

NEM INSURANCE PLC

MANAGEMENT ACCOUNTS

FOR THE SECOND QUARTER

30TH JUNE, 2016

NEM INSURANCE PLC

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2016

	NOTES	Jun-16 N'000	Dec-15 N'000
Assets			
Cash and Cash equivalents	1	4,414,316	3,355,044
Financial Assets	2	2,911,575	3,396,740
Trade receivables	3	-	531,497
Reinsurance assets	4	754,381	690,838
Deferred Acquisition cost	5	592,887	443,678
Other Receivables and Prepayments	6	591,598	102,512
Investment in a subsidiary	7	254,806	193,308
Investment Properties	8	391,596	388,371
Statutory Deposit	9	320,000	320,000
Intangible asset	10	10,637	12,157
Property and equipment		2,882,874	2,637,455
Deferred Tax asset	11	-	16,066
Total assets		<u>13,124,670</u>	<u>12,087,666</u>
Liabilities			
Insurance contract liabilities	12	5,120,088	5,161,722
Trade payables	13	96,363	-
Book Overdraft	1.1	53,543	-
Other payables	13.1	445,015	455,306
Retirement benefit obligations	14	88,747	108,956
Income tax liability	15	323,810	154,348
Deferred tax liability	15	(16,066)	-
		<u>6,111,500</u>	<u>5,880,332</u>
Equity			
Issued share capital	16	2,640,251	2,640,251
Share premium	17	272,551	272,551
Contingency reserve	18	2,501,317	2,276,784
Retained earnings	19	1,263,648	682,345
Available for sale reserve	20	173,368	173,368
Other Res.-employee benefit act.surplus	21	162,035	162,035
total Equity		<u>7,013,170</u>	<u>6,207,334</u>
Total equity and liabilities		<u>13,124,670</u>	<u>12,087,666</u>

NEM INSURANCE PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH, 2016

	Notes	2016 N'000	JUNE. 2015 N'000
Gross premiums written	22	5,894,051	6,428,338
Decrease/(Increase) in unearned income		<u>(987,104)</u>	<u>(1,631,133)</u>
Gross premiums earned	22	4,906,947	4,797,205
Reinsurance expenses	23	<u>(1,168,277)</u>	<u>(206,966)</u>
Net premiums income		3,738,670	4,590,239
Fee and commission income	24	<u>296,792</u>	<u>19,060</u>
Net underwriting income		4,035,462	4,609,299
Claims expenses	25	(206,379)	(1,079,427)
Underwriting expenses	26	<u>(1,451,131)</u>	<u>(1,153,734)</u>
Underwriting profit		2,377,952	2,376,138
Investment Income	27	178,744	319,373
Fair value (loss)/gain	28	-	-
Other income	29	15,701	15,379
Revaluation loss investment properties	8	-	-
Profit /(loss) on disposal of Assets		-	-
Impairments	30	-	-
Other operating and admin. Expenses	31	<u>(1,243,804)</u>	<u>(838,135)</u>
Profit before tax		1,328,593	1,872,755
Income taxes	15.2	<u>(205,932)</u>	<u>(290,277)</u>
Profit after tax		1,122,661	1,582,478
Other Comprehensive Income			
Fair value loss on Available for sale	21	-	-
Actuarial profit on defined benefit plan	22	-	-
		<u>1,122,661</u>	<u>1,582,478</u>

NEM INSURANCE PLC

**UNDERWRITING RESULT PER CLASS OF BUSINESS
FOR THE PERIOD ENDED 30TH JUNE, 2016**

	MOTOR N'000	MARINE N'000	FIRE N'000	GEN.ACCID N'000	OIL & GAS N'000	TOTAL N'000	JUNE, 2015 N'000
Direct Business Premium	2,257,998	585,522	1,000,017	1,285,574	675,376	5,804,487	6,339,462
Reinsurance Inward	3,767	30,657	49,416	5,724	-	89,564	88,876
Gross Premium	2,261,765	616,179	1,049,433	1,291,298	675,376	5,894,051	6,428,338
(Increase)/Decrease in Unexpired Risk	(436,372)	(129,800)	(235,893)	(94,206)	(90,833)	(987,104)	(1,631,132)
Gross Premium Earned	1,825,393	486,379	813,540	1,197,092	584,543	4,906,947	4,797,206
Reinsurance Expenses	(7,858)	(188,956)	(420,565)	(400,784)	(150,113)	(1,168,276)	(206,966)
Net Premium Earned	1,817,535	297,423	392,975	796,308	434,430	3,738,671	4,590,240
Commission Received	1,465	58,986	115,570	120,770	-	296,791	19,060
Total Income	1,819,000	356,409	508,545	917,078	434,430	4,035,462	4,609,300
Direct Claim Paid	(759,805)	(146,475)	(517,298)	(377,374)	(9,573)	(1,810,525)	(2,646,441)
Increase/Decrease in prov.for O/S Claims	273,851	101,540	227,682	235,154	190,511	1,028,738	1,484,606
Gross Claim Paid	(485,954)	(44,935)	(289,616)	(142,220)	180,938	(781,787)	(1,161,835)
Reinsurance Claim Recovery	28,575	103,365	220,753	222,715	-	575,408	82,407
Net Claim Incurred	(457,379)	58,430	(68,863)	80,495	180,938	(206,379)	(1,079,428)
Underwriting Expenses	(483,086)	(180,328)	(310,139)	(371,702)	(105,876)	(1,451,131)	(1,153,734)
Total Deduction	(940,465)	(121,898)	(379,002)	(291,207)	75,062	(1,657,510)	(2,233,162)
Underwriting Profit	878,535	234,511	129,543	625,871	509,492	2,377,952	2,376,138

FIXED ASSET SCHEDULE

	Land & Building Under Const-Oniru N'000	Land & Building N'000	Partitioning N'000	Plant & Machinery N'000	Motor Vehicle N'000	Furniture & Fittings N'000	Office Equipment N'000	Total N'000
At 1st January 2016	279,524	1,491,157	272,952	137,214	443,401	132,908	330,395	3,087,551
Additions	302,676	23,000	11,387	964	43,484	1,244	16,886	399,641
Reclassification								
Disposal/Transfer								
At 31st March, 2016	582,200	1,514,157	284,339	138,178	486,885	134,152	347,281	3,487,192
Depreciation/Amortisation								
At 1st January 2016	-	29,824	54,700	36,067	222,082	30,334	77,086	450,093
Charge for the year		15,142	28,434	13,818	48,688	13,415	34,728	154,225
Depreciation on Disposal								
At 31st March, 2016	-	44,966	83,134	49,885	270,770	43,749	111,814	604,318
Net Book Value								
At 31st March, 2016	582,200	1,469,191	201,205	88,293	216,115	90,403	235,467	2,882,874
At 31st December, 2015	279,524	1,461,334	220,842	102,168	270,832	106,175	253,125	2,694,000

NEM INSURANCE PLC

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE, 2016

	Jun-16 N'000	Dec-15 N'000
Cash flow from Operating Activities		
Premium received from policy holders	4,878,586	10,024,287
Commission Received	296,792	395,917
Cash paid to and on behalf of Employees	(541,065)	(1,111,830)
Receipt from claims recovery	56,097	152,960
Receipt from reinsurance recovery	519,311	1,160,572
Reinsurance premium paid	(953,452)	(2,093,895)
Commission Paid	(819,438)	(1,715,783)
Other Operating Cash payments	(702,739)	(1,554,357)
Claims Payments	(1,810,525)	(4,475,555)
Company Income Tax Paid	(36,470)	(28,745)
	<u>887,097</u>	<u>753,570</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceed of disposal	-	1,539
Investment in subsidiary	(61,498)	-
Investment Income	178,744	676,398
Statutory deposits	-	-
Redemption of government bond	4,461	4,331
Purchase of corporate bond	-	(25,169)
Purchase of financial assets - FVPL	-	-
Disposal of unquoted investment	-	38,938
Short term investment	657,170	(517,468)
Purchase of unquoted investment	-	(220,359)
Purchase of investment property	(3,225)	(5,245)
Purchase of intangible asset	-	(13,076)
Purchase of plant and equipment	(399,641)	(676,500)
Net cash outflow for investment activities	<u>376,011</u>	<u>(736,610)</u>
CASH FLOW FROM FINANCIAL ACTIVITIES		
Dividends paid to equity holders of the parents	(316,830)	(316,830)
Unclaimed Dividend received	59,451	234,154
Net cash outflow for financing activities	<u>(257,379)</u>	<u>(82,676)</u>
Total cash outflow	1,005,729	(65,713)
Cash and cash equivalent at January 1	3,355,044	3,420,758
Cash and cash equivalent at June 30	<u>4,360,773</u>	<u>3,355,044</u>
Represented by:		
Cash and cash equivalent at June 30	<u>4,360,773</u>	<u>3,355,044</u>

STATEMENT OF CHANGE IN EQUITY

	Issued Share Capital N'000	Share Premium N'000	Retained Earnings N'000	AFS Reserve N'000	Other Reserves N'000	Contingency Reserves N'000	Total N'000
At January 1, 2016	2,640,251	272,551	682,349	173,368	162,035	2,276,784	6,207,338
Profit for the year	-	-	1,122,661	-	-	-	1,122,661
Transfer to Contingency reserves	-	-	(224,532)	-	-	224,532	-
Other Comprehensive Income							
Actuarial gain on defined benefit plan							
Gains on revaluation of investment property							
Distribution to owners							(316,830)
Dividend paid during the year							
As at 31st December, 2015	2,640,251	272,551	1,263,648	173,368	162,035	2,501,316	7,013,169

NEM INSURANCE PLC

Notes to the Financial Statements

1 CASH AND CASH EQUIVALENTS

	2016 N'000	2015 N'000
Cash and bank balances	747,504	525,048
Short-term deposits [see Note below]	3,666,812	2,829,995
	<u>4,414,316</u>	<u>3,355,043</u>

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

1.1 BOOK OVERDRAFT

Book Overdraft	<u>53,543</u>	-
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2 FINANCIAL ASSETS

The financial assets are as summarised below:

	2016 N'000	2015 N'000
Financial assets at fair value through prof Available for Sale	654,054	654,054
Held to Maturity financial assets	2,075,745	2,560,909
	<u>181,776</u>	<u>181,777</u>
	<u>2,911,575</u>	<u>3,396,740</u>
Current	2,075,745	2,560,909
Non-current	835,830	835,831
	<u>2,911,575</u>	<u>3,396,740</u>

3 TRADE RECEIVABLES

Opening Balance	531,497	209,493
Prior year collection	(531,497)	(209,493)
Addition	-	531,497
	<u>-</u>	<u>-</u>
Impairment	-	-
	<u>-</u>	<u>531,497</u>

4 REINSURANCE ASSETS

Opening Balance	690,838	717,121
For the year reinsurance assets	63,543	(26,283)
Transfer to Impairment	-	-
	<u>754,381</u>	<u>690,838</u>

5 DEFERRED ACQUISITION COST

At January	443,678	442,473
Acquisition during the quarter	228,554	1,716,988
Apportionment during the quarter	(79,345)	(1,715,783)
	<u>592,887</u>	<u>443,678</u>

6 OTHER RECEIVABLES AND PREPAYMENT

Prepayments	14,514	14,514
Accrued Income	-	37,200
Other Debtors	531,486	8,352
Other receivables	45,598	42,446
	<u>591,598</u>	<u>102,512</u>

7 INVESTMENT IN SUBSIDIARY

Opening Balance	193,308	193,308
Addition	61,498	-
Investment in subsidiary	<u>254,806</u>	<u>193,308</u>

The Company's investment in a subsidiary established in Ghana was treated as unquoted investment. Subsidiary is wholly owned (100%) by NEM Insurance Plc Nigeria. The investment was fully funded by the company, therefore no goodwill could arise from this transaction since it is not an IFRS 3 transaction i.e not a business combination.

8 INVESTMENT PROPERTIES

Opening Balance	388,371	485,830
Reclassification/Transfer	-	(102,704)
Addition	3,225	5,245

As at December 31

391,596 388,371

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

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

9 STATUTARY DEPOSIT

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

320,000 320,000

10 INTANGIBLE ASSET

Cost

At January 1,	58,329	45,253
Addition	-	13,076
Written off	-	-
Reclassification from non-current asset	-	-
At March 31	<u>58,329</u>	<u>58,329</u>

Amortisation

At January 1,	46,172	40,794
Written off	-	-
Impairment during the year	1,520	5,378
At March 31	<u>47,692</u>	<u>46,172</u>
Net Book Value	<u>10,637</u>	<u>12,157</u>

12 INSURANCE CONTRACT LIABILITIES

As at January 1,

Reserve for unexpired premium	2,929,288	2,804,638
Reserve for outstanding claims	2,232,434	1,639,488

Addition during the year:

Reserve for unexpired premium	987,104	124,650
Reserve for outstanding claims	(1,028,738)	592,946
	<u>5,120,088</u>	<u>5,161,722</u>

Reserve for unexpired premium	3,916,392	2,929,288
Reserve for outstanding claims	1,203,696	2,232,434
	<u>5,120,088</u>	<u>5,161,722</u>

13 TRADE PAYABLES

Trade creditors

96,363 -

13.1 OTHER CREDITORS

Accruals	40,000	77,386
Unclaimed Dividend	293,605	234,154
Others	111,410	143,766
	<u>445,015</u>	<u>455,306</u>

14 RETIREMENTS BENEFITS OBLIGATIONS

As at January 1,	108,956	187,848
Addition	(20,209)	(78,892)
Gain-employee benefit actuarial surplus	-	-
Gratuity	<u>88,747</u>	<u>108,956</u>

15 TAXATION

15.1 Per Financial Position

At January 1,	154,348	12,212
Income tax for the year	205,932	170,881
Paid during the year	<u>(36,470)</u>	<u>(28,745)</u>
At Dec 31,	<u>323,810</u>	<u>154,348</u>
15.2 Per Income Statement		
Income tax	(179,360)	140,518
Education tax	<u>(26,572)</u>	<u>30,363</u>
	(205,932)	170,881
Deferred tax	-	<u>(296,978)</u>
	<u>(205,932)</u>	<u>(126,097)</u>
15.3 DEFERRED TAX		
At January 1,	(16,066)	280,913
Charge for the year	-	<u>(296,979)</u>
	<u>(16,066)</u>	<u>(16,066)</u>
16 ISSUED SHARED CAPITAL		
Authorised share:		
8,400,000,000 ordinary shares of 50k each	<u>4,200,000</u>	<u>4,200,000</u>
ordinary shares issued and fully paid:		
At January 1, 5,280,502,913 ordinary shares of 50k each		
At December 31,	<u>2,640,251</u>	<u>2,640,251</u>
17 SHARE PREMIUM		
	<u>272,551</u>	<u>272,551</u>
Premium from the issue of shares are reported in share premium		
18 CONTIGENCY RESERVE		
As at January 1,	2,276,784	1,966,395
Transfer from retained earnings	<u>224,533</u>	<u>310,389</u>
	<u>2,501,317</u>	<u>2,276,784</u>
Contingency reserve is calculated in accordance with the provisions of Section 21(2) of the Insurance Act, 2003 at the higher of 3% of the total premium or 20% of total profit after tax. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50% of net premium		
19 RETAINED EARNINGS		
As at 1 January	682,349	624,105
Transfer from comprehensive income	<u>581,299</u>	<u>58,241</u>
	<u>1,263,648</u>	<u>682,346</u>
Retained earnings consist of undistributed profits/loss from previous years		
20 AVAILABLE FOR SALE RESERVE		
Opening Balance	<u>173,368</u>	329,232
Movement	-	<u>(155,864)</u>
	<u>173,368</u>	<u>173,368</u>
The fair value reserve shows the effect from the fair value measurement of financial instruments of the category available for sale. Any gains or losses are not recognised in the comprehensive income statements until the asset has been sold or impaired.		
21 OTHER RESERVE		
Actuarial gains on retirement benefit		-
Opening Balance	162,035	68,178
Gain during the year	-	<u>93,857</u>
	<u>162,035</u>	<u>162,035</u>
This represents actuarial gains on employee retirement benefit		
22 GROSS PREMIUM WRITTEN		
The analysis of gross premium by business class is as follows:		Jun-15
Fire	1,000,017	1,106,048
Oil and Gas	675,376	1,018,879
General accident	1,285,574	1,404,580
Marine	585,522	552,011
Motor	2,257,998	2,257,944
Inward reinsurance	<u>89,564</u>	<u>88,876</u>
Gross premium written	5,894,051	6,428,338
(Increase) in unearned premium	<u>(987,104)</u>	<u>(1,631,133)</u>
Gross premium income	4,906,947	4,797,205

Re-insurance Outward	(1,168,277)	(206,966)
	<u>3,738,670</u>	<u>4,590,239</u>
23 RE-INSURANCE EXPENSE		
Motor	7,859	2,402
Marine	188,956	33,507
Fire	420,566	13,434
General accident	400,784	21,735
Oil and Gas	150,112	135,888
	<u>1,168,277</u>	<u>206,966</u>
24 FEE AND COMMISSION INCOME		
Fee income represents commission received on direct business and transactions ceded to re-insurance during the year under review		
Motor	1,466	439
Marine	58,986	7,798
Fire	115,570	3,928
General accident	120,770	6,746
Oil and Gas	-	149
	<u>296,792</u>	<u>19,060</u>
25 CLAIMS EXPENSES		
The analysis o of claim expenses by business class is as follows:		
Motor	(457,379)	(498,576)
Marine	58,429	2,314
Fire	(68,863)	(31,677)
General accident	80,495	(602,776)
Oil and Gas	180,939	51,288
	<u>(206,379)</u>	<u>(1,079,427)</u>
Claims expenses consist of claims paid during the financial year together with the movement in the provision for outstanding claims.		
26 UNDERWRITING EXPENSES		
Commission expense	(890,590)	(812,715)
Maintenance expense	(560,541)	(341,019)
	<u>(1,451,131)</u>	<u>(1,153,734)</u>
26.1 COMMISSION EXPENSE		
The analysis of commission expenses by business class is as follows:		
Motor	242,053	226,811
Marine	110,261	120,989
Fire	237,268	157,115
General accident	259,594	261,030
Oil and Gas	41,413	46,770
	<u>890,589</u>	<u>812,715</u>
26.2 MAINTENANCE EXPENSE		
Motor	241,033	146,638
Marine	70,068	42,627
Fire	72,870	44,332
General accident	112,108	68,204
Oil and Gas	64,462	39,217
	<u>560,541</u>	<u>341,018</u>
Underwriting expenses consist of acquisition and maintenance expenses which include commission and policy expenses,proportion of staff cost and insurance supervision levy. Underwriting expenses for insurance contracts are recognised as expense when incurred		
27 INVESTMENT INCOME		
Dividend income	66,275	165,778
Interest from fixed deposit	95,332	135,113
Interest from statutory deposit	17,137	18,482
	<u>178,744</u>	<u>319,373</u>
28 FAIR VALUE GAIN THROUGH PROFIT OR LOSS		
Fin. assets at fair val throu p.or l at beg of the yr	(654,054)	(665,839)
Addition during the year	-	-
	<u>(654,054)</u>	<u>(665,839)</u>
Fin. assets at fair val throu p.or l at end of the yr	654,054	665,839
	<u>-</u>	<u>-</u>
29 OTHER INCOME		

Sundry Income	1,220	9,781
Rental Income	14,481	5,598
Exchange Gain	-	-
	<u>15,701</u>	<u>15,379</u>
30 IMPAIRMENTS		
Unquoted investment	-	-
trade receivable	-	-
Reinsurance assets	-	-
Intangible assets	-	-
	<u>-</u>	<u>-</u>
31 OTHER OPERATING & ADMINISTRATIVE EXPENSES		
Auditors Remuneration	-	-
Employee Benefits	(583,606)	(484,536)
Other Management Expenses	(505,973)	(295,065)
Depreciation	(154,225)	(58,534)
	<u>(1,243,804)</u>	<u>(838,135)</u>