	2017 N'000
Deposit with Central Bank of Nigeria	215,000	215,000

This represents the amount deposited with the Central Bank of Nigeria in accordance with Section 9 (1) and Section 10 (3) of Insurance Act 2003. This is restricted cash as management does not have access to the balances in its day to day activities. Statutory deposits are measured at cost and interest income earned on the deposit is included in investment income.

12. **Intangible assets**

Intangible assets represent computer softwares acquired by the Company for use in it's daily operations. The table below shows the details of balances at the year end.

Cost	N'000	N'000
At 1 January 2017	27,501	21,400
Additions	-	6,101
At 31 December 2017	27,501	27,501
Amortisation		
At 1 January 2018	8,560	4,280
Charge for the year (Note 34)	5,499	4,280
At 31 December 2018	14,059	8,560
Carrying value	13,442	18,941

13. Insurance contract liabilities	N'000	N'000
Incurred but not reported (IBNR)(Note 13.1(a))	877,143	568,150
Outstanding claims (Note 13.1(b))	592,885	1,059,578
Unearned premium reserve (Note 13.2)	374,885	357,327
Life insurance contract liabilities (Note 13.3)	716,181	763,468
	2,561,094	2,748,523

The firm of Ernst & Young, an actuarial service organisation did the valuation of life insurance portfolio for the reporting year. The actuarial valuation reports were authorised by Mr Olurotimi O. Okpaise, a professional actuary registered with the Financial Reporting Council of Nigeria with registration number (FRC/2012/NAS/00000000738).

13.1 Outstanding claims	N'000	N'000
(a) **Incurred but not reported (IBNR)**		
Balance at the beginning of the year	568,150	473,816
Changes in Incurred but not reported (Note 28)	308,993	94,334
Balance at the end of the year	877,143	568,150

NOTES TO THE FINANCIAL STATEMENTS

	2018	2017
(b) **Outstanding claims as reported by policyholders:**	**N'000**	**N'000**
Balance at the beginning of the year	1,059,578	820,845
Claims incurred during the year	1,607,264	1,854,308
Claims paid during the year (Note 28)	(2,073,957)	(1,615,575)
Balance at the end of the year	592,885	1,059,578

	N'000	N'000
Current	1,470,028	1,627,728
Non-current	-	-

The sum outstanding as unsettled claims as at the reporting date according to age analysis is as follows:

	2018 N'000	2017 N'000
0 - 90 days	77,602	66,093
91 - 180 days	100,041	88,331
181 - 270 days	25,672	69,425
270 - 365 days	8,615	63,346
365 days and above	380,955	772,383
	592,885	1,059,578

Outstanding claims are as a result of the following:

- Some claims for which discharged vouchers had been issued but are yet to be returned by our customers for settlement.
- Some claims for which discharged vouchers have not been issued due to either incomplete documentations or awaiting necessary documentations.

13.2 **Unearned Premium Reserve**	**N'000**	**N'000**
Balance at the beginning of the year	357,327	409,945
Changes in unearned premium	17,558	(52,618)
Balance at the end of the year	374,885	357,327

13.3 **Life insurance contract liabilities**	**N'000**	**N'000**
Balance at the beginning of the year	763,468	851,969
Movement during the year	(47,287)	(88,501)
Balance at the end of the year	716,181	763,468

13.4 Life insurance contract liabilities is represented by:	**N'000**	**N'000**
Cash and cash equivalent (Note 3.1)	214,274	166,504
Financial assets - available-for-sale (Note 4.1(a))	707,716	500,000
Financial assets - fair value through profit or loss (Note 4.2)	444,586	869,860
Financial assets - held to maturity (Note 4.3)	68,289	73,664
Financial assets - loans and receivables (Note 4.4)	26,123	32,968
Reinsurance assets	203,915	47,931
Deferred acquisition cost	23,451	-
Investment properties (Note 9.2)	896,383	961,708
	2,584,737	2,652,635

13.5 **Assets Cover**	**N'000**	**N'000**
Insurance Contract Liabilities (Note 13)	2,561,094	2,748,523
Assets Allocated (Note 13.4)	(2,584,737)	(2,652,635)
(Surplus)/shortfall in Assets Cover	(23,643)	95,888

14. **Investment Contract Liabilities**	**N'000**	**N'000**
Investment contract liabilities - Group (Note 14.1)	423,366	582,107
Investment contract liabilities - Individual (Note 14.2)	1,326,233	1,013,753
Fund in trust (Note 14.3)	46,538	44,808
	1,796,137	1,640,668

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
15.	**Trade payables**	N'000	N'000
	Premium payable to Reinsurance companies (Note 15.1)	6,285	6,147
	Premium payable to Co-insurance companies (Note 15.2)	31,263	159
	Commission payable to Insurance brokers (Note 15.3)	-	1,237
	Due to direct insured	-	57,136
		37,548	64,679
	Current	37,548	64,679
	Non-current	-	-
		37,548	64,679

Trade payable represents the reinsurance premium payable to reinsurance companies, co-insurance premium to co-underwriters and commission due to insurance brokers. The carrying amounts disclosed above approximate fair value at the reporting date.

15.1	**Premium payable to Reinsurance companies**	**N'000**	**N'000**
	Balance at the beginning of the year	6,147	2,596
	Treaty premium ceded to reinsurance (Note 26)	66,201	53,190
	Facultative reinsurance outward (Note 26)	77,372	-
	Commission receivable on reinsurance (Note 27)	(24,701)	(13,298)
	Reinsurance premium paid during the year	(118,734)	(36,341)
	Balance at the end of the year	6,285	6,147

15.2	**Premium payable to Co-insurance companies**	**N'000**	**N'000**
	Balance at the beginning of the year	159	4,763
	Movement during the year	31,104	(4,604)
	Balance at the end of the year	31,263	159

15.3	**Commission payable to Insurance brokers**	**N'000**	**N'000**
	Balance at the beginning of the year	1,237	784
	Movement during the year	(1,237)	453
	Balance at the end of the year	-	1,237

16.	**Other payables and accruals**	**N'000**	**N'000**
	Accrued rent (Note 16.1)	7,024	4,956
	Accrued management expenses	64,112	97,132
	Agency career fund (Note 16.2)	-	33,007
	Commission payable	-	2,294
	Deposit for shares (Note 16.3)	938,308	-
	Insurance supervisory levy	32,495	24,000
	Statutory payables (Note 16.4)	7,314	14,771
	Loan from director (Note 16(b))	12,205	30,207
	Policy proposal (Note 16(c))	79,794	56,972
	Other creditors (Note 16(d))	177,656	11,383
		1,318,908	274,722
	Deferred income (Note 16.6)	15,000	9,000
		1,333,908	283,722
		N'000	**N'000**
	Current	1,333,908	250,715
	Non-current	-	33,007
		1,333,908	283,722

(a) The carrying amount disclosed above reasonably approximates fair value at the reporting date. The amounts are payable within one year.

(b) Loan from director represents facility granted to Capital Express Assurance Limited by a director, to enable the Company meets its operational expenses.

(c) Policy proposal represent deposit premium received from policy holders that are yet to have policy numbers.

NOTES TO THE FINANCIAL STATEMENTS

(d) Included in other creditors are unpaid invoices which cheques were issued but turned staled at year end amounting to N135 million. After the year end N111 million was re-issued to various vendors.

		2018	2017
16.1	**Accrued rent**	**N'000**	**N'000**
	Balance at the beginning of the year	4,956	2,902
	Changes during the year	2,068	2,054
	Balance at the end of the year	7,024	4,956

16.2	**Agency career fund**	**N'000**	**N'000**
	Balance at the beginning of the year	33,007	28,971
	Provision during the year	6,104	6,394
	Payment during the year	(1,162)	(2,358)
	Transfer to investment contract liabilities (Note 14.2)	(37,949)	-
	Balance at the end of the year	-	33,007

(a) During the year, agency career fund was funded by the company via it's investment contract liability to generate guarantee interest on invested fund.

16.3	**Deposit for shares**	**N'000**	**N'000**
	Balance at the beginning of the year	-	-
	Deposit made during the year (Note 4.2)	938,308	-
	Balance at the end of the year	938,308	-

(a) During the year new investors, deposited shares valued at N938,308,000 with the Company. The shares have been alloted and filed with CAC dated 3 June 2019.

16.4	**Statutory payables**	**N'000**	**N'000**
	Nigerian Information Technology Development Levy	-	-
	Pay As You Earn	1,496	1,716
	Pension Fund (Note 16.5)	1,857	2,340
	Value Added Tax	331	1,036
	Withhoding Tax	243	9,679
	Industrial Training Fund	3,387	-
		7,314	14,771

16.5	**Pension Fund**	**N'000**	**N'000**
	Balance at the beginning of the year	2,340	2,448
	Provision during the year	26,207	28,670
	Payment during the year	(26,690)	(28,778)
	Balance at the end of the year	1,857	2,340

16.6	**Deferred income**	**N'000**	**N'000**
	Balance at the beginning of the year	9,000	7,500
	Rent received during the year	32,000	18,000
	Rent earned during the year (Note 30)	(26,000)	(16,500)
	Balance at the end of the year	15,000	9,000

17. **Current income tax payable**

The major components of income tax expenses for the reporting periods are as follows:

17.1	**Per Statement of financial position**	**N'000**	**N'000**
	Balance at the beginning of the year	8,729	13,617
	Charge for the year (Note 17.2)	18,025	8,729
	Payments during the year	(8,729)	(13,617)
	Balance at the end of the year	18,025	8,729

17.2	**Per Income Statement**	**N'000**	**N'000**
	Minimum Tax	12,272	8,729
	Company income tax	-	-
	Education tax	-	-
	Information Technology Development Levy	5,753	-
		18,025	8,729

NOTES TO THE FINANCIAL STATEMENTS

17.3 Reconciliation of total tax charge

The income tax expense for the year can be reconciled to the accounting profit as per the statement of comprehensive income as follows:

	2018 N'000	2017 N'000
Profit/Loss for the year	575,272	(344,981)
Tax at the statutory corporation tax rate of 30%	172,582	(103,494)
Effect of income that is exempt from taxation	(1,125,661)	(853,418)
Effect of expenses that are not deductible in determining taxable profit	499,374	690,316
Balancing Charge	-	397
Current year fiscal loss	453,705	266,200
Minimum tax	12,272	8,729
Tertiary education tax	-	-
NITDA Levy @ 1% of PBT	5,753	-
Deferred tax	-	-
Tax expense recognised in profit or loss statement	18,025	8,729
Effective rate	0.03	(0.03)

17.4 Information Technology Levy

In accordance with Section 12(2)(b) of The Nigerian Information Technology Development Act (NITDA)2007, 1% of profit before tax is payable as information technology levy.

18. <u>**Deferred tax**</u>	2018 N'000	2017 N'000
Balance at the beginning of the year	22,810	16,715
Defered tax on revaluation surplus on property, plant and equipment (Note 21)	12,246	6,095
	35,056	22,810
Derecognised in the year	-	-
Balance at the end of the year	35,056	22,810

As a result of accelerated rates of capital allowances, the carrying amount of the Company'sproperty, plant and equipment at the statement of financial position date exceeded their corresponding tax written down value by N509,637,066 (2017:N436,430,483). Deferred tax asset arising in the year which amounted to N1,829,203,000 (2017:N1,389,676,000) was not recognised due to loss incurred by the Company during the year as analysed below:

	Opening balance as at 1 January 2018	Recognized in net income	Recognized in OCI	Recognised directly in equity	Reclassify from equity to net income	Closing Balance at 31 December 2018
Deferred Tax Liabilities	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Defered tax on revaluation surplus on property, plant and equipment	22,810	-	12,246	-	-	35,056
Difference between Carrying Value of PPE and TWDV	-	152,891	-	-	-	152,891
Total	22,810	152,891	12,246	-	-	187,947
Deferred tax assets						
Fiscal losses	-	1,593,018	-	-	-	1,593,018
Unutilised capital allowances	-	389,076	-	-	-	389,076
Sub total	-	1,982,094	-	-	-	1,982,094
Net deferred tax liability/ (asset)	22,810	(1,829,203)	12,246	-	-	(1,794,147)

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
19.	**Issued Share Capital**	N'000	N'000
19.1	**Authorised Share Capital**		
	7,500,000,000 Ordinary Shares of ₦ 1.00 each	7,500,000	7,500,000
19.2	**Ordinary shares issued and fully paid**	N'000	N'000
	Balance at the beginning of the year	2,116,595	2,116,595
	Balance at the end of the year	2,116,595	2,116,595

20.	**Statutory contingency reserve**	N'000	N'000
	Balance at the beginning of the year	345,066	322,093
	Transfer from comprehensive income (Note 23)	56,300	22,973
	Balance at the end of the year	401,366	345,066

The statutory contingency reserve has been computed at the rate of the higher of 1% of the gross premium and 10% of net profits, in accordance with Section 21(1) of the Insurance Act, CAP I17 LFN 2004.

21.	**Asset revaluation reserve**	N'000	N'000
	Balance at the beginning of the year	356,699	228,223
	Additions during the year	122,462	134,571
	Transferred to deferred tax (Note 18)	(12,246)	(6,095)
	Balance at the end of the year	466,915	356,699
22.	**Available-for-sale reserve**	N'000	N'000
	Balance at the beginning of the year	444,184	210,253
	Additions during the year (Note 4.1)	278,833	233,931
	Balance at the end of the year	723,017	444,184
23.	**Retained earnings**	N'000	N'000
	Balance at the beginning of the year	(1,106,352)	(729,669)
	Profit/(loss) for the year	563,000	(353,710)
	Transfer to contingency reserve (Note 20)	(56,300)	(22,973)
	Balance at the end of the year	(599,652)	(1,106,352)
24.	**Gross premium written**	N'000	N'000
	Direct business	2,894,451	1,989,552
	Facultative reinsurance	44,375	66,739
	Group life	2,938,826	2,056,291
	Individual life	452,539	240,962
		3,391,365	2,297,253

Gross premium written is recognised as revenue when it becomes payable by the policyholders. Revenue is recognised on single premium business on the date on which the policy is effective.

25.	**Changes in unearned premium**	N'000	N'000
	Changes in unearned premium reserve (Note 13.2)	(17,558)	52,618
26.	**Reinsurance expenses**	N'000	N'000
	Treaty premium ceded for reinsurers	66,201	53,190
	Facultative reinsurance outward	77,372	-
	Reinsurance premium ceded during the year	**143,573**	**53,190**
	Changes in reinsurer share of UPR (Note 6.1)	(23,808)	(20,549)
	Changes in prepaid reinsurance cost M & D	(28,359)	(18,179)
		91,406	14,462

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
27.	**Fees and commission income**	**N'000**	**N'000**
	Reinsurance commission income	16,782	13,298
	Facultative reinsurance commission	7,919	-
	Policy reinstatement and other fee	10,648	11,952
		35,349	25,250
28.	**Net claims incurred**	**N'000**	**N'000**
	Surrender	57,914	136,609
	Maturities	284,565	402,367
	Claims incurred on trust in fund	26,230	17,400
	Death	1,705,248	1,059,199
	Gross claims paid during the year (Note 13.1)	2,073,957	1,615,575
	Changes in outstanding claims	(466,693)	238,733
	Changes in Incurred But Not Reported Claims	308,993	94,334
	Gross claims incurred during the year	1,916,257	1,948,642
	Recoverables from Reinsurance (Note 28(a))	(49,923)	87,626
	Net claims incurred	1,866,334	2,036,268
	Recoverables from Reinsurance	**N'000**	**N'000**
(a)	Claims expenses recovered from reinsurer (Note 6.4)	(30,023)	-
	Changes in Reinsurer share of IBNR (Note 6.2)	(19,900)	87,626
		(49,923)	87,626
29	**Underwriting expenses**	**N'000**	**N'000**
	Acquisition expenses (Note 29.1)	128,374	147,295
	Other Underwriting expenses (Note 29.2)	237,926	232,933
		366,300	380,228
29.1	**Acquisition expenses**	**N'000**	**N'000**
	Commission on insurance contracts (Note 7)	119,207	140,623
	Changes in deferred acquisition cost	9,167	6,672
		128,374	147,295
29.2	**Other Underwriting expenses**	**N'000**	**N'000**
	Administrative charges	10,424	7,368
	Agency career fund - Company's contribution	2,945	1,947
	Agency running expenses	24,564	32,993
	Medical and stamp duty expenses	2,254	15,736
	Underwriting employee's benefits	151,610	145,871
	Value Added Tax on commission	12,665	8,200
	Insurance supervisory levy	33,464	20,818
		237,926	232,933

29.3 **Agency Career Fund**

The Company operates self-maintained contributory post-retirement benefits for the financial planners, in which the financial planners (Agents) and the Company contribute 5% each, of their monthly earnings and borne by the Company. Financial planners are Sales Agent directly involved in marketing of various retails products of the Company on commission basis.

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
30.	**Investment Income**	**N'000**	**N'000**
	Interest income - cash & cash equivalents	106,597	38,330
	Other income (Note 30.1)	53,801	31,458
		160,398	69,788
	Interest income - Treasury Bills (Note 4.3)	7,325	9,118
	Interest income - Bond (Note 8.2.1)	1,554	1,552
	Interest income - Policyholders Loans (Note 4.4.1)	1,739	3,604
	Interest income - Staff Loans (Note 4.4.2)	153	224
	Rental income on investment properties (Note 16.6)	26,000	16,500
	Interest income on statutory deposit (Note 8.2.1)	33,037	30,122
	Dividend income on financial assets (Note 8.2.2)	53,919	46,789
		284,125	177,697
30.1	**Other income**	**N'000**	**N'000**
	Provision no longer required (Note 6.5)	52,137	-
	Sundry Income	1,664	31,458
		53,801	31,458
30.2	**Allocation of investment income**	**N'000**	**N'000**
	Attributable to policyholders	69,634	112,983
	Attributable to shareholders	43,954	23,798
		113,588	136,781
	Attributable to investment contracts	170,537	40,916
		284,125	177,697
31.	**Net Realised Gains**	**N'000**	**N'000**
	Property, plant and equipment:		
	Profit on disposal	-	491
	Quoted Equity Securities:		
	Gain on disposal (Note 4.2(a))	42,187	-
		42,187	491
31.1	**Profit on disposal of property, plant and equipment**	**N'000**	**N'000**
	Sale proceeds	-	1,700
	Cost (Note 10)	-	(7,201)
	Accumulated depreciation (Note 10)	-	5,992
		-	491
32.	**Net fair value gains**	**N'000**	**N'000**
	Investment Properties:		
	Fair Value Gains (Note 9)	431,200	5,265
	Fair Value through Profit or Loss:		
	Quoted Equity Securities (Note 4.2)	(115,906)	487,187
		315,294	492,452
33.	**Profit/(loss) on investment contract liabilities**	**N'000**	**N'000**
	Investment income	170,537	40,916
	Commission paid	(56,301)	(38,779)
	Guaranteed interest (Notes 14.1&14.2)	(102,564)	(77,173)
		11,672	(75,036)

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
34.	**Management expenses**	**N'000**	**N'000**
	Actuarial Valuation Expenses	7,600	4,675
	Administration expenses	55,026	46,500
	Fuel Expenses	30,000	29,623
	Internet expenses	10,351	7,856
	Rent and rates (Note 8.1.1)	24,378	23,701
	Repairs and maintenance	16,067	9,216
	Public relations expenses	2,237	42,131
	Transportation expenses	6,429	7,086
	Computer Accessories	65,365	-
	Motor Vehicle expenses	19,290	18,191
	Insurance expenses (Note 8.1.2)	13,447	10,858
	Audit Fee (Note 34.2)	6,700	4,200
	AGM and Other Meeting Expenses	2,425	2,447
	Amortisation of Intangible Assets (Note 12)	5,499	4,280
	Depreciation charge (Note 10)	51,061	59,463
	Directors' emoluments	58,661	64,137
	Employee benefits expenses (Note 34.1)	365,388	383,562
	Bank charges (Note 35)	6,674	11,432
	NIA Subscription	3,562	3,950
	Legal and professional fees	64,298	11,081
	Marketing expenses	211,816	187,944
		1,026,274	932,333

34.1	**Employees benefits expenses**		
	Employees benefits expenses comprise of:	**N'000**	**N'000**
	Wages and salaries	255,856	289,933
	Employee's Pensions Contribution	11,611	12,658
	Employer's Pensions Contribution	14,596	16,012
	Staff Training and Development	36,608	12,878
	NSITF/ITF Contribution and Others	46,717	52,081
		365,388	383,562

34.2 BDOProfessional Services was appointed to carry out only the Statutory audit of the financial statements of the Company.

35.	**Bank charges**	**N'000**	**N'000**
	Bank charges	6,009	11,369
	Commission on finance charges	665	63
		6,674	11,432

36. **Profit/(loss) Per Share**

Profit/(loss) per share is calculated by dividing the net profit/ (loss) for the year attributable to ordinary shareholders by the number of ordinary shares issued and paid up at the reporting date.

	N'000	N'000
Net profit/(loss) attributable to shareholders	563,000	(353,710)
Number of issued ordinary shares (Units)	2,116,595	2,116,595
Basic earnings/(loss) per share (kobo)	0.27	(0.17)
Dilluted earnings/(loss) per share (kobo)	0.27	(0.17)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and date of completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

		2018	2017
37.	**Profit/(loss) before taxation**		
	Profit/(loss) before taxation is stated after charging:	**N'000**	**N'000**
	Auditors' remuneration (Note 34)	6,700	4,200
	Bank Charges (Note 34)	6,674	11,432
	Depreciation of property, plant and equipment (Note 10)	51,061	59,463
	Directors' remuneration (Note 34)	58,661	64,137
	Employee benefits expenses (Note 34.1)	365,388	383,562
	and after crediting:		
	Profit on disposal of property, plant and equipment (Note 31.1)	-	491

38	**Employees benefits expenses and Directors' remuneration**		
38.1	**Employees benefits expenses**	**N'000**	**N'000**
	Employees benefits expenses incurred during the year amounted to:		
	Wages and salaries	255,856	302,591
	Employer's Pensions Contribution	14,596	16,012
	Staff Training and Development	36,608	12,878
	NSITF/ITF Contribution and Others	46,717	52,081
		353,777	383,562
	The average number of person employed in the Company during the year was:		
		Number	**Number**
	Executive Directors	2	2
	Management staff	8	9
	Senior staff	52	56
	Junior	70	66
		132	133
38.2	**Directors' remuneration**	**N'000**	**N'000**
	The remuneration paid to directors of the Company were:		
	Fees		
	Chairman	250	250
	Other non-executive directors	1,200	1,200
	Other allowances	57,211	62,687
		58,661	64,137

39.	**Net cash generated/(used in) operating activities**	**N'000**	**N'000**
	Profit/(loss) after taxation	563,000	(353,710)
	Adjustments for:		
	Depreciation - Property, plant & equipment (Note 10)	51,061	59,463
	Amortisation - Intangible assets (Note 12)	5,499	4,280
	Gain on disposal of property, plant and equipment	-	(491)
	Fair value gains on investment properties (Note 9)	(431,200)	(5,265)
	Gain on disposal (Note 31)	(42,187)	
	Fair value (loss)/gain on financial assets FVPL (Note 4.2)	115,906	(487,187)
	Company income tax	18,025	8,729
	Investment income (Note 30)	(284,125)	(177,697)
	Operating loss before working capital changes	(4,021)	(951,878)

NOTES TO THE FINANCIAL STATEMENTS

	2018	2017
Adjustments for Working Capital Items:	**N'000**	**N'000**
Decrease/(increase) in trade receivables	171,814	(157,512)
(Increase)/decrease in reinsurance assets	(91,802)	223,082
Decrease in deferred acquisition cost	9,167	6,672
Increase in prepayment and other receivables	(7,382)	(29,992)
(Decrease)/increase in trade payable	(27,131)	56,536
(Decrease)/increase in insurance contract liabilities	(187,429)	191,948
Increase in investment contract liabilities	155,469	261,239
Increase in other payable and accruals	1,050,186	132,605
Cash generated/(used in) operating activities	1,068,871	(267,300)

40. **Capital commitments**

There were no capital commitments at 31 December 2018 (2017: Nil).

41. **Contingent liabilities**

There were no material contingent liabilities at 31 December 2018 (2017: Nil).

42. **Comparative figure**

Where necessary, comparative figures have been adjusted to conform with changes in the presentation of the current year financial statements.

43. **Segment reporting**

For management purposes, the Company is organised into business units based on their products and services and has two reportable operating segments as follows:

Group Life

The group life insurance segment offers pure protection products and other long-term insurance contracts for employers of labour covering their workforce. It is purely a protection policy that pays benefit on the death of the life assured occurring within the period of insurance. Revenue from this segment is derived primarily from insurance premium, fees and commission income and investment income.

Individual Life

The individual life insurance segment offers savings, protection products and other long-term contracts (both with and without insurance risk for policyholders on individual basis. It comprises a wide range of whole life, term assurance, guaranteed pensions, pure endowment pensions and mortgage endowment products. Revenue from this segment is derived primarily from insurance premium, fees and commission income and investment income.

NOTES TO THE FINANCIAL STATEMENTS

Investment contract
The investment contract segment offers savings, investment and other long-term contracts for both individual and group contract holders.

No operating segments have been aggregated to form the above reportable operating segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. The Company'sfinancing and income taxes are managed on a group basis and are not allocated to individual operating segments.

	Notes	Group Life N'000	Individual Life N'000	Investment Contract N'000	2018 N'000	2017 N'000
Gross premium written	24	2,938,826	452,539	-	3,391,365	2,297,253
Changes in unearned premium	13.2	(17,558)	-	-	(17,558)	52,618
Gross Premium Income		2,921,268	452,539	-	3,373,807	2,349,871
Premium ceded to reinsurers	26	(91,406)	-	-	(91,406)	(14,462)
Net premium income		2,829,862	452,539	-	3,282,401	2,335,409
Fees and commission income	27	35,349	-	-	35,349	25,250
Net underwriting income		2,865,211	452,539	-	3,317,750	2,360,659
Net Claims Incurred	28	1,523,855	342,479	-	1,866,334	2,036,268
Changes in life insurance contract liabilities		47,287	-		47,287	(88,501)
Underwriting Expenses	29	338,791	27,509	-	366,300	380,228
Total		1,909,933	369,988	-	2,279,921	2,327,995
Underwriting profit		955,278	82,551	-	1,037,829	32,664
Investment Income	30	69,634	43,954	-	113,588	136,781
Net Realised gains	31	42,187	-	-	42,187	491
Net Fair Value gains	32	315,294	-	-	315,294	492,452
Profit/(loss) on investment contract	33	-	-	11,672	11,672	(75,036)
Exhange Loss		(7,845)	-	-	(7,845)	-
Management expenses	34	(1,026,274)	-	-	(1,026,274)	(932,333)
Profit/(Loss) before taxation		348,274	126,505	11,672	486,451	(344,981)
Information Technology Development Levy		(5,753)	-	-	(5,753)	-
Income taxes	17.2	(12,272)	-	-	(12,272)	(8,729)
Profit/(Loss) for the year		330,249	126,505	11,672	468,426	(353,710)

44. **Related Party Transactions**

44.1 These are transactions with the key management personnel of the Company. The key management personnel comprises of Executive Management Team and the Board of Directors of the Company. These are mainly short term benefits such as directors " fee, sitting allowances, salaries and allowances.

	2018 N'000	2017 N'000
Chairman	250	250
Other Non-Executive Directors	1,200	1,200
Other allowances and emoluments of executives	57,211	62,687
Staff cost	365,388	383,562

NOTES TO THE FINANCIAL STATEMENTS

	2018 No.	2017 No.
Managerial	10	11
Senior staff	52	56
Junior Staff	70	66
	132	133

45. **Events after reporting year**

No events or transactions have occurred since the financial position dates, which would have a material effect upon the financial statements at that date or which need to be mentioned in the financial statements.

46. **Contraventions and Penalties**

The following contraventions which resulted to payment of penalties by the Company to Federal Reporting Council of Nigeria and Lagos State Internal Revenue Services were recorded during the reporting year.

	2018 N'000	2017 N'000
2015 Tax Audit - Lagos State Internal Revenue Service	490	-
Penalty on Contravention - Financial Reporting Council of Nigeria	5,000	-
Late VAT Returns - Federal Inland Revenue Service	-	60
Late VAT Returns - Federal Inland Revenue Service	-	46
Late Submission of 3rd Quarter Returns-NAICOM	-	5
	5,490	111

47. **Capital Management**

Capital Express Assurance Limited has over the years been deploying capital from earnings and additional equity funds to support growth in business volumes while striving to meet dividend commitments to shareholders. To be able to continue to generate and deploy capital both to grow core businesses and reward shareholders, there is need for the Companyto execute the right strategy, the right growth dynamics, the right cost structure and risk discipline as well as the right capital management.

Capital Express's capital management strategy focus on the creation of shareholders "value whilst meeting the crucial and equally important objective of providing an appropriate level of capital to protect stakeholders " interests and satisfies regulators.

The Company "s objectives when managing capital are as follows:

i To ensure that capital is, and will continue to be, adequate for the safety, soundness and stability of the Company;

ii To generate sufficient capital to support the Company "s overall business strategy;

iii To ensure that the Company meets all regulatory capital ratios and the prudent buffer required by the Board;

iv To ensure that the average return on capital over a 3-5 years performance cycle is sufficient to satisfy the expectations of investors;

v To maintain a strong risk rating;

vi To ensure that capital allocation decisions are optimal, considering the return on economic and regulatory capital;

vii To determine the capital required to support each business activity based on returns generated on capital to facilitate growth/expansion of existing businesses (i.e. capital allocation);

viii To establish the efficiency of capital utilisation.

(a) **Minimum Capital Requirement**

The National Insurance Commission (NAICOM), the regulator of the Nigerian insurance industry, specifies the minimum amount and type of capital that must be held by the Company to cover its liabilities. Life insurance companies are required to maintain a minimum capital requirement of N2billion. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company's capital base falls below this requirement as deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS

(b) **Solvency Status**

Based on the solvency margin calculated, Capital Express Assurance Limited has a surplus of N416 million as indicated below, The Company's capital requirement ratio and Solvency margin is above the requirements of the Insurance Act CAP 117, LFN 2004.

(c) **Capital Adequacy Test**

Based on the capital adequacy calculation below, Capital Express Assurance Limited has a surplus of N1 billion.

	2018	
	N'000	N'000
Shareholders' fund as per Statement of Financial Position		3,108,241
Less:		
Intangible Assets	(13,442)	
Deferred tax liability	(35,056)	
Due from related parties	-	
		(48,498)
Capital base		3,059,743

Management uses regulatory capital ratios to monitor its capital base. Based on the capital base computed above, the Company capital base is above the minimum capital requirement of N2 billion specified by NAICOM.

(d) **DETERMINATION OF SOLVENCY MARGIN**

	Admissible	Inadmissible	2018 N'000	2017 N'000
Cash and cash equivalents	375,821	-	375,821	334,904
Financial assets:				
- Available-for-sale	1,415,431	-	1,415,431	1,136,598
- Fair value through profit or loss	2,575,817	-	2,575,817	1,335,165
- Held to maturity	68,289	-	68,289	73,664
- Loans and receivables	31,282	-	31,282	40,122
Trade receivables	-	-	-	171,814
Reinsurance assets	257,402	-	257,402	165,600
Deferred acquisition cost	23,451	-	23,451	32,618
Prepayments and other receivables	76,997	(76,997)	-	-
Investment properties	2,933,645	(741,947)	2,191,698	2,502,445
Property, plant and equipment	903,432	(845,835)	57,597	828,837
Statutory deposit	215,000	-	215,000	215,000
Intangible assets	13,442	-	13,442	18,941
Admissable assets	**8,890,009**	(1,664,779)	7,225,230	**6,855,708**

Liabilities				
Insurance contract liabilities	2,561,094	-	2,561,094	2,748,523
Investment contract liabilities	1,796,137	-	1,796,137	1,640,668
Trade payables	37,548	-	37,548	64,679
Other payables & accruals	1,333,908	(938,308)	395,600	283,722
Current income tax payable	18,025	-	18,025	8,729
Deferred tax	35,056	(35,056)	-	-
Admissable liabilities	**5,781,768**	**(973,364)**	**4,808,404**	**4,746,321**
Solvency margin			**2,416,826**	**2,109,387**
Minimum share capital			**2,000,000**	**2,000,000**
Surplus in solvency margin			**416,826**	**109,387**
Percentage of solvency			**17%**	**5%**

NOTES TO THE FINANCIAL STATEMENTS

48 Asset and Liability Management

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and reinsurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

Asset & Liability management (ALM) attempts to address financial risks the company is exposed to which includes interest rate risks, foreign currency risks, equity price risks and credit risks. The major financial risk is that in the long run its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. ALM ensures that specific assets of the group is allocated to cover reinsurance and liabilities of the Company.

The Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The notes below show how the Company has managed its financial risks.

	Insurance Contract liabilities N'000	Investment Contract liabilities N'000	Policy holders' Funds	Share holders' Fund N'000	Total 2018 N'000
Cash and cash equivalents	214,274	161,541	375,815	6	375,821
Financial assets:					
- Available-for-sale	707,716	707,716	1,415,431	-	1,415,431
- Fair value through profit or loss	444,586	318,598	763,184	1,812,633	2,575,817
- Held to maturity	68,289	-	68,289	-	68,289
- Loans and receivables	26,123	-	26,123	5,159	31,282
Reinsurance assets	203,915	-	203,915	53,487	257,402
Deferred acquisition cost	23,451	-	23,451	-	23,451
Prepayments and other receivables	-	-	-	76,997	76,997
Investment properties	896,383	628,648	1,525,031	1,408,614	2,933,645
Property, plant and equipment	-	-	-	903,432	903,432
Statutory deposit	-	-	-	215,000	215,000
Intangible assets	-	-	-	13,442	13,442
Total assets	**2,584,737**	**1,816,502**	**4,401,239**	**4,488,770**	**8,890,009**
Policyholders/Shareholders & Other funds	**2,561,094**	**1,796,137**	**4,357,231**	**4,532,778**	**8,890,009**
Surplus in Asset Cover	**23,643**	**20,365**	**44,008**	**(44,008)**	**0**
Investment properties	896,383	628,648	1,525,031	1,408,614	2,933,645
Property,plant & equipment(Land & Buildings)	-	-	-	903,432	903,432
	896,383	**628,648**	**1,525,031**	**2,312,046**	**3,837,077**
35% of Investment properties by section 25(3)	896,383	628,648	1,525,031	-	1,525,031
Investment properties Limited to 1/3 of Share Holders' Funds	-	-	-	666,667	666,667
Land & Building in Property,plant & equipment Section 24(13)(d)	-	-	-	-	-
	896,383	**628,648**	**1,525,031**	**666,667**	**2,191,698**

NOTES TO THE FINANCIAL STATEMENTS

The main objectives of the Company when managing capital are:

- to ensure that the Minimum Capital Requirement of N2 billion as required by the Insurance Act CAP I17, LFN 2004, is maintained at all times.
- This is a risk based capital method of measuring the minimum amount appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on applying capital factors to amongst others, the Company's assets, outstanding claims, unearned premium reserve and assets above a certain concentration limit.

This test compares insurer's capital against the risk profile. The regulator indicated that insurers should produce a minimum capital base of 100%.The Company comply with the hypothecation policy that the assets invested in using the policyholder's fund should cover insurance liabilities.

49. Risk management framework

49.1 Overview

The Company develops risk and financial management framework in order to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. The Board of the Company appreciates that risks are inherent in all aspects of the Company's operations and that it cannot totally eliminate risks. It therefore acknowledges the role of risk management as critical to the achievement of the objectives of the organisation in order to meet the varied expectations of its stakeholders.
The Board is committed to managing risk in accordance with established risk management standards and has overall responsibility for the establishment and oversight of the Company's risk management framework. There is an established Board Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. It meets quarterly to review risk reports from the Chief Risk Officer.

The Company'srisk management policies are established to give broad guideline on how strategic objectives are to be set, and cascaded through to operational, reporting and compliance objectives. This is reviewed annually. To identify and analyse the risks faced by the Company, risks are attached to objectives, core processes and key dependencies. The Company's risk policies set appropriate risk limits and appetites that form the basis for priortising identified risks. Risk controls are set and reviewed continually to monitor adherence to risk appetite and limits.

The Company has a policy to review the risk management policies and systems every three years in order to reflect changes associated with its activities and the global economy generally. The Company, through regular risks workshops, trainings and design of standard operating procedures, aims to embed a risk culture in which all employees are risk aware in their respective roles and obligations.

The Company's risk management framework functions on three lines of risk defense. Core process owners function as the first line of risk defense and they have responsibility for risk prevention. The risk management unit assumes the second line of risk defense and is assigned responsibility to holistically coordinate the risk control functions, enterprise-wide. The internal audit function, as the last line of risk defense, functions to secure assurance that risk controls are effective and efficient.

NOTES TO THE FINANCIAL STATEMENTS

49.2 Long-term insurance contract

49.2.1 Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS, SARS and a human form of avian flu) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, the risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. The Company charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimises its exposure to mortality risk. Delay in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Company's underwriting procedures, to reflect the health condition and family medical history of the applicants.

The Company has a retention limit of ₦20million and ₦5million on any single life assured for group life and individual life respectively, and reinsures the excess through a surplus treaty reinsurance arrangement. The Company does not have in place any reinsurance for contracts that insure survival risk.

49.2.2 Sources of uncertainty in the estimation of future benefit payments and premium receipt

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Company uses appropriate base tables of standard mortality according to the type of contract being written. An investigation into the actual experience of the Company over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Company's overall experience.

For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

49.2.3 Process used to decide on assumption

For long-term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

NOTES TO THE FINANCIAL STATEMENTS

Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate,the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event.

49.3 The assumptions used for the insurance contracts disclosed in this note are as follows:

49.3.1 **Mortality**

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Company'sexperience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year.

Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

49.3.2 **Morbidity**

The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Company's own experience.

49.3.3 **Persistency**

An investigation into the Company'sexperience over the most recent three years is performed, and statistical methods are used to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration. An allowance is then made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account the effective contract holders' behaviour.

49.3.4 **Investment returns**

Investment returns affect the assumedlevel of future benefits due to the contract holders and the selection of the appropriate discount rate. The Company's primary assumptions on investment returns relate to three components:

- Risk-free rates: The risk-free rates are the gross yields to redemption of benchmark government securities
- Equity investments: The expected long-term return (dividend and capital growth) is derived by adding to the risk-free rate of return an equity risk premium percentage considered to be appropriate.
- Overall investment returns: A weighted average rate of investment return is derived by combining different proportions of the above financial assets in a model portfolio, which is assumed to back the liabilities.

49.3.5 **Renewal expenses level and inflation**

The current level of expenses is taken as an appropriate expense base. Expense inflation is assumed to be a suitable rate above current inflation rates at 11% per annum in Nigeria.

49.3.6 **Tax**

It has been assumed that current tax legislation and rates continue unaltered.

49.4 **Credit risks**

Credit risk is the risk of financial loss to the Company if a customer or counterpart to a financial instrument fails to meet its contractual obligations. Key areas where the Company is exposed to credit risk are:

- Reinsurer's share of insurance liabilities;
- Amount due from reinsurers in respect of claims already paid;
- Amount due from insurance policyholders;
- Amount due from insurance intermediaries;
- Amount due from loans and receivables;
- Amount due from debt securities;
- Amount due from money market and cash positions.

NOTES TO THE FINANCIAL STATEMENTS

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

49.4.1 Credit Risk Measurement, Control and mitigation

Premium and Reinsurance Receivables

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

The Credit Control Committee works closely with the underwriting and reinsurance departments to assessthe creditworthiness of all reinsurers and intermediaries by setting and reviewing regularly the credit rating of each reinsurer using internal records and other publicly available financial information.

Individual operating units maintain records of the payment history for significant policyholders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Company procedures on credit.

Exposures to individual policyholders and groups of policyholders are collated within the ongoing monitoring of the controls associated with regulatory solvency. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company's risk department.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Company limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have a credit rating of at least BBB from rating agencies. Management actively monitors credit ratings and given that the Company only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

NOTES TO THE FINANCIAL STATEMENTS

The table below presents industry analysis of credit risks in relation to investment.

2018	Financial Services	Government	Manufa-cturing	Others	Total
	N'000	N'000	N'000	N'000	N'000
Placement with banks	307,052	-	-	-	307,052
Trade receivable	-	-	-	-	-
Available for sale	1,415,431	-	-	-	1,415,431
Fair value through profit or loss	649,492	-	1,926,325	-	2,575,817
Loans and receivables	-	-	-	31,282	31,282
Held to maturity	-	11,440	-	56,849	68,289
Statutory deposit	-	215,000	-	-	215,000
	2,371,975	226,440	1,926,325	88,131	4,612,871
2017	N'000	N'000	N'000	N'000	N'000
Placement with banks	283,576	-	-	-	283,576
Trade receivable	-	-	-	171,814	171,814
Available for sale	1,136,598	-	-	-	1,136,598
Fair value through profit or loss	118,180	-	1,216,985	-	1,335,165
Loans and receivables	-	-	-	40,122	40,122
Held to maturity	-	11,440	-	62,224	73,664
Statutory deposit	-	215,000	-	-	215,000
	1,538,354	226,440	1,216,985	274,160	3,255,939

49.5 Liquidity risks

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'sapproach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of over 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company does not maintain any lines of credit as it does not envisage any liquidity stress that would stretch its liquidity position.

Maturity analysis on expected maturity basis

The table below summarises the expected utilisation of assets and liabilities.

Assets	Under 30 days	31 - 365 days	Over 365 days	Total
2018	N'000	N'000	N'000	N'000
Cash and cash equivalents	375,821	-	-	375,821
Trade receivable	-	-	-	-
Available for sale	-	-	1,415,431	1,415,431
Fair value through profit or loss	-	-	2,575,817	2,575,817
Loans and receivables	-	-	31,282	31,282
Investment properties	-	-	2,933,645	2,933,645
Property and equipment	-	-	903,432	903,432
Prepayments and other receivables	-	76,997	-	76,997
Statutory deposit	-	-	215,000	215,000
	375,821	76,997	8,074,607	8,527,425
Liabilities				
Insurance contract liabilities	-	-	2,561,094	2,561,094
Investment contract liabilities	-	-	1,796,137	1,796,137
Trade payable	37,548	-	-	37,548
Other payables & accruals	-	-	1,333,908	1,333,908
Current income tax payable	-	18,025	-	18,025
Deferred Tax	-	-	35,056	35,056
	413,369	95,022	13,800,802	14,309,193

NOTES TO THE FINANCIAL STATEMENTS

Assets	Under 30 days	31 - 365 days	Over 365 days	Total
2017	N'000	N'000	N'000	N'000
Cash and cash equivalents	334,904	-	-	334,904
Trade receivable	171,814	-	-	171,814
Available for sale	-	-	1,136,598	1,136,598
Fair value through profit or loss	-	-	1,335,165	1,335,165
Loans and receivables	-	-	40,122	40,122
Investment properties	-	-	2,502,445	2,502,445
Property and equipment	-	-	828,837	828,837
Prepayments and other receivables	-	82,616	-	82,616
Statutory deposit	-	-	215,000	215,000
	506,718	82,616	6,058,167	6,647,501
Liabilities				
Insurance contract liabilities	-	-	2,748,523	2,748,523
Investment contract liabilities	-	-	1,640,668	1,640,668
Trade payable	64,679	-	-	64,679
Other payables & accruals	-	-	283,722	283,722
Current income tax payable	-	8,729	-	8,729
Deferred Tax	-	-	22,810	22,810
	571,397	91,345	10,753,890	11,416,632

49.6 Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

49.6.1 Currency risks

Foreign currency risk management

The Company does not undertake its transactions in foreign currencies but maintain domiciliary bank account in foreign currency (USD $), hence, exposures to exchange rate fluctuation arise. The Company has minimal exposure to currency risk as the Company's bank account balances are primarily matched to the same currency as its insurance and investment contracts liabilities.

Carrying amount of Company's foreign currency denominated bank balance is:

	2018	2017
	N'000	N'000
Domiciliary account with Eco Bank Nigeria Limited	17,771	8,256

49.6.2 Interest rate risks

Interest rate risk management

Interest rate risk is the risk that the values of future cash flows of a financial instrument will fluctuate because of the changes in market interest. The Company is not exposed to interest rate risk as the Company does not invest in long-term debt at floating interest rates and its limited fixed interest rate holding are placement with banks.

The Company has no significant concentration of interest rate risk. There were no interest rate sensitivity exposures at statement of financial position date.

49.6.3 Equity price risks

The Company is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed securities that present the Company with opportunity for returns through dividend income and capital appreciation. Equity investments designated as available-for-sale are held for strategic rather than trading purposes. The Company has no significant concentration of price risk.

NOTES TO THE FINANCIAL STATEMENTS

49.6.4 Fair value and fair value hierarchy

The Company financial assets classified as available-for-sale and fair value through profit or loss are purely quoted securities and are fair value wholly at one level of fair value hierarchy using quoted (unadjusted) prices in active markets.

49.6.5 Fair valuation methods and assumptions

Financial assets and liabilities

- Cash and Cash equivalents
- Cashand cash equivalents represent cash and placements held with banks for short-term. The carrying amount of these balances approximates their fair value.
- Other receivables and other payables
- Other receivables represent monetary assets which usually have a short recycle period and other payables represent amount outstanding on accounts payable. And as such the fair values of these balances approximate their carrying amount.
- Equity prices
- Listed equities were fair valued using quoted prices from the Nigerian Stock Exchange.

Embedded Value Disclosure

NAICOMssued Prudential Guideline effective from July 2016 requiring insurers to include a certified disclosure by the Actuary in the Annual Financial Statement (AFS) on their Embedded Value (EV).

The Embedded Value is made up of the value of:

- Shareholders Net Asset Value (NAV) as reported in the AFS.
- Deductions for the cost of holding the required capital which we estimate as nil.
- The expected future value of profits to shareholders arising from the business in force at the valuation date (the value of In-force or VIF).

Embedded Value captures the value from the in-force business only, Future new business is excluded.

New business includes any future business underwritten for which a new insurance contract is issued, and in Nigeria will include renewed group Life businessand General insurance business. Since these are re-priced with new contract issued. Put another way, we are not reflecting future renewable group life business in EV calculations.

- We illustrate below that 69%of the reported technical reserves by class of business as at 31 December 2018 represents group life business. The retail business represents only 31%of current reserves and is too small a base to materially provide future profits to shareholders as is indicated in the attached certification.

	Gross Reserve 31 December 2018 N'000	%
Group life	1,844,913	72%
Long Term risk reserves	716,181	28%
Total Insurance Liability	2,561,094	100%
Investment Contract Liabilities	1,796,137	
Total Insurance and Investment Liabilities	4,357,231	

Embedded Value Certification

The actuary certify that as at 31st December 2018, the Embedded Value of Capital Express Assurance Limited was not materially different from the reported audited Net Asset Value.

The firm of Ernst & Young, an actuarial service organisation did the Embedded Value of life insurance portfolio for the reporting period. The Embedded valuation reports were authorised by Mr. Olurotimi O.Okpaise, a professional actuary registered with the Financial Reporting Council of Nigeria with registration number (FRC/2012/NAS/00000000738).

OTHER NATIONAL DISCLOSURE
STATEMENT OF VALUE ADDED

	2018 N'000	%	2017 N'000	%
VALUE ADDED				
Gross premium income	3,373,807		2,349,871	
Fees and commission income	35,349		25,250	
Investment income	113,588		136,781	
	3,522,744		2,511,902	
Net claims incurred	1,819,047		1,947,767	
Other operating & underwriting expenses less employees benefits	(4,350,070)		(4,361,625)	
Value Added	991,721	100	98,044	100
Applied as follows:				
Employees:				
Employees benefits expenses	365,388	37	383,562	391
Government:				
Income tax	12,272	1	8,729	9
Retained for business expansion:				
Depreciation	51,061	5	59,463	61
Profit/(Loss) for the year	563,000	57	(353,710)	(361)
	991,721	100	98,044	100

Value added represents the additional wealth the company has been able to create by its own and its employees' efforts.

This statement shows the allocation of the wealth between employees, shareholders, government and that retained for the year.


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OUR COMPANY

- Capital Express Assurance Limited was incorporated in 2000 when it took over the life assurance arm of Perpetual Assurance Company Limited, which was then a Composite insurance company. To strengthen the company's capacity even further, Capital Express Assurance acquired the life arm of thirteen insurance companies during the last recapitalization exercise in the insurance industry in 2007.

- The Life portfolios were from the following companies: Linkage Assurance Plc, NEM Insurance Plc, Central Insurance Company Limited, First Chartered Insurance Company Limited, United Trust Insurance Company Limited, GTI Insurance Company Limited, Sovereign Trust Insurance Company Limited, and Oasis Insurance Company Limited. Others include Hallmark Insurance Company Limited, Regency Life Assurance Company Limited, NGI Insurance Company Limited, First Chartered Insurance Company Limited as well as Golden Insurance Company Limited.

- The company is a specialist life assurance company with operations in major parts of the country, the company has an authorised capital N7.5b, paid-up share capital of N2.16 Billion, and asset base in excess of N6 Billion.

- The company currently has a robust clientele cutting across various sectors amongst which are Government Agencies and Parastatal, Banking and Investment, Multi-nationals, Military and Para-military, Clubs and Association, Manufacturing, Finance and Regulatory Bodies, Aviation, Pharmaceuticals, Educational Institutions, Hospitality industry, various other corporate organizations in Nigeria, as well as numerous individuals.

- With a formidable reinsurance treaty in place with African Reinsurance Corporation, the company's unique strength resides in the area of excellent design and effective management of tailored-made financial services. Capital Express Assurance is reckoned to be the fastest growing life assurance company in Nigeria.

CAPITAL EXPRESS ASSURANCE LIMITED

DETAILS OF REGIONAL & BRANCH NETWORK ON STATE BASIS

Branch Location	Address	Branch Manager	Telephone No.	E-mail
Aba	143, Azikiwe Road, (3rd Floor) Aba, Abia State	Mrs. Chioma Oguno	08029999658	coguno@capitalexpressassurance.com
Abakaliki	23, Ezza Road, Abakaliki, Ebonyi State.	Nworie Chinedu	08080280382	
Abeokuta	2A, Segun Osoba Way, Okelewo, Abeokuta	Mr. Babatunde Oyewole		08029999659 oyewole@capitalexpressassurance.com
Abuja	2nd Floor UAC Building Beside The Securities and Exchange Commission, Central Business District, Abuja.	Mr. Chukwu Agha	08029999671	cagha@capitalexpressassurance.com
Akure	4th floor, Tisco House, Oba Adesida Road, Alagbaka-Akure, Ondo State.	Mr. Kehinde Adedeji	08029999676	aadedeji@capitalexpressassurance.com
Alaba	Fedan Plaza 6/7, Alaba International Market, Ojo, Lagos	Mr. Julius Azeke	0802999960	
Anthony	300, Ikorodu Road (3rd Floor) Anthony, Lagos	Mr. Babatunde Fadehan	08129988030	bfadehan@capitalexpressassurance.com
Asaba	City Complex, 455, Nnebisi Road, Asaba, Delta State	Mr. Olisa Osakwe	0812 998 8037	
Benin	FMFL, 12 Ewaise Street, Forestry Road, Benin City, Edo State	Mr. Oti Collins	08029999677	coti@capitalexpressassurance.com
Calabar	3, Bassey Duke Street, By Chamley Junction, Calabar Cross River	Mr. Peter Ibekwe	08029999682	pibekwe@capitalexpressassurance.com
Enugu	3rd Floor, Martina Chukwuma, 2A, O'Connor Street, Asata, Enugu	Mr. Chima Ekeoma	08029999684	cekeoma@capitalexpressassurance.com
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Ibadan 2	2nd Floor N6/26 Fajuyi Road, Adamasingba Ibadan	Mr. Raheem Musliudeen	08029999687	mraheem@capitalexpress.com

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Kaduna	(1st Floor, Wema Bank building) Plot No 13, Bida Road, Kaduna, Kaduna State	Mr. Ahmed Sani	08029999696	asani@capitalexpressassurance.com
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