

ANNUAL REPORT & ACCOUNTS '07



CONTENTS

2	Notice of Annual General Meeting	General Business Revenue Account	21
3-5	Chairman's Statement	Life Business Balance Sheet	22
6	Corporate Profile	Life Business Profit and Loss Account	23
7-11	Directors' Report	Life Business Revenue Account	24
12	Independent Auditors' Report	Notes to the Financial Statements	25-52
13-15	Statement of Accounting Policies	Statement of Value Added Tax	53
16	Composite Company Balance Sheet	Five Year Financial Summary	54
17	Composite Profit and Loss Account	Leadway at a Glance	55
18	Company Statement of Cash Flows	Branch Network	56-57
19	General Business Balance Sheet	Notes	58
20	General Business Profit and Loss Account		

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the thirtysixth Annual General Meeting of **LEADWAY ASSURANCE COMPANY LIMITED** will be held at Protea Hotel Leadway, No. 1, Mogambo Drive, off Emmanuel Street, Maryland, Lagos on Thursday, the 24th of July, 2008 at 12 noon for the following purposes:

Ordinary Business

- (a) To adopt the reports of the Directors and Auditors, including the statement of Accounts for the year ended 31st December, 2007.
- (b) To declare a dividend.
- (c) To re-elect the Directors of the Company.
- (d) To authorize the Directors to fix the remuneration of the Auditors.
- (e) To transact any other business that may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Adetola Adegbayi
Company Secretary
20th June, 2008

NOTES:

- (a) Any member entitled to attend and vote at the meeting may appoint a proxy (who need not be a member) to attend and vote in his place. In order to be valid, an instrument appointing a proxy must be deposited at the office of the Company Secretary at Leadway House , 121/123 Funso Williams Avenue, Iponri, Lagos, or at Leadway House, NN 28/29 Constitution Road, Kaduna not later than 48 hours before the time appointed for the meeting.
- (b) The Register of members and their shareholding is available for inspection , at the office of the Company Secretary during normal business hours from the date of this notice until the close of business on Wednesday 23rd of July,2008

CHAIRMAN'S STATEMENT CONTD.



▶ **ALHAJI HASSAN HADEJIA**
(Shettiman Hadejia)

Distinguished Shareholders, Ladies and Gentlemen, I welcome you all to our 36th Annual General Meeting of Shareholders for the purpose of presenting to you our Annual Report and Financial Statements for the year ended 31st December, 2007.

OPERATING ENVIRONMENT

The Year 2007 witnessed the conclusion of the insurance industry consolidation exercise which culminated in the reduction of the number of insurance companies from 103 to 49 at the end of the consolidation exercise. On the heels of consolidation, the insurance industry enjoyed renewed vigour with market capitalization being put at an estimate of ₦241.5 billion. Insurers gained from investors' confidence in the growth potential of the industry as a whole within the context of an emerging economy and opportunities offered by the retention Laws on primary domestication of insurance of assets and liabilities domiciled in Nigeria. The industry also benefited from commercialization of government or parastatals assets insurance within a due process environment either by way of competitive bid or through intermediary quotations. It was a new beginning!

Although the reduction in number of insurers restored public confidence, the industry still suffered some setback as a result of the tight margins on underwriting rates and profitability, with insurers recording better margins on investment than underwriting income. The cost of doing business also remained on the rise as nation's prevalent power problem failed to improve and power outages became ever more frequent. Reinsurers underwriting controls of primary insurers' acceptance of high capital assets also became tighter, with higher ratings and stricter policy conditions on Nigerian risks as a result of activities of militants in the Niger-Delta region, which on the whole constitutes an albatross to stable economic activities.

CHAIRMAN'S STATEMENT CONTD.

FINANCIAL RESULTS

The accounting system of the Company was changed from cash to accrual basis in order to better recognize the level of outstanding premiums in the Company's books, which the Company took a prudent decision not to recognize in view of the "No Premium, No Cover" provision of the Insurance Act. However, this decision was revised to keep in line with new statutory accounting policy for insurance companies for Policies that had been issued. In addition, the Company also witnessed a phenomenal jump in its Special Risk portfolio of business which consists of Oil, Energy and Aviation insurances, thus affecting its gross premium income. This jump was however mitigated by the correspondingly huge increase in the level of reinsurance purchased by the Company for the high valued capital assets which are typically offered for insurance under the Special Risk class of business. As a result, the Company recorded a significant jump of 209% in its Gross Written Premium from N4.9b in 2006 to N15.1b in 2007, with a more modest 78% increase in Net Premium Income from N4.2billion in 2006 to N7.4billion in 2007.

The increase in direct premium income reflects the moderate advancement in an emerging economy such as Nigeria with increasing level of disposable income and improved access to capital for project financing. General Insurance Business recorded 78% increase in net premium income from N3.5bn in 2006 to N6.3bn in 2007, while Life business (particularly group life insurance under the compulsory insurance regime) recorded 80% increase in net premium income from N614.4m in 2006 to N1.1bn in 2007. Overall, it was a profitable underwriting year with a top line profit of N2.6b in 2007 compared to N1.2b in 2006. Due to the accrual method adopted by the company, over N1bn was written off as bad and doubtful debt. Overall, the company recorded a 45% drop in the profit after tax from N1.9b in 2006 to N1.2b in 2007. The drop, however, is not alarming as the exceptional income of N1.3bn recorded in 2006, which arose from the sale of shares of Celtel Nigeria, was not repeated this year.

The Company also recorded a stronger balance sheet size with 69% growth in asset from N16.5bn in 2006 to N27.8bn in 2007, recording an overwhelming 93% in shareholders' funds from N9.4b in 2006 to N18.2bn in 2007 as a result of the strength of our investment portfolio. The Company's shareholders' equity as it stands presently far exceeds the requisite regulatory provision and enables the company to structure its risk profile in a more efficient manner.

DIVIDEND

As our shareholders continuously sacrifice instant gratification for future profits in order to ensure that we continue to grow our core business in underwriting, your Board of Directors is equally recommending a dividend of 10.25 kobo per ordinary share for the 2007 financial year. The profit declared for distribution translates to a total of N500, 000,000.00 (Five Hundred Million Naira), subject to withholding tax at the prevalent rate.

FUTURE OUTLOOK

With continuing economic expansion resulting in increasing demand for financial protection, we are ready to explore insurance markets outside Nigerian shores with a possibility of maintaining business presence in identified commercially conducive and profitable locations. As part of our envisioned future, we crafted the Leadway "iSCORE" to summarize our business qualities, which are Integrity, Service, Customer focus, Openness, Respect for Individuals and Excellence". On this platform, we will continue to ensure that our services and products are constantly re-engineered to surpass the expectation of our clients and our valued customers while continuing to harness our strengths in our areas of competence, primarily insurance and financial services, using the abilities of our dynamic and well-qualified personnel.

CONCLUSION

Without the patronage of our valued customers and their confidence in our Company, it would have been impossible for us to continue in business or to enjoy the level of increase in our business production. To this end, we express our sincerest gratitude for their patronage, consistency of support and their continuing faith in our enterprise. I should also appreciate the efforts of our Management team and staff of our Company for their devotion and commitment in ensuring that we remain loyal to our customers, which to a great length has enabled us present the results of today.

Thank you all for your attention.

DIRECTORS	<ol style="list-style-type: none"> 1. Alhaji Hassan Hadejia (Shettiman Hadejia)(Chairman) 2. Mr. Oye Hassan-Odukale, MFR. (MD/CEO) 3. Mr. Jeremy Rowse 4. Mr. Olawale Oyeniye Oyedele 5. Mrs. Abimbola Oyebanjo 6. Dr. Konyinsola Ajayi 7. Mallam Umar Yahaya 8. Dr. A.B.C. Orjiako 9. Mr. Tunde Hassan-Odukale
SECRETARY	Adetola Adegbayi
REGISTERED OFFICE	Leadway Assurance House NN28/29 Constitution Road, P.O. Box 458, Kaduna.
CORPORATE OFFICE	Leadway Assurance House 121/123 Funso Williams Avenue, Iponri, Lagos. P.O.Box 6437, Marina, Lagos.
AUDITORS	KPMG Professional Services 22A, Gerrard Road, ikoyi, Lagos.
CONSULTING ACTUARIES	H.R. (Nigeria) Limited P.O.Box 75399 Victoria Island, Lagos.
REINSURERS	
Local	African Reinsurance Corporation Nigeria Reinsurance Corporation Continental Reinsurance Plc.
International	Swiss Re Africa Limited Munich Mauritius Reinsurance Company Limited.

DIRECTORS' REPORT CONTD.

The Directors have pleasure in presenting their annual report on the affairs of Leadway Assurance Company Limited ("the Company") together with the audited financial statements and the auditor's report for the year ended 31 December 2007.

Legal form and principal activity:

The Company was incorporated as a private limited liability company in September 1970. It obtained a licence to operate as an insurance company in January 1971 and commenced business in January 1971.

The Company is principally engaged in the business of providing risk underwriting and related financial services to its customers. Such services include the provision of life and non-life insurance services for both corporate and individual customers.

Subsidiary companies:

The Company holds 53% shareholding in Leadway Trustees Limited, 51% in Leadway Hotels Limited and 100% in Leadway Properties and Investments Limited. In accordance with section 336 (3) of the Companies and Allied Matters Act, 1990, the financial results of these subsidiaries have not been consolidated because the directors are of the opinion that it would be of no real value for the purpose of the financial year and would involve expense or delay out of proportion to its value to members of the Company.

Operating results: Highlights of the Company's operating results for the year under review are as follows:

	2007 N'000	2006 N'000
Gross premium	15,114,579	4,886,756
Profit before tax	1,208,561	1,966,806
Taxation	(181,315)	(104,683)
Transfer to statutory reserve	(228,498)	(116,312)
Transfer to general reserve	798,748	1,745,811
General reserve beginning of the year as previously reported	1,530,154	1,386,555
Prior year adjustments to opening general reserve	(565,935)	-
General reserve beginning of the year-adjusted	964,219	1,386,555
Reserve for bonus issue capitalised	-	(975,409)
Transfer from profit and loss account	798,748	1,745,811
Dividends declared	(100,222)	(626,803)
General reserve, end of the year	1,662,745	1,530,154
Earnings per share	22.72 k	47.25 k

Dividends : The Shareholders at the Annual General Meeting held on 21 June 2007 approved the payment of N100,222,000 as dividend during the year. The dividends were subject to deduction of withholding tax.

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2007

This statement, which should be read in conjunction with the Auditor's report, is made with a view to setting out for shareholders, the responsibilities of the Directors of the Company with respect to the financial statements.

DIRECTORS' REPORT CONTD.

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act 1990, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Company and the profit for the financial year.

The responsibilities include ensuring that:

- (a). appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
- (b). the Company 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, Insurance Act 2003 and NAICOM guidelines and circulars.
- (c). the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.
- (d). It is appropriate for the financial statements to be prepared on a going concern basis unless it is presumed that the Company will not continue in business.

Analysis of Shareholding

The analysis of the distribution of the shares of the company at 31 December, 2007 is as follows:

Share range	No of Shareholders	% of Shareholders	No. of Holdings	% Holdings
Above 400,000,000	3	9	2,364,527,647	48
200,000,001-400,000,000	5	14	1,418,224,546	29
100,000,001 - 200,000,000	3	9	483,176,949	10
50,000,001 - 100,000,000	4	11	254,671,170	5
1,000,000 - 50,000,000	20	57	356,951,594	7
Total	35	100	4,877,551,906	100

Fixed Assets:

Information relating to changes in fixed assets is given in Note 8 to the financial statements.

DIRECTORS' REPORT CONTD.

Donations and charitable gifts:

In order to identify with the aspirations of the community and the environment within which the Company operates, a total sum of ₦6,143,060 (2006: ₦3,062,953) was donated to non political and charitable organisations. Details of such donations and charitable contributions are as follows:

Beneficiary

Leadway Cooperative Society	500,000
Olabisi Onabanjo University Development Fund	500,000
Chinese Business Initiative	500,000
Insurance Correspondence Association of Nigeria	434,360
Chartered Insurance Institute of Nigeria	366,000
Nigerian-South African Chamber of Commerce	250,000
Women in Management and Business	250,000
Nigerian Employers' Consultative Association	200,000
Risk and Insurance Managers Society of Nigeria	200,000
The African Refuge Foundation	200,000
Federal Road Safety Commission - Surulere Unit	187,700
Chartered Insurance Institute of Nigeria	165,000
The Nigerian Council of Registered Insurance Brokers	115,000
Chartered Insurance Institute of Nigeria	100,000
Chartered Insurance Institute of Nigeria	100,000
Courage Education Foundation	100,000
Dr. Emmanuel Charles Appeal Fund	100,000
Fate Foundation	100,000
Jubril Martin Memorial School	100,000
Kidney Watch Initiative	100,000
Make Poverty History Initiative	100,000
Medicare Clinic	100,000
National Union of Road Transport Workers	100,000
Nigerian Conservation Foundation	100,000
Nigerian Conservative Foundation	100,000
Special Olympics Nigeria	100,000
Special Persons Association of Nigeria	100,000
Others	875,000
Total	<u>6,143,060</u>

Employment of Disabled Persons:

The Company operates a non-discriminatory policy in the consideration of applications for employment, including those received from disabled persons. The Company's policy is that the most qualified and experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition. In the event of any employee becoming disabled in the course of employment, the Company is in a

DIRECTORS' REPORT CONTD.

position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. Currently, the Company has three persons on its staff list with a physical disability.

Health, Safety and Welfare of Employees:

The Company maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards.

Employee Involvement and Training

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Company provides opportunities where employees deliberate on issues affecting the Company and employee interests, with a view to making inputs to decisions thereon. The Company places a high premium on the development of its manpower. Consequently, the Company sponsored its employees for various training courses both locally and overseas in the year under review.

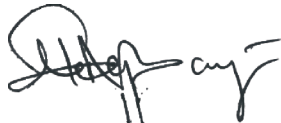
Acquisition of own shares

The Company did not purchase any of its own shares during the year (2006: Nil).

Auditors:

Messrs KPMG Professional Services were appointed as Auditors to the company during the year. In accordance with Section 357(2) of the Companies and Allied matters Act of Nigeria, Messrs KPMG Professional Services have indicated their intention to continue in office as auditors.

BY ORDER OF THE BOARD



Adetola Adegbayi,
Company Secretary
121/123 Funso Williams Avenue,
Iponri,
Lagos
20 June, 2008

INDEPENDENT AUDITORS' REPORT



KPMG professional Services
22a, Gerrard Road, Ikoyi
PMB 40014, Falomo
Lagos, Nigeria

Telephone 234 (1) 463 0290-2
234 (1) 269 4660-4
234 (1) 269 6040-4
Fax 234 (1) 462 0704
234 (1) 462 1248
234 (1) 269 1909

Internet www.ng.kpmg.com

To the Members of **Leadway Assurance Company Limited:**

We have audited the accompanying financial statements of Leadway Assurance Company Limited ("the Company"), which comprise the balance sheet as at 31 December 2007, and the profit and loss account, statement of cash flows, value added statement for the year then ended, the statement of accounting policies, notes to the financial statements and the five year financial summary, as set out on pages 11 to 52.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria, and relevant National Insurance Commission (NAICOM) circulars. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of Leadway Assurance Company Limited as at 31 December, 2007, and of its profit and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, Insurance Act of Nigeria and relevant NAICOM circulars.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's balance sheet and profit and loss account are in agreement with the books of accounts.

KPMG

20 June, 2008
Lagos, Nigeria



KPMG professional Services, a Partnership established under Nigerian law, is a member of KPMG International, Swiss Cooperative, All rights reserved.

Registered in Nigeria No BN 986925

Abayomi D. Sanni
Adetola P. Adeyemi
Chibuzor N. Anyanechi
Oladimeji I. Salaudeen
Victor U. Onyekpa
Adebisi O. Lamikanra
Adewale K. Ajayi
Joseph O. Tegbe
Olumide O. Olayinka

Adekunle A. Elebute
Ayodele H. Othihiwa
Oladapo R. Okubadejo
Oluseyi T. Bickersteth

STATEMENT OF ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Company in the preparation of its financial statements. These accounting policies have been consistently applied for all years presented.

1. Basis of accounting

Life Business : The financial statements for life business have been prepared using the fund method and under the historical cost convention as modified by the valuation of fixed assets and long term investments at valuation amount.

General Business : The financial statements for general insurance business have been prepared using the annual basis of accounting and under the historical cost convention as modified by the valuation of long term investments at valuation amount.

2. Cash and bank balances

Cash and bank balances represent balances held with local and foreign banks and cash in hand.

3. Fixed assets

Fixed assets are stated at cost or revalued amounts, less accumulated depreciation. Depreciation is provided on a straight-line basis at rates calculated to write-off the value of the assets over their estimated useful lives. In the case of revalued assets, depreciation is calculated by reference to the enhanced value of the assets concerned. The principal annual rates used, for this purpose, which are consistent with those for the previous years, are as follows:

Motor vehicles	25%
Furniture & fittings	20%
Office equipment	20%
Land & Buildings	2%
Computer equipment	33.33%

Gains or losses arising from the disposal of fixed assets are included in the profit and loss account.

4. Gross premium

Gross premium is recognized at the point of attachment of risk to a policy before deducting cost of reinsurance cover.

5. Net premium

Net premium represents gross premium less reinsurance. It is recognized as income from the date of attachment of risk.

6. Claims expenses

All claims paid and incurred are charged against revenue as expense when incurred. Reinsurance recoveries are recognized when the Company records the liability for the claims and netted off claims expense.

7. Underwriting expenses

Underwriting expenses for insurance contracts are recognized as expenses when incurred, with the exception of acquisition costs, which are recognized on a time apportionment basis in respect of risks.

8. Deferred acquisition costs

Acquisition costs comprises all direct and indirect costs arising from the writing of insurance contracts. Deferred acquisition costs represent a proportion of commission and other acquisition costs, which are incurred during a financial period and are deferred to the extent that they are recoverable out of future revenue margins.

9. Management Expenses

Management expenses are expenses other than claims, and underwriting expenses. They include salaries and wages, depreciation expenses and other non-operating expenses. They are accounted for on an accrual basis.

10. Debtors

Debtors are stated at cost after deducting allowance made for specific debts considered doubtful of recovery. An allowance for specific debt is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. Bad debts are written-off to the profit and loss account when the extent of the loss has been determined.

STATEMENT OF ACCOUNTING POLICIES CONTD.

11. Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into Naira at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into Naira at the rates of exchange prevailing at year end. Gains or losses arising from changes in the rates of exchange subsequent to the dates of the transactions are accounted for in the profit and loss account.

12. Technical reserves

These are computed in accordance with the provision of Section 20, 21, and 22 of the Insurance Act 2003 as follows:

(a) General Insurance business

(i) Reserve for unexpired risks

This is calculated on a time apportionment basis in respect of the risks accepted during the year .

(ii) Reserves for outstanding claims

This is maintained at the total amount of outstanding claims plus 10% thereof to cover claims incurred but not reported (IBNR) at the balance sheet date, except for oil and gas where the reserve is based on loss data of claims.

(iii) Contingency reserve

This is credited with the greater of 3% of total premiums, or 20% of the net profit after taxation until the reserve reaches the greater of minimum paid up capital or 50% of net premium.

(b) Life business

(i) General reserve fund

This is made up of net liabilities on policies in force as computed by the actuaries at the time of the actuarial valuation and an additional 25% of net premium for every year between valuation dates.

(ii) Contingency reserves

This is credited with the higher of 1% of gross premiums and 10% of the net profit after taxation.

13. Long-term investments

Quoted investments

Quoted investments are stated at market value at the balance sheet date. The excess of market value over the cost at the balance sheet date is taken to an 'Equity Price Equalisation Reserve Account', while unrealised diminution due to a decrease in the carrying value is recognised in the 'Equities Price Equalisation Reserve' to the extent that a previous gain is offset otherwise it is recognised in the profit and loss account.

Unquoted investments

These are stated at cost. Where in the opinion of the Directors the value of any unquoted investment falls below its cost, an appropriate allowance for diminution in value thereof is charged against the profit and loss account.

Investments in subsidiary and associated companies are classified as long-term investments and are carried at cost. Provision are made for permanent demerit in the carrying costs of the investments.

14. Short-term investments

Short term investments are stated at lower of cost or net realizable value.

15. Investment income

Investment income comprises interest income earned on short term deposits, rental income and income earned on trading of securities. It is accounted for on an accrual basis.

16. Dividend income

Dividend is recognized as earned when the quoted price of the related security is adjusted to reflect the value of the dividend and are stated net of withholding tax. Scrip dividend is recognized on the basis of the market value of the shares on the date they are quoted.

17. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividend is approved by the Company's shareholders.

STATEMENT OF ACCOUNTING POLICIES CONTD.

18. Taxation

Income tax expenses/credits are recognised in the profit and loss account. Current income tax is the expected tax payable on the tax income for the year using the statutory tax rate at the time of reversal.

19. Deferred taxation

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred taxation is provided fully on timing differences, which are expected to reverse at the rate of tax likely to be in force at the time of reversal.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer possible that the related tax benefit will be realized.

20. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

21. Retirement benefits

Pension costs

The Company operates a defined contributory pension scheme for eligible employees. Employees and the Company contribute 7.5% each of the qualifying staffs' salary and allowances in line with the provisions of Pension Reform Act 2004.

Gratuity Benefits

Prior to 31 December, 2004, the Company operated a gratuity scheme under which employees were entitled to one month basic salary, transport and housing allowance for each completed year of service.

Effective 31 December, 2004 the gratuity scheme was terminated. Under the terms of the termination, amounts payable to employees who were in the employment of the Company as at the termination date will be paid when such employees leave the service of the Company based on benefits determined as at 31 December 2004. The amounts payable are calculated on a pro - rata basis plus accrued interest at 5% per annum. The annual interest costs are recognized in the profit and loss account.

22. Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

23. Business combination

With effect from 1 January 2007, the Company acquired the entire business of Atlantic Insurance Company Limited, under an acquisition agreement effective 1 January 2007.

In accounting for the business combination, the Company adopted the purchase method. Goodwill arising from the combination was impaired through the profit and loss account during the year.

24. Goodwill

Goodwill is measured at cost less accumulated impairment losses. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit exceeds the recoverable amount. The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. An impairment loss recognised in prior periods in respect of goodwill is not reversed.

25. Deposit administration

Receipts for deposit administration and other business of savings nature are recognised as liabilities. Interest accruing to the life assurer from investment of the savings is recognised in the profit and loss account in the period it is earned while interest paid and due to depositors is recognised as an expense

26. Investment property

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is carried in the balance sheet at their market value and revalued periodically on a systematic basis not exceeding three years. A permanent decline in the value of the investment is charged to the income statement while a reduction in the carrying amount of the investment is reversed when there is an increase, other than temporary, in the value of the investment, or if the reasons for the reduction no longer exist. An increase in carrying amount of the investment arising from the revaluation is credited directly to owners' equity as revaluation surplus.

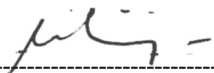
COMPOSITE BALANCE SHEET AS AT 31 DECEMBER

	Notes	2 0 0 7 N'000	2 0 0 6 N'000
Assets:			
Cash and bank balances	1	838,878	557,769
Short term investments	2	3,671,944	3,102,231
Loans and other assets	3	1,865,741	1,590,585
Deferred acquisition costs	4	156,336	99,917
Long term investments	5	19,316,390	10,065,319
Investment in subsidiary and associated companies	6	621,200	528,029
Statutory deposit	7	520,000	35,000
Fixed assets	8	798,281	507,716
Goodwill	9	-	-
Total assets		<u>27,788,770</u>	<u>16,486,566</u>
Liabilities:			
Creditors and accruals	10	1,259,927	1,233,270
Insurance funds	11	3,798,793	2,507,695
Liability for administered deposits	12	4,213,302	3,160,041
Taxation payable	13	159,614	72,656
Deferred taxation	14	101,247	88,800
		<u>9,532,883</u>	<u>7,062,462</u>
Shareholders' funds:			
Paid up share capital	15	2,438,777	1,975,409
Share premium account	16	1,458,867	220,500
Statutory contingency reserve	17	790,971	562,473
Asset revaluation reserve		3,277	3,277
General reserve		1,662,745	1,530,154
Equity price equalisation reserve	18	11,901,250	5,132,291
		<u>18,255,887</u>	<u>9,424,104</u>
Total liabilities and reserves		<u>27,788,770</u>	<u>16,486,566</u>

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



 Mr. Oye Hassan - Odukale (Managing Director)



 Mallam Umar Yahaya (Director)
 Approved by the Board of Directors on 20 June 2008

The accompanying notes form an integral part of these balance sheets

COMPOSITE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER

	Notes	2 0 0 7 N'000	2 0 0 6 N'000
Income			
Gross premium		15,114,579	4,886,756
Outward reinsurance premium		(7,700,949)	(723,827)
Net premium		7,413,630	4,162,929
Increase in provision for unexpired risks	11.1	(269,347)	(29,347)
Increase in life fund	11.2	(11,499)	(8,741)
Premium earned		7,132,784	4,124,841
Commission received		572,095	199,293
Total income		7,704,879	4,324,134
Expenses			
Claims incurred		(3,137,645)	(1,768,747)
Underwriting expenses		(1,806,881)	(1,296,163)
Underwriting profit		2,760,353	1,259,224
Investment and other income	19	1,446,143	814,477
Exceptional income		-	1,341,628
		4,206,496	3,415,329
Management expenses	20	(1,376,937)	(1,058,753)
Interest on deposit administration		(432,400)	(387,368)
Write offs and provisions for bad and doubtful accounts	21	(1,167,852)	(2,402)
Transfer to liabilities for administered deposit		(20,746)	-
Profit before taxation		1,208,561	1,966,806
Taxation	22	(181,315)	(104,683)
Profit after taxation		1,027,246	1,862,123
Transfer to statutory contingency reserve		(228,498)	(116,312)
Transfer to general reserve		798,748	1,745,811
General reserve beginning of the year as previously reported		1,530,154	1,386,555
Prior year adjustment to opening general reserve		(565,935)	-
General reserve beginning of the year - adjusted		964,219	1,386,555
Reserve for bonus issue capitalised		-	(975,409)
Transfer from profit and loss account		798,748	1,745,811
Dividends declared		(100,222)	(626,803)
General reserve, end of the year as restated		1,662,745	1,530,154
Earnings per share	23	22.72 k	47.25

The accompanying notes form an integral part of these profit and loss accounts

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Notes	2 0 0 7 N'000	2 0 0 6 N'000
Cashflow from operating activities			
Operating profit before changes in working capital	24	1,906,175	827,518
Changes in working capital			
Short term investments		(311,793)	(1,001,417)
Debtors and prepayments		(465,579)	(763,418)
Deferred acquisition expenses		(56,419)	8,948
Statutory deposit		(465,000)	-
Amount falling due within one year		(125,062)	646,654
Liability for administered deposits		622,568	556,757
		<u>1,104,890</u>	<u>275,042</u>
Tax paid	13	(113,376)	(39,793)
Net cash flow from operating activities		<u>991,514</u>	<u>235,249</u>
Cashflow from investing activities			
Purchase of fixed assets		(406,621)	(189,784)
Proceeds from sale of fixed assets		5,804	3,371
Purchase of long term investments		(2,726,861)	(2,174,446)
Purchase of investments in subsidiaries		(93,171)	-
Proceeds from disposal of investments		903,455	2,487,066
Dividend from investments		266,401	164,328
Cash paid for business acquisition		(265,714)	-
Cash acquired from business acquisition		4,789	-
Net cashflow from investing activities		<u>(2,311,918)</u>	<u>290,535</u>
Cashflow from financing activities			
Proceeds from share issue		1,701,735	24,591
Share issue expense		-	(15,608)
Dividend paid		(100,222)	(626,803)
Net cashflow from financing activities		<u>1,601,513</u>	<u>(617,820)</u>
Net increase/(decrease) in cash and cash equivalents		281,109	(92,036)
Cash and bank balances beginning of the year		557,769	649,805
Cash and bank balances end of the year		<u>838,878</u>	<u>557,769</u>

The accompanying notes form an integral part of these statement of cash flows

GENERAL BUSINESS BALANCE SHEET AS AT 31 DECEMBER

	Notes	2 0 0 7 N'000	2 0 0 6 N'000
Assets			
Cash and bank balances	1.1	427,671	357,145
Short term investments	2.1	2,254,431	1,352,138
Loans and other assets	3.1	1,226,387	1,215,950
Deferred acquisition costs	4	156,336	99,917
Long term investments	5.1	11,268,388	6,386,966
Investment in subsidiary and associated companies	6.1	167,401	155,387
Statutory deposit	7	320,000	20,000
Fixed assets	8.1	631,586	450,360
Goodwill	9	-	-
Total assets		<u>16,452,200</u>	<u>10,037,863</u>
Liabilities			
Creditors and accruals	10.1	1,104,221	1,118,479
Insurance funds	11.1	3,130,315	1,867,649
Taxation payable	13.1	114,083	72,656
Deferred taxation	14.1	88,791	88,800
		<u>4,437,410</u>	<u>3,147,584</u>
Shareholders' funds:			
Paid up share capital	15.1	1,794,395	1,331,027
Share premium account	16	1,458,867	220,500
Statutory contingency reserve	17.1	728,469	539,319
Asset revaluation reserve		3,219	3,219
General reserve		1,614,058	1,388,151
Equity price equalisation reserve	18	6,415,782	3,408,063
		<u>12,014,790</u>	<u>6,890,279</u>
Total liabilities and reserves		<u>16,452,200</u>	<u>10,037,863</u>

The accompanying notes form an integral part of these balance sheets

GENERAL BUSINESS PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER

	Notes	2 0 0 7 N'000	2 0 0 6 N'000
Income			
Gross premium		13,953,354	4,184,278
Outward reinsurance premium		(7,648,339)	(635,761)
Net premium		6,305,015	3,548,517
Increase in provision for unexpired risks	11.1	(269,347)	(29,347)
Premium earned		6,035,668	3,519,170
Commission received		555,366	173,522
Total income		6,591,034	3,692,692
Expenses			
Claims incurred		(2,606,307)	(1,515,016)
Underwriting expenses		(1,574,362)	(1,131,777)
Underwriting profit		2,410,365	1,045,899
Investment and other income	19.1	709,670	396,522
Exceptional income		-	1,341,628
		<u>3,120,035</u>	<u>2,784,049</u>
Management expenses	20.1	(1,228,916)	(913,400)
Write offs and provisions for bad and doubtful accounts	21.1	(1,134,028)	(2,402)
Profit before taxation		757,091	1,868,247
Taxation	22.1	(123,328)	(104,683)
Profit after taxation		633,763	1,763,564
Transfer to statutory contingency reserve	17.1	(189,150)	(106,456)
Transfer to general reserve		444,613	1,657,108
General reserve beginning of the year as previously reported		1,388,151	1,333,255
Prior year adjustment to opening general reserve		(118,484)	-
General reserve beginning of the year adjusted		<u>1,269,667</u>	<u>1,333,355</u>
Reserve for bonus issue capitalised		-	(975,409)
Transfer from profit and loss account		444,613	1,657,108
Dividends declared		(100,222)	(626,803)
General reserve, end of the year		<u>1,614,058</u>	<u>1,388,151</u>

The accompanying notes form an integral part of these profit and loss accounts

GENERAL BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER

	Motor N'000	Fire N'000	Gen. Acc N'000	Marine N'000	W/M. Comp. N'000	Bond N'000	Engineering N'000	Oil & Gas N'000	2007 Total N'000	2006 Total N'000
INCOME										
Direct Premiums	2,375,360	1,046,268	1,333,783	913,226	76,310	363,255	339,995	7,504,563	13,952,760	4,183,390
Inward reinsurance premiums	509	70	15	-	-	-	-	-	594	888
Gross written premiums	<u>2,375,869</u>	<u>1,046,338</u>	<u>1,333,798</u>	<u>913,226</u>	<u>76,310</u>	<u>363,255</u>	<u>339,995</u>	<u>7,504,563</u>	<u>13,953,354</u>	<u>4,184,278</u>
Outward reinsurance premiums	39,173	212,283	32,347	221,813	17,574	25,382	51,155	7,048,612	7,648,339	635,761
Net written premiums	<u>2,336,696</u>	<u>834,055</u>	<u>1,301,451</u>	<u>691,413</u>	<u>58,736</u>	<u>337,873</u>	<u>288,840</u>	<u>455,951</u>	<u>6,305,015</u>	<u>3,548,517</u>
(increase)/decrease in unexpired risk provision	(13,512)	17,029	(65,927)	(64,507)	(15,146)	(8,079)	(53,039)	(66,166)	(269,347)	(29,347)
Premiums earned	<u>2,323,184</u>	<u>851,084</u>	<u>1,235,524</u>	<u>626,906</u>	<u>43,590</u>	<u>329,794</u>	<u>235,801</u>	<u>389,785</u>	<u>6,035,668</u>	<u>3,519,170</u>
Commissions received	34,598	52,359	7,727	21,490	3,707	7,681	16,036	411,768	555,366	173,522
	<u>2,357,782</u>	<u>903,443</u>	<u>1,243,251</u>	<u>648,396</u>	<u>47,297</u>	<u>337,475</u>	<u>251,837</u>	<u>801,553</u>	<u>6,591,034</u>	<u>3,692,692</u>
EXPENSES										
Direct claims paid	942,246	250,198	471,443	256,606	20,303	268	182,444	31,112	2,154,620	1,452,099
Inward reinsurance claims paid	-	-	-	-	-	-	-	-	-	-
Gross claims paid	<u>942,246</u>	<u>250,198</u>	<u>471,443</u>	<u>256,606</u>	<u>20,303</u>	<u>268</u>	<u>182,444</u>	<u>31,112</u>	<u>2,154,620</u>	<u>1,452,099</u>
Deduct reinsurance claims recoveries/recoverable	35,033	195,850	15,468	142,536	19,043	23,793	66,199	-	497,922	209,880
Net claims paid	<u>907,213</u>	<u>54,348</u>	<u>455,975</u>	<u>114,070</u>	<u>1,260</u>	<u>(23,525)</u>	<u>116,245</u>	<u>31,112</u>	<u>1,656,698</u>	<u>1,242,219</u>
Increase/(decrease in outstanding claims provision	135,965	279,082	59,614	46,125	29,727	46,544	(23,957)	376,509	949,609	272,797
Claims incurred	<u>1,043,178</u>	<u>333,430</u>	<u>515,589</u>	<u>160,195</u>	<u>30,987</u>	<u>23,019</u>	<u>92,288</u>	<u>407,621</u>	<u>2,606,307</u>	<u>1,515,016</u>
Add underwriting expenses:										
Acquisition expenses	453,886	247,812	290,082	189,733	10,287	69,370	57,894	46,144	1,365,208	1,072,771
Maintenance expenses	36,215	19,367	24,562	16,928	1,357	6,757	5,874	98,094	209,154	59,006
	<u>490,101</u>	<u>267,179</u>	<u>314,644</u>	<u>206,661</u>	<u>11,644</u>	<u>76,127</u>	<u>63,768</u>	<u>144,238</u>	<u>1,574,362</u>	<u>1,131,777</u>
Underwriting profit transferred to profit and loss account	<u>824,503</u>	<u>302,834</u>	<u>413,018</u>	<u>281,540</u>	<u>4,666</u>	<u>238,329</u>	<u>95,781</u>	<u>249,694</u>	<u>2,410,365</u>	<u>1,045,899</u>

Notes

25
26

LIFE BUSINESS BALANCE SHEET AS AT 31 DECEMBER

	Notes	2 0 0 7 N'000	2 0 0 6 N'000
Asset			
Cash and bank balance	1.2	411,207	200,624
Short term investment	2.2	1,417,513	1,750,093
Loans and other assets	3.2	639,354	374,635
Long term investment	5.2	8,048,002	3,678,353
Investment in subsidiary and associated Companies	6.2	453,799	372,642
Statutory deposit	7	200,000	15,000
Fixed assets	8.2	166,695	57,356
Total assets		<u>11,336,570</u>	<u>6,448,703</u>
Liabilities:			
Creditors and accruals	10.2	155,706	114,791
Outstanding claims	11.2	107,166	90,233
Life Funds	11.2	561,312	549,813
Liability for administered deposit	12	4,213,302	3,160,041
Taxation payable	13	45,531	-
Deffered taxation	14.2	12,456	-
		<u>5,095,473</u>	<u>3,914,878</u>
Shareholders' funds:			
Paid up share capital	15	644,382	644,382
Statutory contingency reserve	17.2	62,502	23,154
Asset revaluation reserve		58	58
General reserve		48,687	142,003
Equity price equalisation reserve	18	5,485,468	1,724,228
		<u>6,241,097</u>	<u>2,533,825</u>
Total liabilities and reserves		<u>11,336,570</u>	<u>6,448,703</u>

The accompanying notes form an integral part of these balance sheets

LIFE BUSINESS PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER

	Notes	2 0 0 7 N'000	2 0 0 6 N'000
Income			
Gross premium		1,161,225	702,478
Outward reinsurance premium		(52,610)	(88,066)
Increase in life funds	11.2	<u>(11,499)</u>	<u>(8,741)</u>
Net premium		1,097,116	605,671
Commission received		16,729	25,771
Total income		<u>1,113,845</u>	<u>631,442</u>
Expenses			
Claims incurred		(531,338)	(253,731)
Underwriting expenses		<u>(232,519)</u>	<u>(164,386)</u>
		(763,857)	(418,117)
Underwriting profit		349,988	213,325
Investment and other income	19.2	736,473	417,955
		1,086,461	631,280
Management expenses	20.2	(148,021)	(145,353)
Interest on deposit administration		(432,400)	(387,368)
Write offs and provisions for bad and doubtful accounts	21	(33,824)	-
Transfer to liabilities for administered deposit		<u>(20,746)</u>	<u>-</u>
		(634,991)	(532,721)
Profit before taxation		<u>451,470</u>	<u>98,559</u>
Taxation	22.2	(57,987)	-
Profit after taxation		393,483	98,559
Transfer to statutory contingency reserve	17.2	<u>(39,348)</u>	<u>(9,856)</u>
Transfer to general reserve		<u>(354,135)</u>	<u>88,703</u>
General reserve beginning of the year as previously reported		142,003	53,300
Prior year adjustment to opening general reserve		(447,451)	-
General reserve beginning of the year- adjusted		<u>(305,448)</u>	<u>53,300</u>
Transfer from profit and loss account		354,135	88,703
General reserve, end of the year		<u>48,687</u>	<u>142,003</u>

The accompanying notes form an integral part of these profit and loss accounts

LIFE BUSINESS REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER

	Note	Individual Life N'000	Group Life N'000	2007 Total N'000	2006 Total N'000
Income					
Direct premiums		227,743	933,482	1,161,225	702,478
Inward reinsurance premiums		-	-	-	-
Gross written premiums		227,743	933,482	1,161,225	702,478
Deduct:					
Reinsurance outwards		13,081	39,529	52,610	88,066
Net Written Premiums		214,662	893,953	1,108,615	614,412
Commissions received		1,081	15,648	16,729	25,771
		<u>215,743</u>	<u>909,601</u>	<u>1,125,344</u>	<u>640,183</u>
Direct claims paid		27,000	490,050	517,050	239,594
Surrenders		27	-	27	36
Withdrawals		223	11,571	11,794	1,656
Gross claims paid		27,250	501,621	528,871	241,286
Deduct:					
Reinsurance claims recoveries		-	14,466	14,466	39,524
Net claims paid		27,250	487,155	514,405	201,762
Provision for outstanding claims		2,102	14,831	16,933	51,969
Claims incurred		29,352	501,986	531,338	253,731
Acquisition expenses	25	29,450	155,799	185,249	108,876
Maintenance expenses	26	10,333	36,937	47,270	55,510
Underwriting expenses		39,783	192,736	232,519	164,386
Transfer to life funds		4,383	7,116	11,499	8,741
Total expenses and transfer to life fund		73,518	701,838	775,356	426,858
Underwriting profit transferred to profit and loss account		142,225	207,763	349,988	213,325

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

1 Cash and bank balances

Cash and bank balances comprise:

	2 0 0 7 N'000	2 0 0 6 N'000
Cash in hand	73,868	47,101
Cash at bank	765,010	510,668
	<u>838,878</u>	<u>557,769</u>

1.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Cash in hand	52,329	27,043
Cash at bank	375,342	330,102
	<u>427,671</u>	<u>357,145</u>

1.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Cash in hand	21,539	20,058
Cash at bank	389,668	180,566
-	<u>411,207</u>	<u>200,624</u>

2 Short term investments

(a) Short term investments comprise:

	2 0 0 7 N'000	2 0 0 6 N'000
Short term placements	3,353,945	2,744,298
Subscription for shares	376,929	418,230
	<u>3,730,874</u>	<u>3,162,528</u>
Allowance for doubtful placements (See Note (b) below)	(58,930)	(60,297)
	<u>3,671,944</u>	<u>3,102,231</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

(b) The movement in allowance for doubtful placements during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	60,297	-
Addition during the year	10,820	(60,297)
Allowance no longer required	(12,187)	-
Balance end of the year	58,930	(60,297)

2.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
(a) Short term placements	2,016,433	1,318,199
Subscription for shares	262,928	56,236
	2,279,361	1,374,435
Allowance for doubtful placements (See Note (b) below)	(24,930)	(22,297)
	2,254,431	1,352,138

(b) The movement in allowance for doubtful placements during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	22,297	-
Addition during the year	10,820	(22,297)
Allowance no longer required	(8,187)	-
Balance end of the year	24,930	(22,297)

2.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
(a) Short term placements	1,337,512	1,426,099
Subscription for shares	114,001	361,994
	1,451,513	1,788,093
Allowance for doubtful placements (See Note (b) below)	(34,000)	(38,000)
	1,417,513	1,750,093

(b) The movement in allowance for doubtful placements During the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	38,000	-
Addition during the year	-	38,000
Allowance no longer required	(4,000)	-
Balance end of the year	34,000	38,000

NOTES TO THE FINANCIAL STATEMENTS CONTD.

3 Loans and other assets

(a) Loans and other receivables comprise:

	2 0 0 7 N'000	2 0 0 6 N'000
Outstanding premiums	546,805	403,755
Claims recoverable from re-insurers	300,705	-
Prepayments	47,263	18,573
Loans to policy holders	118,149	67,843
Agency loans	13,817	7,030
Staff loans	125,277	66,892
Due from general business	437,572	231,575
Other debtors	450,207	73,622
Commercial loans	86,844	733,164
	<u>2,126,639</u>	<u>1,602,454</u>
Less: allowance for doubtful accounts (See Note (b) below)	(260,898)	(11,869)
	<u><u>1,865,741</u></u>	<u><u>1,590,585</u></u>

(b) The movement in allowance for doubtful accounts during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	(11,868)	9,466
Addition during the year	249,030	2,402
	<u>260,898</u>	<u>11,868</u>

3.1 General business

(a)

	2 0 0 7 N'000	2 0 0 6 N'000
Outstanding premiums	546,805	403,755
Claims recoverable from re-insurers	300,705	-
Prepayments	47,263	18,573
Staff loans	117,093	57,762
Other debtors	350,751	46,248
Commercial loans	86,844	701,481
	<u>1,449,461</u>	<u>1,227,819</u>
Less: allowance for doubtful accounts (See Note (b) below)	(223,074)	(11,869)
	<u><u>1,226,387</u></u>	<u><u>1,215,950</u></u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

(b) The movement in allowance for doubtful accounts during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	11,868	9,466
Addition during the year	211,206	2,402
Balance end of the year	<u>223,074</u>	<u>11,868</u>

3.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Loans to policy holders	118,149	67,843
Agency loans	13,817	7,030
Staff loans	8,184	9,130
Due from general business	437,572	231,575
Other debtors	99,456	27,374
Commercial loans	-	31,683
	<u>677,178</u>	<u>374,635</u>
Less: allowance for doubtful accounts (See Note (b) below)	(37,824)	-
	<u>639,354</u>	<u>374,635</u>

(b) The movement in allowance for doubtful accounts during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	-	-
Addition during the year	(37,824)	-
Balance end of the year	<u>(37,824)</u>	<u>-</u>

4. Deferred acquisition expenses
General business

Deferred acquisition expenses represent commissions on un-earned premiums relating to the unexpired period of risks and comprise:

	2 0 0 7 N'000	2 0 0 6 N'000
Motor	46,349	46,982
Fire	30,526	36,280
General accident	28,926	8,726
Marine and aviation	9,661	7,152
Workmen's compensation	5,106	2,248
Bond	13,181	(11,383)
Engineering	22,037	9,912
Oil and gas	550	-
	<u>156,336</u>	<u>99,917</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

5 Long term investments

Long term investments comprise:

	Market value 2 0 0 7 N'000	Cost 2 0 0 7 N'000	Market value 2 0 0 6 N'000	Cost 2 0 0 6 N'000
(a) Quoted investments				
Government bonds	260,000	260,000	190,000	190,000
Ordinary shares	17,117,335	5,226,194	8,316,185	3,220,508
Debenture stock	1,310	1,310	2,065	2,310
Mutual funds	17,044	6,935	11,311	6,935
	<u>17,395,689</u>	<u>5,494,439</u>	<u>8,519,561</u>	<u>3,419,753</u>
Excess of market value over cost		11,901,250		5,099,808
		<u>17,395,689</u>		<u>8,519,561</u>
(b) Unquoted investments				
Ordinary shares		884,092		609,149
Investment in mutual funds		100,000		-
		<u>984,092</u>		<u>609,149</u>
(c) Investment properties		936,609		936,609
Total		<u>19,316,390</u>		<u>10,065,319</u>
5.1 General Business				
	Market value 2 0 0 7 N'000	Cost 2 0 0 7 N'000	Market value 2 0 0 6 N'000	Cost 2 0 0 6 N'000
(a) Quoted investments				
Government bonds	120,000	120,000	120,000	120,000
Ordinary shares	10,004,997	3,588,906	5,513,199	2,131,008
Debenture stock	1,310	1,310	1,310	
Mutual funds	626	935	759	935
	<u>10,126,933</u>	<u>3,711,151</u>	<u>5,635,268</u>	<u>2,253,253</u>
Excess of market value over cost		6,415,782		3,382,015
		<u>10,126,933</u>		<u>5,635,268</u>
(b) Unquoted investments				
Ordinary shares		643,533		353,776
Investment in mutual funds		100,000		-
		<u>743,533</u>		<u>353,776</u>
(c) Investment properties		397,922		397,922
Total		<u>11,268,388</u>		<u>6,386,966</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

5.2 Life business

	Market value 2 0 0 7 N'000	Cost 2 0 0 7 N'000	Market value 2 0 0 6 N'000	Cost 2 0 0 6 N'000
(a) Quoted investments				
Government bonds	140,000	140,000	70,000	70,000
Ordinary shares	7,112,338	1,637,288	2,802,986	1,089,500
Debenture stock	-	-	755	1,000
Mutual funds	16,418	6,000	10,552	6,000
	<u>7,268,756</u>	<u>1,783,288</u>	<u>2,884,293</u>	<u>1,166,500</u>
Excess of market value over cost		5,485,468		1,717,793
		<u><u>7,268,756</u></u>		<u><u>2,884,293</u></u>
(b) Unquoted investments				
Ordinary shares		<u>240,559</u>		<u>255,373</u>
(c) Investment properties		<u>538,687</u>		<u>538,687</u>
		<u><u>8,048,002</u></u>		<u><u>3,678,353</u></u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

6. Investment in subsidiaries and associated companies

Investment in subsidiaries and associated companies comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
Subsidiaries		
Leadway Trustees Limited (See Note (a) below)	47,696	47,696
Leadway Hotels Limited (See Note (b) below)	150,000	150,000
Leadway Properties and Investments Limited (See Note (c) below)	2,000	2,000
Associated company		
Leadway Pensure PFA Limited (See Note (d) below)	421,504	328,333
	621,200	528,029

- (a) This represents the cost of the Company's 53% equity investment in Leadway Trustees Limited's 90,000,000 ordinary share of ₦1 each.
- (b) This represents the cost of the Company's 51% equity investment in Leadway Hotels Limited's 100,000,000 ordinary share of 50k each.
- (c) This represents the cost of the Company's investment in Leadway Properties and Investments Limited.
- (d) This represents the cost of the Company's 42% equity investment in Leadway PFA Limited's 1,000,000,000 ordinary share of ₦1 each.
- (e) The financial statements of Leadway Trustees Limited and Leadway Hotels Limited have not been consolidated with those of the Company as, in the opinion of the directors, it would result in delays in the completion of the financial statement of the Company for the year ended 31 December 2007 out of proportion to its value to the members of the Company in accordance with section 336(3) of the Companies and Allied Matters Act of Nigeria.

The Company's share of the net assets of Leadway Trustees Limited, and Leadway Hotels Limited as at 31 December 2007 were ₦245,166,000, and ₦304,763,000 respectively.

The financial statements of Leadway Properties and Investment Limited have not been consolidated with that of the Company because in the opinion of the directors it will be of no real value to the shareholders considering the insignificant amount involved.

6.1 General Business

	2 0 0 7 N'000	2 0 0 6 N'000
Subsidiaries		
Leadway Trustees Limited (See Note (a) below)	33,387	33,387
Leadway Hotels Limited (See Note (b) below)	50,000	50,000
Leadway Properties and Investments Limited (See Note (c) below)	2,000	2,000
Associated company		
Leadway PFA Limited (See note (d) below)	82,014	70,000
	167,401	155,387

NOTES TO THE FINANCIAL STATEMENTS CONTD.

- (a) This represents the cost of the General business' 37% equity investment in Leadway Trustees Limited's 90,000,000 ordinary share of N1 each.
- (b) This represents the cost of General business' 17% equity investment in Leadway Hotels Limited's 100,000,000 ordinary shares of N1 each.
- (c) This represents the cost of the Company's investment in Leadway Properties and Investments Limited. Leadway Properties and Investments Limited had not commenced operations as at 31 December 2007.
- (d) This represents the cost of General business' 8% equity investment in Leadway PFA Limited's 1,000,000,000 ordinary share of N1 each.

6.2 Life business

	2007 N'000	2006 N'000
Subsidiaries		
Leadway Trustees Limited (See Note (a) below)	14,309	14,309
Leadway Hotels Limited (See Note (b) below)	100,000	100,000
Associated company		
Leadway Pensure PFA Limited (See note (c) below)	339,490	258,333
	453,799	372,642

- (a) This represents the cost of the Life business' 16% equity investment in Leadway Trustees Limited's 90,000,000 ordinary share of N1 each.
- (b) This represents the cost of Life business' 34% equity investment in Leadway Hotels Limited's 100,000,000 ordinary share of 50k each.
- (c) This represents the cost of Life business' 34% equity investment in Leadway PFA Limited's 1,000,000,000 ordinary share of 50k each.

Statutory deposits

Statutory deposits comprises:

	2007 N'000	2006 N'000
Non - Life Business	320,000	20,000
Life Business	200,000	15,000
	520,000	35,000

This represents the Company's deposit with the Central Bank of Nigeria as at 31 December 2007, in compliance with the Insurance Act, CAP 117 LFN 2004

NOTES TO THE FINANCIAL STATEMENTS CONTD.

8. Fixed Assets

	Land and Buildings N'000	Office Equipment N'000	Computer Equipment N'000	Furniture & Fittings N'000	Motor Vehicles N'000	Capital work in progress N'000	Total N'000
Cost							
Balance, beginning of year	312,839	146,109	244,160	119,717	294,489	16,770	1,134,084
Additions	31,425	11,070	36,959	16,462	126,185	184,520	406,621
Taken over on business							
Acquisition	1,628	1,879	1,404	3,438	12,630	-	20,979
Disposal	-	-	-	-	(14,512)	-	(14,512)
Balance, end of year	<u>345,892</u>	<u>159,058</u>	<u>282,523</u>	<u>139,617</u>	<u>418,792</u>	<u>201,290</u>	<u>1,547,172</u>
Depreciation							
Balance beginning of year	43,556	94,584	194,049	76,060	218,119	-	626,368
Charge for he year	7,827	16,308	28,557	6,839	70,742	-	130,273
Disposals	-	-	-	-	(7,750)	-	(7,750)
Balance, end of year	<u>51,383</u>	<u>110,892</u>	<u>222,606</u>	<u>82,899</u>	<u>281,111</u>	<u>-</u>	<u>748,891</u>
Net book value							
End of year	<u>294,509</u>	<u>48,166</u>	<u>59,917</u>	<u>56,718</u>	<u>137,681</u>	<u>201,290</u>	<u>798,281</u>
Beginning of year	<u>269,283</u>	<u>51,525</u>	<u>50,111</u>	<u>43,657</u>	<u>76,370</u>	<u>16,770</u>	<u>507,716</u>

8.1 General Business

	Land and Buildings N'000	Office Equipment N'000	Computer Equipment N'000	Furniture & Fittings N'000	Motor Vehicles N'000	Capital work in progress N'000	Total N'000
Cost							
Balance, beginning of year	288,273	117,859	216,810	96,478	258,223	16,770	994,413
Additions	31,425	10,574	35,643	13,692	114,595	80,775	286,704
Taken over on business							
Acquisition	1,628	1,879	1,404	3,438	12,630	-	20,979
Disposal	-	-	-	-	(13,312)	-	(13,312)
Balance, end of year	<u>321,326</u>	<u>130,312</u>	<u>253,857</u>	<u>113,608</u>	<u>372,136</u>	<u>97,545</u>	<u>1,288,784</u>
Depreciation							
Balance beginning of year	39,328	80,746	171,129	63,267	189,583	-	544,053
Charge for he year	6,425	14,524	25,826	5,098	67,822	-	119,695
Disposals	-	-	-	-	(6,550)	-	(6,550)
Balance, end of year	<u>45,753</u>	<u>95,270</u>	<u>196,955</u>	<u>68,365</u>	<u>250,855</u>	<u>-</u>	<u>657,198</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

Net book value End of year	<u>275,573</u>	<u>35,042</u>	<u>56,902</u>	<u>45,243</u>	<u>121,281</u>	<u>97,545</u>	<u>631,586</u>
Beginning of year	<u>248,945</u>	<u>37,113</u>	<u>45,681</u>	<u>33,211</u>	<u>68,640</u>	<u>16,770</u>	<u>450,360</u>

8.2 Life business

	Land and Buildings N'000	Office Equipment N'000	Computer Equipment N'000	Furniture & Fittings N'000	Motor Vehicles N'000	Capital work in progress N'000	Total N'000
Cost							
Balance, beginning of year	24,566	28,250	27,350	23,239	36,266	-	139,671
Additions	-	496	1,316	2,770	11,590	103,745	119,917
Taken over on business	-	-	-	-	(1,200)	-	(1,200)
Acquisition	<u>24,566</u>	<u>28,746</u>	<u>28,666</u>	<u>26,009</u>	<u>46,656</u>	<u>103,745</u>	<u>258,388</u>
Disposal							
Balance, end of year							
Depreciation							
Balance beginning of year	4,228	13,838	22,920	12,793	28,536	-	82,315
Charge for he year	1,402	1,784	2,731	1,741	2,920	-	10,578
Disposals	-	-	-	-	(1,200)	-	(1,200)
	<u>5,630</u>	<u>15,622</u>	<u>25,651</u>	<u>14,534</u>	<u>30,256</u>	<u>-</u>	<u>91,693</u>
Balance, end of year							
Net book value End of year	<u>18,939</u>	<u>13,124</u>	<u>3,015</u>	<u>11,475</u>	<u>16,400</u>	<u>103,745</u>	<u>166,695</u>
Beginning of year	<u>20,338</u>	<u>14,412</u>	<u>4,430</u>	<u>10,446</u>	<u>7,730</u>	<u>-</u>	<u>57,356</u>

9 Goodwill

General Business

- (a) The carrying value of goodwill analysed below:

Goodwill (See Note (b) below)		13,207
Impairment loss	20.1	(13,207)
		<u> </u>
Balance, end of the year		<u> </u>

- (b) Effective 1 January 2007, The company acquired the entire business of Atlantic insurance Company Limited. As stipulated in the terms of the acquisition, which was settled by cash, Atlantic insurance was liquidated without winding up and its assets and liabilities transferred into the books of the Company.

The details of the recognised value of the assets and liabilities acquired and goodwill arising are as follows:

	2007
	N'000
Assets	
Cash and bank balances	4,789
Short term investments	256,553
Debtors and prepayments	58,606
Quoted equities	81,579
Unquoted investments	11,570
Statutory deposit	20,000
Fixed assets	20,979
	<u> </u>
Total assets	<u>454,076</u>
Liabilities	
Creditors and accruals	16,476
Taxation	26,697
Deferred taxation	4,769
Insurance funds	153,627
	<u> </u>
	<u>201,569</u>
	<u> </u>
Net assets	<u>252,507</u>

Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets acquired and was determined as follows:

Cash paid	265,714
Net assets acquired (See Note (a))	(252,507)
	<u> </u>
Goodwill	<u>13,207</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

10 Creditors and accruals

(a) Creditors and accruals comprise:

	2 0 0 7 N'000	2 0 0 6 N'000
Amount due to reinsurers	284,755	206,564
Premium deposits	65,137	53,707
Due to life	437,572	231,575
Gratuity provision	136,533	-
Other Creditors	335,930	741,424
	<u>1,259,927</u>	<u>1,233,270</u>

(b) The movement on gratuity provision account during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	-	-
Prior year under-provision for gratuity benefits	135,243	-
Current year provision	1,290	-
Balance end of year	<u>136,533</u>	<u>-</u>

10.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Amount due to reinsurers	252,327	179,723
Due to life	437,572	231,575
Gratuity provision (See note (b) below)	119,088	-
Other creditors	295,234	707,181
	<u>1,104,221</u>	<u>1,118,479</u>

(b) The movement on gratuity provision account during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	-	-
Prior year under-provision for gratuity benefits	118,484	-
Current year provision	604	-
Balance end of year	<u>119,088</u>	<u>-</u>

10.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Amount due to reinsurers	32,428	26,841
Premium deposits	65,137	53,707
Gratuity provision (See Note (b) below)	17,445	-
Other creditors	40,696	34,243
	<u>155,706</u>	<u>114,791</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

- (B) The movement on gratuity provision account during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	-	-
Prior year under-provision for gratuity benefits	16,759	-
Current year provision	686	-
Balance end of year	<u>17,445</u>	<u>-</u>
11 Insurance funds		
Insurance funds comprise:		
	2 0 0 7 N'000	2 0 0 6 N'000
Provision for unexpired risk	1,111,703	842,356
Outstanding claims	2,125,778	1,115,526
Life funds	561,312	549,813
	<u>3,798,793</u>	<u>2,507,695</u>
11.1 General business Insurance funds		
Insurance funds comprise:		
	2 0 0 7 N'000	2 0 0 6 N'000
Provision for unexpired risk	1,111,703	842,356
Outstanding claims	2,018,612	1,025,293
	<u>3,130,315</u>	<u>1,867,649</u>
(a)(i) Provision for unexpired risk comprises:		
	2 0 0 7 N'000	2 0 0 6 N'000
Motor	345,617	332,105
Fire	133,799	150,828
General accident	136,131	70,204
Marine and aviation	247,959	183,452
Workmen's compensation	26,976	11,830
Bond	59,116	51,037
Engineering	95,939	42,900
Oil and gas	66,166	-
	<u>1,111,703</u>	<u>842,356</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

- (ii) The movement on the reserve for unexpired risk during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	842,356	813,009
Addition during the year	269,347	29,347
Balance end of the year	1,111,703	842,356

- (b)(i) Provision for outstanding claims comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
Motor	389,061	240,759
Fire	557,497	274,645
General accident	319,631	247,907
Marine and Aviation	191,531	139,186
Workmen's compensation	42,425	9,073
Bond	54,356	7,669
Engineering	87,602	106,054
Oil and gas	376,509	-
	2,018,612	1,025,293

- (ii) The movement on the reserve for outstanding claims during the year was as follows

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	1,025,293	752,496
Addition during the year	949,609	272,797
Taken over during business acquisition	43,710	-
Balance end of the year	2,018,612	1,025,293

11.2 Life business Life fund

Life fund comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
Life funds	561,312	549,813
Provision for outstanding claims	107,166	90,233
	668,478	640,046

- (a)(i) Life funds comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
Group life	272,319	265,204
Individual life	288,993	284,609
	561,312	549,813

NOTES TO THE FINANCIAL STATEMENTS CONTD.

(ii) The movement on the life funds account during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	549,813	541,072
Addition during the year	11,499	8,741
Balance, end of the year	<u>561,312</u>	<u>549,813</u>

(iii) **Actuarial valuation**

The actuarial liabilities of the life fund and liabilities for administered deposit as at 31 December 2007 were professionally valued by HR Nigeria Limited. The book value of the life fund as at that date equals the net actuarial liabilities (2006: exceeded by 132,465)

(b) Provision for outstanding claims comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
Group life	104,439	89,608
Individual life	2,727	625
	<u>107,166</u>	<u>90,233</u>

(ii) The movement on the reserve for outstanding claims during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	90,233	38,264
Addition during the year	16,933	51,969
Balance end of the year	<u>107,166</u>	<u>90,233</u>

12 Liability for administered deposits
Life business

The movement on liability for administered deposit during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year as previously reported	3,160,041	2,603,285
Prior year under-provision for liability for administered deposits	430,693	-
Adjusted balance beginning of the year	3,590,734	
Outstanding claims	899	977
Deposits received	921,552	823,736
Guaranteed interest	432,400	387,368
	<u>4,945,585</u>	<u>3,815,366</u>
Less withdrawals	(753,029)	(655,325)
Transfer from profit and loss account	20,746	
Balance end of the year as previously reported	<u>4,213,302</u>	<u>3,160,041</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

13 Taxation payable

The movement on taxation payable account
During the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	72,656	60,290
Payment during the year	(113,376)	(39,793)
Charge for the year (See Note 22)	173,637	52,159
Taken over from business acquisition	26,697	-
	<u>159,614</u>	<u>72,656</u>

13.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	72,656	60,290
Payment during the year	(113,376)	(39,793)
Charge for the year (See Note 22.1)	128,106	52,159
Taken over from business acquisition	26,697	-
	<u>114,083</u>	<u>72,656</u>

13.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	-	-
Payment during the year	-	-
Charge for the year (See Note 22.2)	45,531	-
	<u>45,531</u>	<u>-</u>

14 Deferred taxation

The movement on deferred taxation account during
the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	88,800	36,275
Charge/(reversal) during the the year (See Note 22)	7,678	52,525
Taken over from business acquisition	4,769	-
	<u>101,247</u>	<u>88,800</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

14.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	88,800	36,275
Charge/(reversal) during the year (See Note 22.1)	(4,778)	52,525
Taken over from business acquisition	4,769	-
	<u>88,791</u>	<u>88,800</u>

14.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	-	-
Charge/(reversal) during the year (See Note 22.2)	12,456	-
	<u>12,456</u>	<u>-</u>

15 Share capital

Share capital comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
(a) Authorised		
Ordinary shares of 50k each		
General business (6,000,000,000 units)	3,000,000	3,000,000
Life business (2,000,000,000 units)	1,000,000	1,000,000
	<u>4,000,000</u>	<u>4,000,000</u>
	2 0 0 7 N'000	2 0 0 6 N'000
(b) Issued and fully paid		
Ordinary shares of 50k each		
General business 3,588,790,000 units (2006; 2,662,054,000)	1,794,395	1,331,027
Life business 1,288,764,000 units (2006; 1,288,764,000)	644,382	644,382
	<u>2,438,777</u>	<u>1,975,409</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

(c) The movement on the share capital account during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	1,975,409	975,409
Addition during the year (See Note (c) below)	4 63,368	1,000,000
Balance, end of the year	2,438,777	1,975,409
15.1 General business		
	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	1,331,027	825,409
Addition during the year (See Note (c) below)	4 63,368	505,618
Balance, end of the year	1,794,395	1,331,027
15.2 Life business		
	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	644,382	150,000
Addition during the year	-	494,382
Balance, end of the year	644,382	644,382

(c) The Company offered 926,734,862 ordinary shares of 50k each to International Finance Corporation (IFC) for N 1,701,735,104 based on the resolution of the shareholders at an extra-ordinary meeting held on 16 February 2007. The proceeds from the offer were accounted for as follows:

	N'000
Gross proceeds from the offer	1,701,735
Transfer to share capital account	(463,368)
Transfer to share premium account	(1,238,367)
	-

16 Share premium

	2 0 0 7 N'000	2 0 0 6 N'000
Balance, beginning of year	220,500	236,108
Addition during the year (See Note 15(c))	1,238,367	24,592
	1,458,867	260,700
Less: Share issue expenses	-	40,200
Balance, end of the year	1,458,867	220,500

NOTES TO THE FINANCIAL STATEMENTS CONTD.

- 17 Statutory contingency reserve**
The movement on statutory contingency reserve account during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance, beginning of year	562,473	446,161
Transfer during the year	228,498	116,312
Balance, end of the year	<u>790,971</u>	<u>562,473</u>

17.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Balance, beginning of year	539,319	432,863
Transfer during the year	189,150	106,456
Balance, end of the year	<u>728,469</u>	<u>539,319</u>

17.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Balance, beginning of year	23,154	13,298
Transfer during the year	39,348	9,856
Balance, end of the year	<u>62,502</u>	<u>23,154</u>

18 Equity price equalisation reserve

Equity price equalisation reserve represent the excess of market value over the cost of quoted investments and comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
General business	6,415,782	3,408,063
Life business	5,485,468	1,724,228
	<u>11,901,250</u>	<u>132,291</u>

The movement in equities price revaluation reserve during the year was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	5,132,291	1,808,442
Addition during the year	6,768,959	3,323,849
Balance end of the year	<u>11,901,250</u>	<u>5,132,291</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

18.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	3,408,063	1,266,436
Addition during the year	3,007,719	2,141,627
	<u>6,415,782</u>	<u>3,408,063</u>

18.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Balance beginning of the year	1,724,228	542,006
Addition during the year	3,761,240	1,182,222
	<u>5,485,468</u>	<u>1,724,228</u>

19 Investment and other income

Investment and other income comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
Gain from sale of investment	540,843	5 0,437
Dividends	266,401	164,328
Interest income	532,664	531,476
Other income	81,521	68,236
Reversal of dimunition in investment	24,714	-
	<u>1,446,143</u>	<u>8 14,477</u>

19.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Gain from sale of investment	241,803	3 3,343
Dividends	164,949	113,376
Interest income	234,630	257,750
Other income	43,574	22,053
Reversal of dimunition in investment	24,714	-
	<u>709,670</u>	<u>396,522</u>

19.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Gain from sale of investment	299,040	47,094
Dividends	101,452	50,952
Interest income	298,034	273,726
Other income	37,947	46,183
	<u>736,473</u>	<u>417,955</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

20 Expenses of management

Expenses of management comprise:

	2 0 0 7 N'000	2 0 0 6 N'000
Staff costs (See Note 27 (c))	366,577	270,994
Depreciation	130,273	115,439
Allowance for doubtful placements	10,820	6 0,297
Other management expenses	777,797	732,617
Goodwill impairment	13,207	-
Commission on deposit administration	78,263	-
	1,376,937	1,058,753

20.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Staff costs	344,548.00	250,239
Depreciation	119,695.00	99,742
Allowance for doubtful placements	10,820.00	(22,297)
Other management expenses	740,646.00	585,716
Goodwill impairment	13,207.00	-
	1,228,916.00	913,400

20.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Staff costs	22,029.00	20,755
Depreciation	10,578.00	15,697
Allowance for doubtful placements	-	(38,000)
Other management expenses	37,151.00	146,901
Commissions on deposit administration	78,263.00	-
	148,021.00	1 45,353

21 Write offs and provisions for bad and doubtful accounts

Write offs and allowances for bad and doubtful accounts comprise:

	2 0 0 7 N'000	2 0 0 6 N'000
Bad debt written off	9 31,009	-
Allowances for doubtful for other assets	2 49,030	2,402
Allowance no longer required	(12,187)	-
	1,167,852	2,402

NOTES TO THE FINANCIAL STATEMENTS CONTD.

21.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Bad debt written off	931,009	-
Allowances for doubtful for other assets	211,206	2,402
Allowance no longer required	(8,187)	-
	<u>1,134,028</u>	<u>2,402</u>

21.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Allowances for doubtful for other assets	37,824	-
Allowance no longer required	(4,000)	-
	<u>33,824</u>	<u>-</u>

22 Taxation charge

Taxation charge comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
Company income tax	162,646	48,386
Education tax	10,991	3,772
	<u>173,637</u>	<u>52,158</u>
Deferred tax credit/(charge)	7,678	52,525
	<u>181,315</u>	<u>104,683</u>

22.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Company income tax	118,724	48,386
Education tax	9,382	3,772
	<u>128,106</u>	<u>52,158</u>
Deferred tax credit/(charge)	(4,778)	52,525
	<u>123,328</u>	<u>104,683</u>

22.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Company income tax	43,922	-
Education tax	1,609	-
	<u>45,531</u>	<u>-</u>
Deferred tax credit/(charge)	12,456	-
	<u>57,987</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

23 Earnings per share

Earnings per share are based on the profit after taxation and the weighted average number of ordinary shares outstanding during the year of 4,521,309,000 (2006; 3,940,965,000)

24 Net cash flow from operating activities before changes in operating assets.

This comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
Profit after taxation	1,027,246	1,862,122
Add: Taxation	181,315	104,683
Profit before taxation	1,208,561	1,966,805
Depreciation on fixed assets	130,273	115,439
Increase in provision for unexpired risks	269,347	29,347
Increase in life fund	11,499	8,741
Provision for outstanding claims	966,542	323,789
Allowances for bad and doubtful accounts	249,030	2,402
Allowances for doubtful investments	10,820	(60,297)
Allowances no longer required	(12,187)	-
Decrease in unexpired risk taken over from business combination	(109,917)	-
Goodwill impairment	13,207	-
Reversal of provision for diminution in investment	(24,714)	-
Loss/(Profit) on sale of fixed assets	958	(2,315)
Gain on disposal of investments	(540,843)	(1,392,065)
Dividend	(266,401)	(164,328)
	<u>1,906,175</u>	<u>827,518</u>
25 Acquisition expenses		
Acquisition expenses comprise:		
	2 0 0 7 N'000	2 0 0 6 N'000
Commissions	984,231	640,177
Staff costs	290,269	229,092
Other acquisition expenses	275,957	312,378
	<u>1,550,457</u>	<u>1,181,647</u>
25.1 General business		
	2 0 0 7 N'000	2 0 0 6 N'000
Commissions	886,643	593,567
Staff costs	226,239	166,826
Other acquisition expenses	252,326	312,378
	<u>1,365,208</u>	<u>1,072,771</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

25.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Commissions	97,588	46,610
Staff costs	64,030	62,266
Other acquisition expenses	23,631	-
	<u>185,249</u>	<u>108,876</u>

26 Maintenance expenses

Maintenance expenses comprise:

	2 0 0 7 N'000	2 0 0 6 N'000
Insurance supervision levy	161,886	35,945
Other maintenance expenses	94,538	78,571
	<u>256,424</u>	<u>114,516</u>

26.1 General business

	2 0 0 7 N'000	2 0 0 6 N'000
Insurance supervision levy	150,373	30,010
Other maintenance expenses	58,781	28,996
	<u>209,154</u>	<u>59,006</u>

26.2 Life business

	2 0 0 7 N'000	2 0 0 6 N'000
Insurance supervision levy	11,513	5,935
Other maintenance expenses	35,757	49,575
	<u>47,270</u>	<u>55,510</u>

27 Supplementary profit and loss information

(a) **General Information:**

The Company's profit before taxation for the year is stated after charging/(crediting)the following:

	2 0 0 7 N'000	2 0 0 6 N'000
Depreciation	130,273	115,439
(Profit)/Loss on disposal of fixed assets	958	(2,315)
Auditor's remuneration	<u>10,000</u>	<u>5,000</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

(b) **Staff and directors' information**

The average number of full time employees employed by the Company during the year as followed:

	2 0 0 7 Number	2 0 0 6 Number
Management staff	29	27
Non-management staff	346	290
	<u>375</u>	<u>317</u>

(c) **Staff and directors' costs:**

i. Employee costs, including executive directors during the year comprises:

	2 0 0 7 N'000	2 0 0 6 N'000
Wages and salaries	635,710	475,879
Pension costs	19,846	24,207
Other benefits	1,290	-
	<u>656,846</u>	<u>500,086</u>

Employees earning more than N100,000 per annum received salaries in the following range:

	2 0 0 7 N'000	2 0 0 6 N'000
N101,001 - N500,000	-	-
N500,001 - N750,000	92	90
N750,000 and above	283	227
	<u>375</u>	<u>317</u>

ii **Staff cost**

Staff cost comprises

Charged to management expenses	366,577	270,994
Charged to underwriting expenses	290,269	229,092
	<u>656,846</u>	<u>500,086</u>

ii Directors' remuneration was as follows:

	2 0 0 7 N'000	2 0 0 6 N'000
Directors' fees	6,050	870
Other emoluments	64,692	48,142
	<u>70,742</u>	<u>49,012</u>

NOTES TO THE FINANCIAL STATEMENTS CONTD.

iii The directors' remuneration shown above includes

	2 0 0 7 N'000	2 0 0 6 N'000
Chairman	4,210	1,777
Highest paid director	21,585	20,513
	25,795	22,290
The emoluments of all other directors fell within the following range:		
N1,750,000 - N2,750,000	4	-
N1,000,000 - N1,750,000	3	1
N800,000 - N1,000,000	-	3
N600,000 - N800,000	-	2
N400,000 - N600,000	-	1
	7	7

28 Related party transactions

Related parties to the Company are as follows:

Subsidiaries

Leadway Trustees Limited
Leadway Hotels Limited
Leadway Properties and Investments Limited

Associated companies

Leadway Pensure PFA

Business transactions with these related parties are done at arm's length.

29 Contravention of laws and regulations

The Company did not contravene any law or regulation during the year and no penalty was paid.

30 Litigations and Claims

There are litigation claims against the Company as at 31 December 2007 amounting to N 4.5 billion (2006: N3.4 billion). These litigation claims arose in the normal course of business and are being contested by the Company. The directors, having sought advice of professional counsel, are of the opinion that no significant liability will crystallise from these claims. No provisions have been made in these financial statements.

31 Subsequent events

There were no events that occurred subsequent to the balance sheet date that require adjustments to, or disclosure in the financial statements.

32 Prior year comparative figures

Certain prior year corresponding balances have been reclassified to conform with the current year presentation format.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

33 Prior year adjustments

- (a) During the year ended 31 December 2007, the balance of liabilities for administered deposits, gratuity provision, profit before taxation and retained earnings as at 31 December 2006 were found to be misstated. These misstatements relate mainly to commissions incurred in respect of the liabilities for administered deposits which were debited to the liabilities for administered deposits' account on the balance sheet as against being charged to the Life profit and loss account and non accrual of benefits to staff in respect of gratuity benefits.

These misstatements were corrected in the General reserve account as follows:

	2 0 0 7 N'000
General reserve beginning of the year as previously reported	1,530,154
Under-statement of liability for administered deposits (See Note 12)	(447,451)
Under-provision for gratuity benefits (See Note 10b)	(118,484)
General reserve beginning of the year - adjusted	964,219
 General business	
	2 0 0 7 N'000
General reserve beginning of the year as previously reported	1,388,151
Under-provision for gratuity benefits (See Note 10.1b)	(118,484)
General reserve beginning of the year -adjusted	1,269,667
 Life business	
	2 0 0 7 N'000
General reserve beginning of the year as previously reported	142,003
Under-statement of liability for administered deposits (See Note 12)	(430,692)
Under-provision for gratuity benefits (See Note 10.2b)	(16,759)
General reserve beginning of the year -adjusted	(305,448)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

34. Segment Information

Segment information is presented in respect of the Company's business segments which represents the primary segment reporting format and is based on the Company's management and reporting structure.

No geographical segment information has been provided in these financial statements as there is only one geographical segment.

Business Segments

The Company operates the following main business segments:

General Insurance Business	Includes general insurance transactions with individual and corporate customers
Life Insurance Business	Includes life insurance policies with individual and corporate customers

Business reporting	General Business N'000	Life Business N'000	Total N'000
(a) Revenue from external customers			
Gross premium	13,953,354	1,161,225	15,114,579
Net premium	<u>6,305,015</u>	<u>1,213,835</u>	<u>7,518,850</u>
Premium earned	6,035,668	1,097,116	7,132,784
Investment and other income	709,670	736,473	1,446,143
Commission received	555,366	16,729	572,095
Total segment revenue	<u>7,300,704</u>	<u>1,850,318</u>	<u>9,151,022</u>
Profit on ordinary activities before taxation	<u>757,091</u>	<u>451,470</u>	<u>1,208,561</u>
Asset and liabilities			
Segment assets	16,452,200	10,898,998	27,351,198
Inter-segment assets	-	437,572	437,572
	<u>16,452,200</u>	<u>11,336,570</u>	<u>27,788,770</u>
Segment liabilities	3,999,838	5,095,473	9,095,311
Inter-segment liabilities	<u>437,572</u>	<u>-</u>	<u>437,572</u>
Total liabilities	<u>4,437,410</u>	<u>5,095,473</u>	<u>9,532,883</u>
Net assets	<u>12,014,790</u>	<u>6,241,097</u>	<u>18,255,887</u>
Depreciation	<u>119,695</u>	<u>10,578</u>	<u>130,273</u>

STATEMENT OF VALUE ADDED TAX

**Statement of Value Added
For the year ended 31 December**

	2007 N	%	2006 N	%
Gross premium (Local)	15,114,579		4,886,756	
Other income				
- Local	1,959,791		2,268,361	
- Foreign	58,447		87,037	
	<u>17,132,817</u>		<u>7,242,154</u>	
Reinsurance, claims, commission and services				
- Local	(8,014,262)		(3,747,985)	
- Foreign	(7,011,154)		(276,294)	
Value added	<u><u>2,107,401</u></u>	<u>100%</u>	<u><u>3,217,875</u></u>	<u>100%</u>
Applied to pay:				
Employee cost	656,846	31%	500,086	16%
Government as taxes	181,315	8%	104,683	3%
Dividend	100,222	5%	626,803	19%
Retained in the business as:				
Life fund	11,499	1%	8,741	0%
Contingency reserve	228,498	11%	116,312	4%
Depreciation	130,273	6%	115,439	4%
Profit for the year	798,748	38%	1,745,811	54%
Value added	<u><u>2,107,401</u></u>	<u>100%</u>	<u><u>3,217,875</u></u>	<u>100%</u>

FIVE YEARS FINANCIAL SUMMARY

	2007 N'000	2006 N'000	2005 N'000	2004 N'000	2003 N'000
Results					
Gross premium written	15,114,579	4,886,756	4,528,803	3,875,974	2,904,193
Net Premium written	7,413,630	4,162,929	3,956,169	3,335,479	2,425,106
Premium earned	7,132,784	4,124,841	2,439,651	2,476,906	2,065,949
Profit before taxation	1,208,561	1,966,806	727,478	510,674	347,573
Profit after taxation	1,027,246	1,862,123	641,491	446,232	306,427
Dividends	100,222	626,803	126,803	125,000	105,000
Earnings per share (k)	22.72	47.25	32.88	44.62	43.78
Balance sheet					
Assets					
Current assets	7,154,099	5,878,531	3,088,407	1,622,250	1,301,868
Long term investments	19,316,390	10,065,319	6,730,402	5,716,869	4,203,709
Statutory deposits	520,000	35,000	35,000	35,000	35,000
Fixed assets	798,281	507,716	434,426	402,820	411,693
Total assets	<u>27,788,770</u>	<u>16,486,566</u>	<u>10,288,236</u>	<u>7,776,939</u>	<u>5,952,270</u>
Liabilities and capital					
Insurance funds	3,798,793	2,507,695	2,145,818	1,567,354	1,444,007
Other liabilities	5,734,090	4,554,767	3,413,270	2,873,209	1,777,042
Share capital	2,438,777	1,975,409	975,409	500,000	350,000
Share premium	1,458,867	220,500	236,108	10,699	10,699
Reserves	14,358,243	7,228,195	3,517,631	2,825,677	2,370,522
Total liabilities and reserves	<u>27,788,770</u>	<u>16,486,566</u>	<u>10,288,236</u>	<u>7,776,939</u>	<u>5,952,270</u>

LEADWAY AT A GLANCE

YEAR OF INCORPORATION	-	1970
COMMENCEMENT OF OPERATIONS	-	1971
FINANCIAL YEAR END	-	31st December
SHAREHOLDERS' FUND	-	₦18.2 Billion (as at 31 December 2007)
TOTAL ASSET BASE	-	₦27.7 Billion (as at 31 December 2007)
CLASSIFICATION	-	All classes of Insurance, Managed Funds & Trusteeship
NUMBER OF BRANCHES	-	19 (excluding Registered office & Corporate office)
SUBSIDIARIES	-	Leadway Trustees Limited Leadway Properties & Investments Limited Leadway Hotels Limited
ASSOCIATE	-	Leadway Pensure PFA Limited
NUMBER OF EMPLOYEES	-	375 (as at December 31, 2007)
FOUNDER	-	Sir Hassan O. Odukale (1926-1999)
MANAGEMENT	-	Mr. O. Hassan-Odukale, mfr (MD/CEO) Mr. Olawale O. Oyedele (ED) - Operations Mr. T. Hassan-Odukale (ED) - Financial Services Mr. Muftau O. Oyegunle (GM) - Operations Mr. Adebayo O. Okuwobi (DGM) - Technical - (Life Insurance) Mr. Abiodun Foluso (DGM) - Technical - (General Insurance) Miss. Adetola Adegbayi (DGM) - Business Services & Special Risks Mr. Olasoji Tehingbola (DGM) - Information Technology Mr. Adetayo Adekunle (AGM) - Northern Operations Mr. David Onilado (AGM) - Accounts & Finance Deacon Clement O. Atere (AGM) - Client Services Mr. Okegbemi Owoseje (AGM) - Claims Management Mrs. Moji Odusoga (AGM) - Underwriting Management Mr. Temilolu Aduloju (AGM) - Internal Audit

BRANCH NETWORK

Leadway has a branch network spread all over the country to efficiently cater for clients' needs. Apart from our Registered and Corporate offices in Kaduna and Lagos respectively, other offices are included below.

S/N	BRANCH	ADDRESS	TELEPHONE	FAX NUMBER
1.	Abuja	Plot 2940, Aguiyi Ironsi Street, (After British High Commission) Maitama P.M.B 275 Abuja	0802 223 5873 09-4130646-7	09-4130642
2.	Abeokuta	13, Lalubu Street, Oke-Ilewo. Oke-Ilewo P.M.B 2176, Abeokuta	0803 322 8120 039 241275 039-774207	039-242693
3.	Akure	NACRDB Building, Ado-Owo Rd., Alagbaka. P.O.Box 790, Akure.	0803 391 5245 034-217082	034-240534
4.	Benin	84, Akpakpava Street, Benin-City.	0805 551 7422 0802 340 4114 052 254407	
5.	Calabar	141, Ndidem Usang Iso Road/ Marian Road, Calabar	0802 324 6228 087 239295-6	087-239295-6
6.	Enugu	Akalaka House (2nd Floor) 127/129 Chime Avenue, New Haven, Enugu	0802 304 3667 042-303478	042-250458
7.	Ilorin	5A, Abdul-Wahab Folawiyo (Unity) Road. P.M.B 1538, Ilorin	0803 474 2969 031-222208 031-741495	031-223598
8.	Ibadan	Marbella House 96, Ring Road. P.O.Box 872, Ibadan	0802 332 4284 02-23166319	02-2316631
9.	Jos	55, Murtala Mohammed Way. P.O.Box 766, Jos	0802 223 5815 073 462685	073-463648
10.	Kano	Fustan House, Ankpa Quaters, Zaria Road, Gyadi-Gyadi Round- About. P.O.Box 1005, Kano	0802 223 8654 064-667609	064-533180
11.	Makurdi	NUJ House, Ankpa Qtrs. Road, P.O.Box 828, Makurdi	0802 552 3737 044-533180	044-533180
12.	Osogbo	Lagbaja House, Old Coca-Cola Depot Km 2, Gbogan-Osogbo Road, Osogbo.	0802 223 8018 0905 541 5302 035-207975	
13.	P-Hacourt	8, Igbodo Street, Old GRA P.O.Box 1969, Port Harcourt	0802 223 5872 084-239964-5 084-234355	084-239964-5
14.	Sagamu	136, Akarigbo Street, Opposite Mobile Filling Station, Ijokun, Sagamu	0805 611 1398 037-781651	037-781651

BRANCH NETWORK CONTD.

S/N	BRANCH	ADDRESS	TELEPHONE	FAX NUMBER
15.	Sokoto	7, Kano Road opposite Central Bank of Nigeria. P.O.Box 140, Sokoto	0802 345 4008 060-232595	060-232595
16.	Uyo	164, Ikot Ekpene Road. (3rd Floor), Uyo.	0805 505 4266 085-200761	0806-4087599
17.	Warri	60, Effurun/Sapele Road, Ecobank Building.	0802 223 8655 053-253390 053-321172	053-252009
18.	Yenagoa	209, Yenagoa Mbiama Road. Opposite State House of Assembly, Amarata.	0803 723 9334 089-490597	089-490597
19.	Zaria	6, Park Rd. P.M.Box 400, Zaria.	0802 900 3787 069-332397	069-332397

Agency Offices:

1. Bida
2. Gboko
3. Yola
4. Katsina
5. Maiduguri
6. Minna
7. Okene
8. Gombe
9. Kafanchan
10. Ikare
11. Ado-Ekiti

E-mail: insure@leadway.com
 Website: www.leadway.com