

2005  
Annual Report  
& Accounts



LEADWAY ASSURANCE COMPANY LIMITED  
RC 7588

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## Notice of the Thirty-Fourth Annual General Meeting

NOTICE IS HEREBY GIVEN that the thirty-fourth Annual General Meeting of LEADWAY ASSURANCE COMPANY LIMITED will be held at Adriel Hotel, 4 Bank Road, Kaduna at 11.00 a.m. on Tuesday, the 20th of June 2006 for the following purposes:

### Ordinary Business

1. To adopt the reports of the Directors and Auditors, including the Statement of Accounts for the year ended 31st of December 2005.
2. To declare a Dividend.
3. To re-elect the Directors of the Company.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To transact any other business that may be transacted at an Annual General Meeting.

### Special Business

To consider and if thought fit pass the following resolutions:

### Ordinary Resolutions

6. That the Directors of the Company be and are hereby authorized to capitalize the sum of ~~₦~~975,408,527 (Nine Hundred and Seventy-Five Million, Four Hundred and Eight Thousand, Five Hundred and Twenty-Seven Naira) out of the profits declared for the accounting year ended 31st of December 2005 and to apply the sum in paying in full 1,950,817,054 ordinary shares of 50 kobo each which shall be distributed to the shareholders as fully paid up shares in the proportion of 1 (one) share for each share held by shareholders as at 31st of December 2005, all shares to rank equally in all respects with existing shares of the Company except that they shall not rank for the dividend recommended by the Directors in respect of the year ended 31st of December 2005.
7. That the authorized share capital of the Company be and is hereby increased from ~~₦~~2,000,000,000 to ~~₦~~4,000,000,000 by the creation of 4,000,000,000 Ordinary Shares of 50 kobo each; all shares to rank equally in all respects with existing shares of the Company.

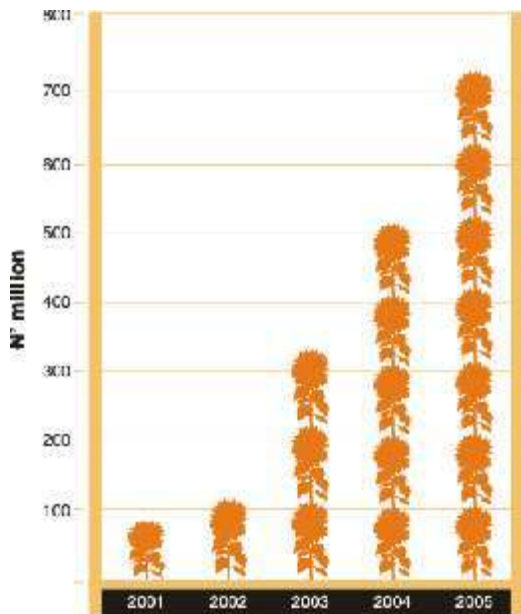
By Order of the Board

Adetola Adegbayi  
Company Secretary  
19th of May 2006.

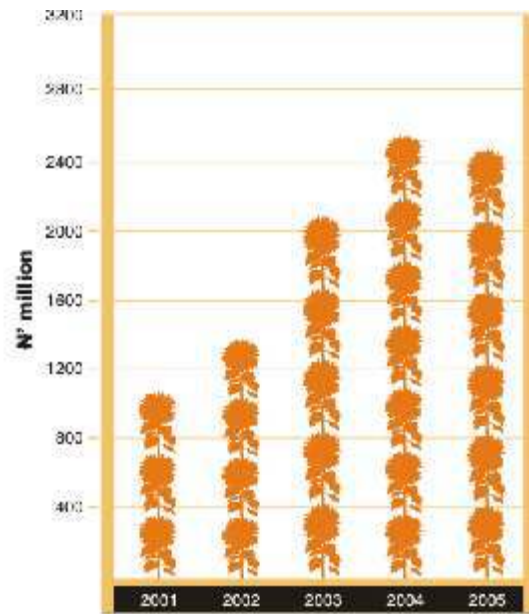
### Notes

1. 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, Leadway House, 121/123 Western Avenue, Iponri, Lagos, or at Leadway House, NN28/29 Constitution Road, Kaduna not later than 48 hours before the time appointed for the meeting.
2. 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 16th of June 2006.

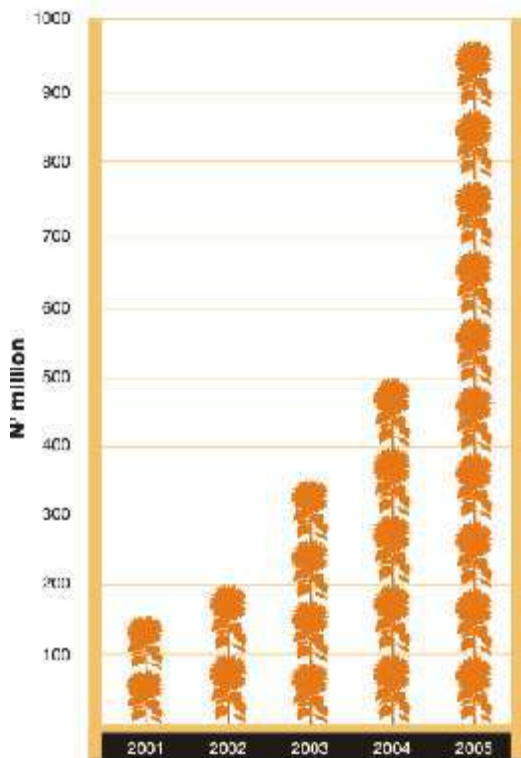
## Financial Highlights



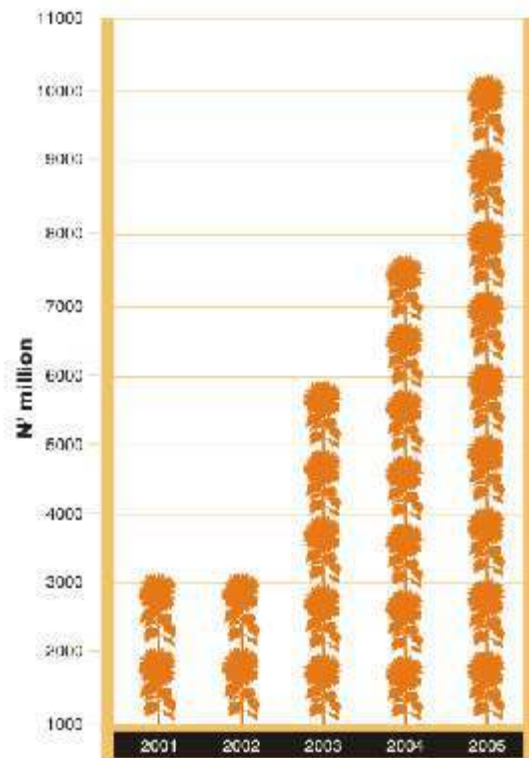
Profit Before Tax



Premium Earned



Share Capital



Total Assets

## Chairman's Statement

### LETTER TO SHAREHOLDERS

Distinguished Shareholders, Ladies and Gentlemen, I welcome you all to our 34th Annual General Meeting of Shareholders for the purpose of presenting to you our Annual Report and Financial Statements for the year ended 31<sup>st</sup> December 2005.

### OPERATING ENVIRONMENT

The 2005 operating environment continued with the wave of capital increases for banks and other financial services providers, particularly insurance companies. The new capital base for insurance companies, which was greeted with initial apprehension, has now been accepted as a way of contributing to long term sustainable economic growth and development, leading to various models on market consolidation; as, by end of February 2007, only insurance companies that meet the minimum capital requirement of ₦2b for Life insurance and ₦3b for General insurance will continue to exist.

The industry was also affected by the emerging compulsory contributory pension scheme, with new entrants offering pension administration business, which was traditionally handled as part of life insurance business by life insurance companies. Regardless of the policy measures, however, business remained as usual in the commercial sphere and insurers continued to grapple with stiffer competition. Despite increasing volume of business, premium rates maintained a downward trend, resulting in tapered growth, with tighter profit margins.

### FINANCIAL RESULTS

Against the background of the operating environment, the Company achieved a 17% growth in Gross Premium Income from ₦3.9b in 2004 to ₦4.5b in 2005. This growth however resulted in a drop in underwriting profit largely due to pay-outs

The industry was also affected by the emerging compulsory contributory pension scheme,

under group deposit administration business, which transited to pension administration companies, and tighter profit margins on traditional risks. Underwriting losses under life business was mitigated by good investment performance, resulting in an overall increase of 42% in pre tax profit from ₦510.6m in 2004 to ₦727.4m in 2005

The Company also improved its balance sheet size by 32% from ₦7.8b in 2004 to ₦10.3b in 2005, recording 41.7% increase in shareholders' funds from ₦3.3b in 2004 to ₦4.7b in 2005, ₦472m of which came by way of additional cash invested by shareholders to achieve the Company's minimum capital base of ₦5b, as a composite insurance company, in line with the announcement made by the Finance Minister through the National Insurance Commission.

## Chairman's Statement

Continued

### PROFIT CAPITALIZATION & DIVIDEND

In line with current industry minimum capital requirement, it has become necessary for our company to plow profits back into the business. As such, your Board of Directors is recommending that a sum of ₦975.4m be capitalized from direct profits and capital gains realized from sale of investment within the year under review. This sum will be distributed as shares in the ratio of 1 new share for each 50kobo share held by shareholders at the close of business on the 31st of December 2005. In addition to this, your Board is also recommending that ₦126.8m be distributed as dividend at 6.5kobo per share subject to withholding tax at the prevailing rate.

### AUTHORISED SHARE CAPITAL

In order to meet statutory requirements and accommodate an ever increasing need for higher capital structure, your Board of Directors is recommending that we increase our authorized share capital from ₦2bn to ₦4bn by the creation of four billion ordinary shares of 50Kobo each. This would give us the necessary leeway to keep increasing our paid up capital steadily and to also enable us accommodate new investors should this become necessary.

### FUTURE OUTLOOK

The future remains bright for the country and for business, although with a measure of political anxiety

which we hope will not greatly affect economic policies that are necessary for growth and development. With continuing economic expansion and the possibilities of increases in per capital income of the average Nigerian, it is expected that market fundamentals will begin to encourage focus on individual retail market, which is still largely untapped. A number of market players are beginning to tap into this retail opportunity and it is our intention to leverage on our brand to achieve a good share of this market. In doing this, we do not intend to compromise our commercial line business, which is an area where we have strong market presence and have gained the confidence of our customers, whether as intermediaries or as direct corporate clients.

### CONCLUSION

This year, we celebrate 35 years of business operation of our company established 36 years ago. We are proud to have come this far from our humble beginnings and make bold that our continued existence and our success is that of our customers, through whom we have maintained our integrity as a reliable and efficient insurer. For this, we express our deepest appreciation. I should also like to commend and thank our

Management and Staff of our Company for their devotion in ensuring that Our Words remain Our Bonds.

**We are proud to  
have come this far  
from our humble  
beginnings**

## Corporate Profile

### DIRECTORS

Alhaji Mohammed Faruku (Chairman)  
 Mr. Oye Hassan-Odukale, MFR. (MD/CEO)

Alhaji Hassan Hadejia (Shettiman Hadejia)  
 Pastor Jaiyeola Oni  
 Mrs. Adenike Fasoranti  
 Mr. Babatunde Hassan-Odukale  
 Mallam Umar Yahaya (appointed w.e.f 16/02/06)  
 Mr. Olawale Oyeniyi Oyedele (Executive)

### SECRETARY

Adetola Adegbayi

### REGISTERED OFFICE

Leadway Assurance House  
 NN 28/29 Constitution Road  
 P.O. Box 458, Kaduna.

### CORPORATE OFFICE

121/123, Western Avenue  
 Iponri, Lagos  
 P. O. Box 6437, Marina  
 Lagos

### AUDITORS-

Olaleye & Co.  
 Chartered Accountants  
 14, Ahmadu Bello Way  
 P.O. Box 2, Kaduna.

### CONSULTING ACTUARIES

H.R (Nigeria) Limited  
 P.O. Box 75399  
 Victoria Island, Lagos.

### REINSURERS:

#### Local

Africa Reinsurance Corporation  
 Globe Reinsurance Plc  
 Nigeria Reinsurance Corporation  
 Continental Reinsurance Plc  
 Universal Reinsurance Company Limited

#### International

Swiss Re Southern Africa Ltd.  
 Munich Mauritius Reinsurance Coy. Limited





## Report of the Directors

The Directors are pleased to submit herewith their report together with the audited Accounts for the year ended 31st of December 2005.

### 1 PRINCIPAL ACTIVITIES

The Company engages in Life and General Insurance Business.

### 2 RESULTS

	2005 N'000	2004 N'000
Gross Premium	4,528,802	3,875,974
Premium Earned	2,439,651	2,476,906
Investment Income	635,671	406,235
Profit Before Tax	727,478	510,674
Taxation	85,987	64,442
Profit After Tax	641,491	446,232

### 3 DIVIDEND

The Directors recommend a dividend of 6.5 kobo per ordinary share amounting to ₦126,803,112. The gross dividend is subject to appropriate withholding tax deduction.

### 4 BONUS ISSUE

The Directors also recommend a bonus issue of one ordinary share for each ordinary share of 50 kobo held as at 31st December 2005.

### 5 DIRECTORS

The names of the Directors who served during the year are as shown on page 5 of this report. Mallam Umar Yahaya was appointed as a Director of the Company on the 16th of February 2006.

### 6 FIXED ASSETS

Movements in fixed assets during the year are as shown in Note 5 to the Accounts. The Directors are of the opinion that the market value of the company's properties is not substantially less than the value shown in the Accounts.

### 7 DONATIONS

Donations to charitable organizations during the year amounted to ₦3,628,904.

### 8 EMPLOYMENT AND EMPLOYEES

(a) Average number of persons employed in the financial year was as follows: -

GRADE	2005	2004
Management Staff	30	22
Senior Staff	194	198
Junior Staff	106	112
Total	330	332

(b) The Company does not discriminate in considering applications for employment including those from disabled persons. As at 31<sup>st</sup> December 2005 the number of disabled persons employed was 5.

### 9 AUDITORS

The Auditors, Messrs. Olaleye & Company, have indicated their willingness to continue in office. A resolution will be proposed authorizing the Directors to determine their remuneration.

BY ORDER OF THE BOARD

ADETOLA ADEGBAYI  
COMPANY SECRETARY.

19TH OF MAY 2006



## Report of the Auditors

To the Members of Leadway Assurance Company Limited

We have examined the financial statements of Leadway Assurance Company Limited as at 31st of December, 2005 set out on pages 10 to 31, which have been prepared on the basis of the accounting policies set out on pages 8 to 9.

**Respective Responsibilities of Directors and Auditors**  
In accordance with the Companies and Allied Matters Act, 1990, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion based on our audit of those statements and to report our opinion to you.

### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements, and assessed whether the books of account have been properly kept.

We have obtained all the information and explanations which we require for the purpose of the audit.

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31st of December, 2005, and of the profit and cash flows for the year ended on that date, and have been properly prepared in accordance with the Insurance Act 2003, Companies and Allied Matters Act 1990, and relevant statements of accounting standards issued by the Nigerian Accounting Standards Board.



OLALEYE & CO  
CHARTERED ACCOUNTANTS

KADUNA, NIGERIA  
28TH MARCH, 2006.

## Accounting Policies

The following is a summary of the significant accounting policies adopted by the Company in the preparation of these financial statements, which are consistent with those of the previous years and modified as appropriate in compliance with the Insurance Act 2003:

### 1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention as modified by the inclusion of certain properties at their professional valuation.

### 2 DEPRECIATION

Depreciation on fixed assets is on a straight-line basis at rates calculated to write off the value of the assets concerned 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:

	%
Buildings	2
Office Equipment	15
Generators	20
Computer Equipment & Software	33 <sup>1</sup> / <sub>3</sub>
Furniture and Fittings	15
Motor Vehicles	25

No depreciation is charged on fixed assets until they are brought into use.

### 3 PREMIUM INCOME

Premium income and commission are accounted for on cash basis. However, outstanding premiums in respect of which claims provisions have been made are considered in the Accounts.

### 4 DEBTORS

Debtors are stated after writing off bad debts and deducting provision made for other specific debts considered doubtful of recovery.

### 5 TECHNICAL RESERVES

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

#### (a) GENERAL INSURANCE BUSINESS

##### Reserve for Unexpired Risks

This is calculated on time apportionment basis in respect of the risks accepted during the year, except in the case of Marine and Aviation Business where 50% of Net Premium Income is set aside.

##### Reserve for Outstanding Claims

This is maintained at the total amount of estimated outstanding claims plus 10% thereof to cover claims incurred but not reported (IBNR) at the balance sheet date.

##### Contingency Reserve

This is credited with the higher of 3% of total premiums and 20% of the profits.

## Accounting Policies

Continued

### (b) LIFE AND PENSIONS BUSINESS

#### General Reserve Fund

This is made up of the 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 date.

#### Contingency Reserve

This is credited with the higher of 1% of gross premiums and 10% of profits.

### 6. LONG TERM INVESTMENTS

#### Quoted Investments

Quoted investments are stated at market value at the balance sheet date, as provided by Section 24(13)(b) of the Insurance Act 2003. The excess of the market value over the cost at the balance sheet date is taken to an "Equities Price Equalization Reserve Account", while any material diminution in value is written off to operating expenses.

#### 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 provision for the diminution in value thereof is charged against the profit and loss account of the relevant year.

### 7. INVESTMENT INCOME

Investment income is accounted for on cash basis.

### 8. RATE OF EXCHANGE

Transactions in foreign currencies are recorded in Naira at the rates ruling on the date of the transactions. Assets and liabilities in foreign currencies are translated to Naira at the rates ruling at the balance sheet date. Gains or losses arising therefrom are included in the profit and loss account.

### 9. DEFERRED TAXATION

Provision for deferred tax is made for all significant timing differences arising in the recognition of capital expenditure for accounting and taxation purposes. The provision is calculated at the ruling rate of tax at the balance sheet date.

### 10. RETIREMENT BENEFIT AND GRATUITY SCHEME

The Company operates a non-contributory retirement benefit scheme for all its employees. The Company also operates an unfunded gratuity scheme for all its employees, the benefits under which are related to employees' length of service and remuneration.

## Company Balance Sheet

As At 31st December, 2005

	NOTE	2 0 0 5 N'000	2 0 0 4 N'000
<b>ASSETS</b>			
Bank Balances and Cash		649,805	170,828
Short Term Deposits		1,622,287	976,438
Debtors and Prepayments	1	707,450	474,983
Deferred Acquisition Expenses	1.3	108,865	-
Quoted Equities	2	4,593,668	4,040,656
Unquoted Investments	2	2,014,615	1,533,270
Other Investments	3	122,119	142,942
Statutory Deposit	4	35,000	35,000
Fixed Assets	5	434,426	402,820
<b>TOTAL ASSETS</b>		<u>10,288,236</u>	<u>7,776,937</u>
<b>LIABILITIES</b>			
Amount Falling Due Within One Year	6	809,985	986,562
Liability For Administered Deposits	7	2,603,285	1,886,647
Insurance Funds	8.1	1,565,506	1,341,154
Life and Pensions Funds	8.2	580,312	226,200
		<u>5,559,088</u>	<u>4,440,563</u>
<b>Shareholders' Funds:</b>			
Authorized Share Capital		<u>2,000,000</u>	<u>1,000,000</u>
Paid up Share Capital	9	975,409	500,000
Share Premium Account	10	236,108	10,699
Statutory Contingency Reserve	11	446,161	358,184
Other Reserves	12	1,263,029	258,226
Equities Price Equalisation Reserve	13	1,808,441	2,209,265
		<u>4,729,148</u>	<u>3,336,374</u>
<b>TOTAL LIABILITIES</b>		<u>10,288,236</u>	<u>7,776,937</u>

The financial statements on pages 10 to 31 were approved by the Board of Directors on Wednesday 15th of March, 2006 and authorised to be signed by:

Alhaji Mohammed Faruku }  
Mr. Tunde Hassan-Odukale } Directors

The accounting policies on pages 8 to 9 and the Notes on pages 21 to 31 form part of these Accounts.

## Company Profit &amp; Loss Account

For the year ended  
31st December, 2005

	NOTE	2 0 0 5 N'000	2 0 0 4 N'000
GROSS PREMIUM INCOME	18	<u>4,528,802</u>	<u>3,875,974</u>
PREMIUM EARNED	14	2,439,651	2,476,906
Commissions Received		153,470	114,945
		<u>2,593,121</u>	<u>2,591,851</u>
LESS:			
Claims Incurred		938,478	954,726
Underwriting Expenses		842,401	774,994
		<u>1,780,879</u>	<u>1,729,720</u>
UNDERWRITING PROFITS	14	812,242	862,131
Investment Income - (Net)		635,671	406,235
Shareholders' Portion of Life and Pensions Fund Surplus		-	175
		<u>1,447,913</u>	<u>1,268,541</u>
DEDUCT:			
Expenses of Management		712,743	757,867
Provision For Bad and Doubtful Debts		7,692	-
		<u>720,435</u>	<u>757,867</u>
PROFIT BEFORE TAX	15	727,478	510,674
Taxation	16	<u>85,987</u>	<u>64,442</u>
PROFIT AFTER TAX		641,491	446,232
Extraordinary Item	20	828,091	-
Statutory Contingency Reserve		(87,976)	(74,821)
Reserve For Bonus Issue		(975,409)	(250,000)
Proposed Dividends		(126,803)	(125,000)
		<u>279,394</u>	<u>(3,589)</u>
RETAINED PROFITS CARRIED FORWARD			
Earnings Per Share (Actual)		<u>32.88k</u>	<u>44.62k</u>
Dividend Per Share (Actual)		<u>6.50k</u>	<u>12.50k</u>
Earnings Per Share (2004 Adjusted)		<u>32.88k</u>	<u>22.87k</u>
Dividend Per Share (2004 Adjusted)		<u>6.50k</u>	<u>6.41k</u>

The accounting policies on pages 8 to 9 and the Notes on pages 21 to 31 form part of these Accounts.

## General Business Balance Sheet

As At 31st December, 2005

	NOTE	2 0 0 5 N'000	2 0 0 4 N'000
<b>ASSETS</b>			
Bank Balances and Cash		604,056	112,263
Short Term Deposits		472,751	322,735
Debtors and Prepayments	1.1	445,172	296,673
Deferred Acquisition Expenses	1.3	108,865	
Quoted Equities	2.1	3,216,828	2,593,777
Unquoted Investments	2.1	962,064	1,039,452
Other Investments	3.1	58,124	72,734
Statutory Deposit	4	20,000	20,000
Fixed Assets	5.1	<u>394,396</u>	<u>358,597</u>
<b>TOTAL ASSETS</b>		<u><b>6,282,256</b></u>	<u><b>4,816,230</b></u>
<b>LIABILITIES</b>			
Amount Falling Due Within One Year	6.1	746,264	938,086
Insurance Funds	8.1	<u>1,565,506</u>	<u>1,341,154</u>
		<u>2,311,770</u>	<u>2,279,240</u>
<b>Shareholders' Funds:</b>			
Authorized Share Capital		<u>1,500,000</u>	<u>700,000</u>
Paid up Share Capital	9	825,409	350,000
Share Premium Account	10	236,108	10,699
Statutory Contingency Reserve	11.1	432,863	350,809
Other Reserves	12.1	1,209,671	258,168
Equities Price Equalisation Reserve	13.1	<u>1,266,436</u>	<u>1,567,313</u>
		<u>3,970,487</u>	<u>2,536,990</u>
<b>TOTAL LIABILITIES</b>		<u><b>6,282,256</b></u>	<u><b>4,816,230</b></u>

The accounting policies on pages 8 to 9 and the Notes on pages 21 to 31 form part of these Accounts.

## General Business Profit &amp; Loss Account

For the year ended  
31st December, 2005

	NOTE	2 0 0 5 N'000	2 0 0 4 N'000
GROSS PREMIUM INCOME	18	<u>3,214,449</u>	<u>2,912,687</u>
PREMIUM EARNED	14	2,475,811	2,338,038
Commissions Received		<u>132,965</u>	<u>105,152</u>
		<u>2,608,776</u>	<u>2,443,190</u>
LESS:			
Claims Incurred		817,080	884,457
Underwriting Expenses		<u>760,031</u>	<u>713,242</u>
		<u>1,577,111</u>	<u>1,597,699</u>
UNDERWRITING PROFITS	14	1,031,665	845,491
Investment Income - (Net)		290,741	352,732
Shareholders' Portion of Life and Pensions Fund Surplus		-	<u>175</u>
		<u>1,322,406</u>	<u>1,198,398</u>
DEDUCT:			
Expenses of Management		646,458	689,673
Provision For Bad and Doubtful Debts		<u>7,692</u>	<u>-</u>
		<u>654,150</u>	<u>689,673</u>
PROFIT BEFORE TAX	15	668,256	508,725
Taxation	16	<u>85,987</u>	<u>64,442</u>
PROFIT AFTER TAX		582,269	444,283
Extraordinary Item	20	828,091	-
Statutory Contingency Reserve		(82,054)	(72,871)
Reserve For Bonus Issue		(975,409)	(250,000)
Proposed Dividends		<u>(126,803)</u>	<u>(125,000)</u>
RETAINED PROFITS CARRIED FORWARD		<u>226,094</u>	<u>(3,588)</u>

The accounting policies on pages 8 to 9 and the Notes on pages 21 to 31 form part of these Accounts.



## General Business Revenue Accounts

	MOTOR	FIRE	GEN. ACC.	MARINE	W/M COMP.	BOND	ENGIN'RNG	TOTAL	2004
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>INCOME</b>									
Direct Premiums	1,180,309	684,110	563,287	402,519	33,438	160,214	189,579	3,213,456	2,911,784
Inward Reinsurance Premiums	-	-	-	-	-	993	-	993	902
Gross Written Premiums (Note 18)	1,180,309	684,110	563,287	402,519	33,438	161,207	189,579	3,214,449	2,912,686
Deduct:									
Outward Reinsurance Premiums	48,333	278,774	44,652	46,327	6,072	28,184	50,973	503,315	503,895
Net Written Premiums	1,131,976	405,336	518,635	356,192	27,366	133,023	138,606	2,711,134	2,408,791
Increase/(Decrease) in									
Unexpired Risks Provision	71,252	69,157	21,275	47,407	3,494	9,279	13,458	235,322	70,753
Premiums Earned	1,060,724	336,179	497,360	308,785	23,872	123,744	125,148	2,475,812	2,338,038
Commissions Received	15,707	47,604	34,665	4,748	10,365	8,888	10,988	132,965	105,152
	<u>1,076,431</u>	<u>383,783</u>	<u>532,025</u>	<u>313,533</u>	<u>34,237</u>	<u>132,632</u>	<u>136,136</u>	<u>2,608,777</u>	<u>2,443,190</u>
<b>EXPENSES</b>									
Direct Claims Paid	473,097	195,718	184,590	104,205	21,203	15,183	17,430	1,011,426	1,032,324
Inward Reinsurance Claims Paid	-	-	-	-	-	-	-	-	-
Gross Claims Paid	473,097	195,718	184,590	104,205	21,203	15,183	17,430	1,011,426	1,032,324
Deduct Reinsurance Claims Recoveries	45,489	63,756	6,825	27,765	13,010	7,280	19,250	183,375	180,999
Net Claims Paid	427,608	131,962	177,765	76,440	8,193	7,903	(1,820)	828,051	851,325
Increase/(Decrease) in									
Outstanding Claims Provision	43,888	10,518	(62,961)	49,205	12,827	(63,366)	(1,082)	(10,971)	33,132
Claims Incurred	471,496	142,480	114,804	125,645	21,020	(55,463)	(2,902)	817,080	884,457
Add Underwriting Expenses:									
Acquisition Expenses	243,375	151,401	149,964	96,927	6,721	35,427	38,829	722,644	690,812
Maintenance Expenses	13,654	7,888	6,513	4,878	312	1,953	2,189	37,387	22,430
<b>TOTAL EXPENSES</b>	<u>728,525</u>	<u>301,779</u>	<u>271,281</u>	<u>227,450</u>	<u>28,053</u>	<u>(18,083)</u>	<u>38,116</u>	<u>1,577,111</u>	<u>1,597,699</u>
Underwriting Profit Transferred									
To Profit and Loss Account	<u>347,906</u>	<u>82,014</u>	<u>260,744</u>	<u>86,083</u>	<u>6,184</u>	<u>150,715</u>	<u>98,020</u>	<u>1,031,666</u>	<u>845,492</u>

The accounting policies on pages 8 to 9 and the Notes on pages 21 to 31 form part of these

For the year ended  
31st December, 2005

## Life &amp; Pensions Balance Sheet

As At 31st December, 2005

	NOTE	2005 N'000	2004 N'000
<b>ASSETS</b>			
Cash and Bank Balances		45,749	58,565
Short Term Deposits		1,149,536	653,703
Debtors and Prepayments	1.2	262,278	178,311
Quoted Equities	2.2	1,376,840	1,446,880
Unquoted Investments	2.2	1,052,551	493,818
Other Investments	3.2	63,995	70,208
Statutory Deposit	4	15,000	15,000
Fixed Assets	5.2	40,030	44,223
<b>TOTAL ASSETS</b>		<b>4,005,980</b>	<b>2,960,708</b>
<b>LIABILITIES</b>			
Creditors and Accruals	6.2	63,721	48,476
Outstanding Claims	8.2	39,241	-
Liability For Administered Deposits	7	2,603,285	1,886,647
Life and Pensions Funds	8.2	541,071	226,200
		<u>3,247,318</u>	<u>2,161,323</u>
<b>SHAREHOLDERS' FUNDS</b>			
Authorized Share Capital	9	<u>500,000</u>	<u>300,000</u>
Paid up Share Capital	9	150,000	150,000
Statutory Contingency Reserve	11.2	13,298	7,375
Other Reserves	12.2	53,358	58
Equities Price Equalisation Reserve	13.2	542,006	641,952
		<u>758,662</u>	<u>799,385</u>
<b>TOTAL LIABILITIES</b>		<b>4,005,980</b>	<b>2,960,708</b>

The accounting policies on pages 8 to 9 and the Notes on pages 21 to 31 form part of these Accounts.

## Life &amp; Pensions Profit &amp; Loss Account

For the year ended  
31st December, 2005

	NOTE	2005 N'000	2004 N'000
<b>INCOME</b>			
Gross Premium Written	18	<u>348,030</u>	<u>194,928</u>
Premiums Written (Net)		278,711	158,329
Commission Received		<u>20,505</u>	<u>9,793</u>
		<u>299,216</u>	<u>168,122</u>
<b>OUTGO</b>			
Claims Paid (Net)		121,291	68,244
Surrenders		106	2,026
Acquisition Expenses		57,555	42,861
Maintenance Expenses		24,815	18,891
Increase in Life and Pensions Funds		<u>314,872</u>	<u>19,462</u>
		<u>518,639</u>	<u>151,484</u>
Underwriting Profits/(Loss)		(219,423)	16,638
Investment Income (Net)		<u>344,931</u>	<u>53,504</u>
		<u>125,508</u>	<u>70,142</u>
<b>DEDUCT:</b>			
Expenses of Management		66,286	68,194
Provision for Bad and Doubtful Debts		<u>-</u>	<u>-</u>
		<u>66,286</u>	<u>68,194</u>
Profits Before Tax		59,222	1,948
Taxation		<u>-</u>	<u>-</u>
Profits After Tax		<u>59,222</u>	<u>1,948</u>
Transfer to Contingency Reserve		<u>5,922</u>	<u>1,948</u>
Balance Transferred to General Reserve Account		<u>53,300</u>	<u>-</u>

The accounting policies on pages 8 to 9 and the Notes on pages 21 to 31 form part of these Accounts.

## Life &amp; Pensions Revenue Account

For the year ended  
31st December, 2005

	NOTE	INDIVIDUAL LIFE N'000	2 0 0 5 GROUP AND PENSIONS N'000	TOTAL N'000	2 0 0 4 N'000
<b>INCOME</b>					
Direct Premiums		133,278	214,752	348,030	194,928
Inward Reinsurance Premiums		-	-	-	-
Gross Written Premiums	18	133,278	214,752	348,030	194,928
<b>Deduct:</b>					
Reinsurance Outwards		7,886	61,433	69,319	36,599
Net Written Premiums		125,392	153,319	278,711	158,329
Commissions Received		1,157	19,348	20,505	9,793
		126,549	172,667	299,216	168,122
<b>OUTGO:</b>					
Direct Claims Paid		11,276	70,143	81,419	71,695
Reinsurance Claims Paid		-	-	-	-
Withdrawals		5,271	-	5,271	1,901
Gross Claims Paid		16,547	70,143	86,690	73,596
<b>Deduct:</b>					
Reinsurance Claims Recoveries		-	3,663	3,663	5,352
Net Claims Paid		16,547	66,480	83,027	68,244
Provision for Outstanding Claims		122	38,142	38,264	-
Claims Incurred		16,669	104,622	121,291	68,244
Surrenders		106	-	106	2,025
Acquisition Expenses		21,252	36,303	57,555	42,861
Maintenance Expenses		9,630	15,185	24,815	18,891
Transfer to Life Funds		159,188	155,684	314,872	19,462
		206,845	311,794	518,639	151,483
Underwriting Profits Transferred to Profit and Loss Account		(80,296)	(139,127)	(219,423)	16,639

The accounting policies on pages 8 to 9 and the Notes on pages 21 to 31 form part of these Accounts.

## Statement of Cash Flows

For the year ended  
31st December, 2005

	2 0 0 5		2 0 0 4	
	N'000	N'000	N'000	N'000
<b>Cash flow from operating activities</b>				
Premium Received From Policy Holders	4,528,802		3,875,974	
Reinsurance Claims Recoveries	187,038		186,352	
Commissions Received	153,470		114,945	
Cash Paid To And On Behalf Of Employees	(375,692)		(272,599)	
Reinsurance Premiums Paid	(572,634)		(540,495)	
Claims Paid	(1,549,367)		(1,376,673)	
Commissions Paid	(636,829)		(562,161)	
Companies Income Tax Paid	(52,401)		(46,528)	
Other Operating Cash Payments	<u>(719,401)</u>		<u>(871,632)</u>	
<b>Net Cash Provided By Operating Activities</b>		<b>962,986</b>		<b>507,183</b>
<b>Cash Flows From Investing Activities</b>				
Purchase of Fixed Assets	(132,888)		(72,335)	
Sale of Fixed Assets	5,276		4,064	
Purchase of Liquid Investments	(1,757,273)		(1,038,683)	
Sale of Liquid Investments	2,135,429		352,706	
Sale of Other Investments	20,823		11,439	
Purchase of Other Investments	(481,345)		(294,279)	
Dividends Received	192,850		215,442	
Rent Received	19,337		15,724	
Interest Received	<u>163,737</u>		<u>172,597</u>	
<b>Net Cash Provided By Investing Activities</b>		<b>165,946</b>		<b>(633,325)</b>
<b>Cash Flows From Financing Activities</b>				
Interest Paid	(50,623)		(35,566)	
Issue of Ordinary Shares	450,817		-	
Dividends Paid	(125,000)		(105,000)	
Loans Received	20,700		600,000	
Repayment of Loans	<u>(300,000)</u>		<u>(113,811)</u>	
<b>Net Cash Provided By Financing Activities</b>		<b>(4,106)</b>		<b>345,623</b>
<b>Net Increase In Cash And Cash Equivalents</b>		<b>1,124,826</b>		<b>219,481</b>
Cash and cash equivalents at the beginning of the year (Note 19)		<u>1,182,266</u>		<u>962,785</u>
Cash and cash equivalents at the end of the year (Note 19)		<u><b>2,307,092</b></u>		<u><b>1,182,266</b></u>

The accounting policies on pages 8 to 9 and the Notes on pages 21 to 31 form part of these Accounts.

## Notes on the Accounts

NOTE	2005		2004	
	N'000		N'000	
<b>1</b>	<b>DEBTORS AND PREPAYMENTS</b>			
	<b>THE COMPANY</b>			
	Outstanding Premiums	384,605	265,571	
	Due From Policy Holders	40,812	22,846	
	Agency Loans	5,103	3,762	
	Staff Loans	17,910	23,942	
	Other Debtors	239,575	151,252	
		<u>688,005</u>	<u>467,372</u>	
	Less Provision For Bad Debts	7,692	-	
		680,313	467,372	
	Prepaid Rent	27,136	7,611	
		<u>707,449</u>	<u>474,983</u>	
<b>1.1</b>	<b>GENERAL BUSINESS</b>			
	Outstanding Premiums	384,605	265,571	
	Staff Loans	16,031	21,073	
	Other Debtors	25,092	2,418	
		<u>425,728</u>	<u>89,062</u>	
	Less Provision For Bad Debts	7,692	-	
		418,036	289,062	
	Prepaid Rent	27,136	7,611	
		<u>445,172</u>	<u>296,673</u>	
<b>1.2</b>	<b>LIFE AND PENSIONS</b>			
	Outstanding Premiums	-	-	
	Due From Policy Holders	40,812	22,846	
	Agency Loans	5,103	3,762	
	Staff Loans	1,879	2,869	
	Other Debtors	214,483	148,834	
		<u>262,277</u>	<u>178,311</u>	
	Less Provision For Bad Debts	-	-	
		<u>262,277</u>	<u>178,311</u>	
<b>1.3</b>	<b>DEFERRED ACQUISITION EXPENSES</b>			
	Commissions on Unearned Premiums	108,865	-	
		<u>108,865</u>	<u>-</u>	
<b>2</b>	<b>LONG TERM INVESTMENTS</b>			
		2005	2005	2004
		Market	Cost	Market
		Value		Value
		N'000	N'000	N'000
	<b>THE COMPANY</b>			
<b>(a)</b>	<b>QUOTED</b>			
	Government Bonds	60,000	60,000	28,812
	Ordinary Shares	4,521,597	2,742,141	4,004,453
	Debenture Stock	12,071	12,310	7,391
		<u>4,593,668</u>	<u>2,814,451</u>	<u>4,040,656</u>
	Excess of Market Value on Cost	-	1,779,217	-
		<u>4,593,668</u>	<u>4,593,668</u>	<u>4,040,656</u>
<b>(b)</b>	<b>UNQUOTED</b>			
	Ordinary Shares		1,631,603	1,155,095
	Real Estate		383,012	378,175
			<u>2,014,615</u>	<u>1,533,270</u>
	<b>TOTAL</b>		<u>6,608,283</u>	<u>5,573,926</u>

## Notes on the Accounts

Continued

NOTE	2005 Market Value N'000	2005 Cost N'000	2004 Market Value N'000	2004 Cost N'000
2.1 GENERAL BUSINESS				
(a) QUOTED				
Government Bonds	30,000	30,000	9,604	10,000
Ordinary Shares	3,175,518	1,928,632	2,582,863	1,036,429
Debenture Stock	11,310	11,310	1,310	1,310
	<u>3,216,828</u>	<u>1,969,942</u>	<u>2,593,777</u>	<u>1,047,739</u>
Excess of Market Value on Cost	-	1,246,886	-	1,546,038
	<u>3,216,828</u>	<u>3,216,828</u>	<u>2,593,777</u>	<u>2,593,777</u>
(b) UNQUOTED				
Ordinary Shares		899,186		976,574
Real Estate		<u>62,878</u>		<u>62,878</u>
		962,064		1,039,452
TOTAL		<u>4,178,892</u>		<u>3,633,229</u>
2.2 LIFE FUNDS INVESTMENTS				
(a) QUOTED				
Government Bonds	30,000	30,000	19,208	20,000
Ordinary Shares	1,346,079	813,509	1,421,590	792,566
Debenture Stock	<u>761</u>	<u>1,000</u>	<u>6,082</u>	<u>6,082</u>
	<u>1,376,840</u>	<u>844,509</u>	<u>1,446,880</u>	<u>818,648</u>
Excess of Market Value on Cost	-	532,331	-	628,232
	<u>1,376,840</u>	<u>1,376,840</u>	<u>1,446,880</u>	<u>1,446,880</u>
(b) UNQUOTED				
Ordinary Shares		732,417		178,521
Real Estate		<u>320,134</u>		<u>315,297</u>
		<u>1,052,551</u>		<u>493,818</u>
TOTAL		<u>2,429,391</u>		<u>1,940,698</u>

As stated in accounting policy 6, quoted investments are stated at market value at the balance sheet date with effect from 2004. The excess of market value over cost has been taken to 'Equities Price Equalization Reserve'.



## Notes on the Accounts

Continued

	2005 Market Value N'000	2005 Cost N'000	2004 Market Value N'000	2004 Cost N'000
<b>NOTE</b>				
<b>3 OTHER INVESTMENTS THE COMPANY</b>				
Mortgage Loans		41,492		46,954
Other Loans		80,627		95,988
		<u>122,119</u>		<u>142,942</u>
<b>3.1 GENERAL BUSINESS</b>				
Mortgage Loans		36,982		41,420
Other Loans		21,142		31,314
		<u>58,124</u>		<u>72,734</u>
<b>3.2 LIFE AND PENSIONS</b>				
Mortgage Loans		4,510		5,534
Other Loans		59,485		64,674
		<u>63,995</u>		<u>70,208</u>
<b>4 STATUTORY DEPOSITS</b>				
Non - Life Business		20,000		20,000
Life and Pensions Business		15,000		15,000
		<u>35,000</u>		<u>35,000</u>

These represent amounts deposited with the Central Bank of Nigeria in accordance with the provisions of the Insurance Act 2003.

5	<b>FIXED ASSETS</b>					
	Land and Buildings N'000	Office Equipment & Generators N'000	Computer Equipment N'000	Furniture & Fittings N'000	Motor Vehicles N'000	Total N'000
<b>THE COMPANY</b>						
<b>COST/VALUATION</b>						
Balance as at 01/01/2005	308,117	100,579	156,432	74,537	209,211	848,877
Additions	6,346	10,498	38,174	16,395	61,475	132,889
Disposals	(7,598)	(1,051)	-	-	(10,963)	(19,612)
Balance as at 31/12/2005	<u>306,865</u>	<u>110,026</u>	<u>194,606</u>	<u>90,933</u>	<u>259,723</u>	<u>962,154</u>
<b>DEPRECIATION</b>						
Balance as at 01/01/2005	35,912	73,051	131,640	55,817	149,637	446,057
Charge For The Year	4,735	8,253	30,973	8,924	45,590	98,475
On Disposals	(1,520)	(1,014)	-	-	(14,269)	(16,803)
Balance as at 31/12/2005	<u>39,127</u>	<u>80,290</u>	<u>162,613</u>	<u>64,741</u>	<u>180,958</u>	<u>527,729</u>
<b>NET BOOK VALUE</b>						
31st December, 2005	<u>267,738</u>	<u>29,736</u>	<u>31,993</u>	<u>26,192</u>	<u>78,765</u>	<u>434,425</u>
31st December, 2004	<u>272,205</u>	<u>27,528</u>	<u>24,792</u>	<u>18,721</u>	<u>59,574</u>	<u>402,820</u>

## Notes on the Accounts

Continued

## 5 FIXED ASSETS

	Land and Buildings	Office Equipment & Generators	Computer Equipment	Furniture & Fittings	Motor Vehicles	Total
	N'000	N'000	N'000	N'000	N'000	N'000
<b>5.1 GENERAL BUSINESS COST/VALUATION</b>						
Balance as at 01/01/2005	284,317	89,326	135,958	61,497	183,485	754,583
Additions	5,580	6,205	37,711	14,567	56,080	120,143
Disposals	(7,598)	(1,051)	-	-	(10,963)	(19,612)
Balance as at 31/12/2005	<u>282,299</u>	<u>94,480</u>	<u>173,669</u>	<u>76,065</u>	<u>228,602</u>	<u>855,114</u>
<b>DEPRECIATION</b>						
Balance as at 01/01/2005	32,666	66,073	115,476	49,245	132,525	395,985
Charge For The Year	4,243	5,745	26,799	6,083	38,666	81,536
On Disposals	(1,520)	(1,014)	-	-	(14,269)	(16,803)
Balance as at 31/12/2005	<u>35,389</u>	<u>70,804</u>	<u>142,275</u>	<u>55,328</u>	<u>156,922</u>	<u>460,718</u>
<b>NET BOOK VALUE</b>						
31st December, 2005	<u>246,910</u>	<u>23,676</u>	<u>31,394</u>	<u>20,736</u>	<u>71,680</u>	<u>394,396</u>
31st December, 2004	<u>251,650</u>	<u>23,253</u>	<u>20,483</u>	<u>12,252</u>	<u>50,959</u>	<u>358,597</u>
<b>5.2 LIFE AND PENSIONS COST/VALUATION</b>						
Balance as at 01/01/2005	23,800	11,254	20,474	13,040	25,726	94,294
Additions	766	4,293	463	1,828	5,395	12,745
Disposals	-	-	-	-	-	-
Balance as at 31/12/2005	<u>24,566</u>	<u>15,547</u>	<u>20,937</u>	<u>14,868</u>	<u>31,121</u>	<u>107,039</u>
<b>DEPRECIATION</b>						
Balance as at 01/01/2005	3,245	6,978	16,165	6,571	17,112	50,071
Charge For The Year	492	2,508	4,174	2,841	6,924	16,939
On Disposals	-	-	-	-	-	-
Balance as at 31/12/2005	<u>3,737</u>	<u>9,486</u>	<u>20,339</u>	<u>9,412</u>	<u>24,036</u>	<u>67,010</u>
<b>NET BOOK VALUE</b>						
31st December, 2005	<u>20,829</u>	<u>6,061</u>	<u>598</u>	<u>5,456</u>	<u>7,085</u>	<u>40,029</u>
31st December, 2004	<u>20,555</u>	<u>4,275</u>	<u>4,309</u>	<u>6,469</u>	<u>8,615</u>	<u>44,223</u>

The Company's fixed assets were revalued on 31st December, 1987 by Messrs Jide Taiwo & Co. The surplus arising from the revaluation has been credited to a fixed assets revaluation account as capital reserve. Subsequent additions are stated at cost. The balance of revaluation surplus account in respect of items disposed are being transferred to income as provided by SAS 3.

## Notes on the Accounts

Continued

NOTE	2005 N'000	2004 N'000
<b>6 CREDITORS AND ACCRUALS THE COMPANY</b>		
Amount Falling Due Within One Year:		
Creditors	586,617	795,118
Taxation (Note 15)	96,565	66,444
Proposed Dividends	126,803	125,000
	<u>809,985</u>	<u>986,562</u>
<b>6.1 GENERAL BUSINESS</b>		
Amount Falling Due Within One Year:		
Creditors	522,896	750,107
Taxation (Note 16a)	96,565	62,979
Proposed Dividends	126,803	125,000
	<u>746,264</u>	<u>938,086</u>
<b>6.2 LIFE AND PENSIONS</b>		
Amount Due To Reinsurers	7,298	1,793
Premium Deposits	34,748	20,306
Taxation (Note 16b)	-	3,465
Other Creditors	21,675	22,911
	<u>63,721</u>	<u>48,475</u>
<b>7 LIABILITY FOR ADMINISTERED DEPOSITS</b>		
Balance at 1st January	1,886,647	1,282,347
Deposits Received	966,323	768,359
Guaranteed Interest	250,087	152,223
	<u>3,103,057</u>	<u>2,202,930</u>
Less Withdrawals	<u>499,772</u>	<u>316,283</u>
Balance at 31st December	<u>2,603,285</u>	<u>1,886,647</u>
<b>7.1 MANAGED FUNDS</b>		
The Company manages private funds under third party custodial arrangements. The assets of the funds at the balance sheet date, which have been excluded in the Company's balance sheet, were as follows:		
Quoted Investments	501,985	182,302
Bank Deposits and Leases	1,070,922	1,010,421
Net Current Assets/(Liabilities)	10,000	16,888
	<u>1,582,907</u>	<u>1,209,611</u>

## Notes on the Accounts

Continued

NOTE	2005 N'000	2004 N'000
<b>8 INSURANCE FUNDS</b>		
<b>8.1 GENERAL BUSINESS</b>		
(a) Reserve For Unexpired Risks		
Motor	282,208	210,956
Fire	171,773	102,616
General Accident	82,194	60,919
Marine and Aviation	178,096	130,689
Workmen's Compensation	13,894	10,400
Bond	39,901	30,621
Engineering	44,943	31,485
	<u>813,009</u>	<u>577,686</u>
(b) Provision For Outstanding Claims		
Motor	207,854	163,966
Fire	157,321	146,803
General Accident	206,761	269,722
Marine and Aviation	122,489	73,284
Workmen's Compensation	22,534	9,707
Bond	3,895	67,261
Engineering	31,643	32,725
	<u>752,497</u>	<u>763,468</u>
Total Insurance Funds	<u>1,565,506</u>	<u>1,341,154</u>
<b>8.2 LIFE AND PENSIONS</b>		
(a) Life and Pensions Funds		
Ordinary Life Funds	246,986	87,799
Group and Pensions Funds	294,085	138,401
	<u>541,071</u>	<u>226,200</u>
(b) Provision For Outstanding Claims		
Ordinary Life	122	-
Group and Pensions	38,142	-
Deposit Administration Scheme	977	-
	<u>39,241</u>	<u>-</u>
Total Life and Pensions Funds	<u>580,312</u>	<u>226,200</u>
<b>9 SHARE CAPITAL</b>		
Authorised		
Ordinary Shares of 50k each:		
Non - Life Business	1,500,000	750,000
Life and Pensions Business	500,000	250,000
	<u>2,000,000</u>	<u>1,000,000</u>
Issued and Fully Paid:		
Non - Life Business	825,409	350,000
Life and Pensions Business	150,000	150,000
	<u>975,409</u>	<u>500,000</u>

The authorized share capital was increased from ₦1,000,000,000 to ₦2,000,000,000 by an ordinary resolution of the Shareholders at their meeting of 7th June 2005. The increase was registered by the Corporate Affairs Commission on 22nd July 2005.

The capitalization of the reserve for bonus issue approved at the AGM in June 2005 together with the proceeds of the rights issue approved at an EGM in November 2005 increased paid up capital from ₦500,000,000 to ₦975,408,552 at the end of the year.

## Notes on the Accounts

Continued

NOTE				2 0 0 5 N'000	2 0 0 4 N'000
10	SHARE PREMIUM ACCOUNT				
	Balance as at 01.01.2005			10,699	10,699
	Additions during the year			225,409	-
				<u>236,108</u>	<u>10,699</u>
	Less amount capitalized			-	-
	Balance as at 31.12.2005			<u>236,108</u>	<u>10,699</u>
11	STATUTORY CONTINGENCY RESERVE				
11.1	GENERAL BUSINESS				
	Balance as at 1st January			350,809	277,937
	Transfer from General Reserve			82,054	72,871
	Balance as at 31st December			<u>432,863</u>	<u>350,808</u>
11.2	LIFE AND PENSIONS				
	Balance as at 1st January			7,375	5,426
	Transfer from Revenue Account			5,922	1,949
	Balance as at 31st December			<u>13,297</u>	<u>7,375</u>
	Total Statutory Contingency Reserve			<u>446,160</u>	<u>358,184</u>
12	OTHER RESERVES - (COMPANY)			2 0 0 5 Total	2 0 0 4 Total
		Assets Revaluation N'000	Bonus Issue N'000	Revenue N'000	N'000
	Balance at the beginning of the year	3,277	250,000	4,949	258,226
	Transfer from Profit and Loss Account	-	975,409	279,394	1,254,803
	Reserve for Bonus Issue Capitalized	-	(250,000)	-	(250,000)
	Balance at the end of the year	<u>3,277</u>	<u>975,409</u>	<u>284,343</u>	<u>1,263,029</u>
12.1	OTHER RESERVES - (GEN. BUSINESS)				
	Balance at the beginning of the year	3,219	250,000	4,949	258,168
	Transfer from Profit and Loss Account	-	975,409	226,094	1,201,503
	Reserve for Bonus Issue Capitalized	-	(250,000)	-	(250,000)
	Balance at the end of the year	<u>3,219</u>	<u>975,409</u>	<u>231,043</u>	<u>1,209,671</u>
12.2	OTHER RESERVES - (LIFE)				
	Balance at the beginning of the year	58	-	-	58
	Transfer from Profit and Loss Account	-	-	53,300	53,300
	Reserve for Bonus Issue Capitalized	-	-	-	-
	Balance at the end of the year	<u>58</u>	<u>-</u>	<u>53,300</u>	<u>58</u>
13	EQUITIES PRICE EQUALISATION RESERVE			2 0 0 5 N'000	2 0 0 4 N'000
	Excess of Market Value on Cost			1,779,217	2,174,270
	Provision For Diminution in Market Value			29,225	34,995
				<u>1,808,442</u>	<u>2,209,265</u>

## Notes on the Accounts

Continued

NOTE	2 0 0 5 Total		2 0 0 4 Total	
	N'000		N'000	
<b>13.1 GENERAL BUSINESS</b>				
Excess of Market Value on Cost	1,246,886		1,546,038	
Provision For Diminution in Market Value	19,550		21,275	
	<u>1,266,436</u>		<u>1,567,313</u>	
<b>13.2 LIFE AND PENSIONS</b>				
Excess of Market Value on Cost	532,331		628,232	
Provision For Diminution in Market Value	9,675		13,720	
	<u>542,006</u>		<u>641,952</u>	
<b>14 PREMIUM EARNED AND UNDERWRITING PROFITS</b>				
	2 0 0 5		2 0 0 4	
	Premium Earned	Under- Writing Profits	Premium Earned	Under- Writing Profits
	N'000		N'000	
General Business				
Motor	1,060,724	347,817	1,149,721	514,968
Fire	336,178	81,962	346,795	71,242
General Accident	497,361	260,701	467,468	169,583
Marine and Aviation	308,785	86,279	187,736	37,165
Workmen's Compensation	23,871	6,106	559	(20,573)
Bond	123,744	150,793	67,382	2,001
Engineering	125,149	98,007	118,376	71,105
	<u>2,475,811</u>	<u>1,031,665</u>	<u>2,338,037</u>	<u>845,491</u>
Life and Pensions				
Individual Life	(33,795)	(80,296)	27,131	3,008
Group and Pensions	(2,365)	(139,126)	111,737	13,631
	<u>(36,160)</u>	<u>(219,422)</u>	<u>138,868</u>	<u>16,639</u>
	<u>2,439,651</u>	<u>812,243</u>	<u>2,476,905</u>	<u>862,130</u>

## Notes on the Accounts

Continued

	2 0 0 5 N'000	2 0 0 4 N'000
15	<b>PROFIT BEFORE TAX</b>	
	Profit Before Tax is stated After Charging:	
	81,536	55,061
	3,000	3,000
	35,460	27,228
	And Crediting:	
	635,671	406,235
16	<b>TAXATION</b>	
16a	44,510	39,115
	-	18,525
	5,202	6,802
	49,712	64,442
	36,275	-
	85,987	64,442
	62,979	45,085
	(52,401)	(46,548)
	96,565	62,979
16b	<b>LIFE AND PENSIONS</b>	
	-	3,465
	96,565	66,444
17	<b>DEFERRED TAXATION</b>	
	36,275	-

Up to 2004, the company had not been providing for deferred taxation. With effect from 2005, however, provision is now made on the difference between the Net Book Value of the qualifying fixed assets and their Tax Written Down Values. As at 31st December 2005, the Deferred Tax liability is N71,527,476 which is being amortized over two years.

	2 0 0 5 N'000	2 0 0 4 N'000
18	<b>GROSS PREMIUM WRITTEN</b>	
	Non-Life	
	1,180,309	1,171,131
	684,110	580,449
	563,287	485,291
	402,519	361,714
	33,438	23,480
	161,207	112,571
	189,579	178,051
	3,214,449	2,912,687
	Life and Pensions	
	133,278	35,241
	214,752	159,687
	966,323	768,359
	1,314,353	963,287
	4,528,802	3,875,974
	<b>Total</b>	



## Notes on the Accounts

Continued

NOTE	2 0 0 5 N'000	2 0 0 4 N'000
<b>19 CASH AND CASH EQUIVALENTS</b> The Cash and Cash Equivalents included in the Cash Flow Statement are made up of:		
Cash at bank and in hand	649,806	170,828
Cash on deposit	<u>1,657,287</u>	<u>1,011,438</u>
	<u><u>2,307,093</u></u>	<u><u>1,182,266</u></u>
<b>20 EXTRA-ORDINARY ITEM</b> Profit on Sale of Quoted Equities for purposes of Capitalization	<u>828,091</u>	-
<b>21 ACTUARIAL VALUATION</b> The latest available actuarial valuation of the life and pensions fund was as at 31st December, 2004. The book value of the life and pensions fund as at that date exceeded its net actuarial liabilities by N5,848.		
<b>22 CHAIRMAN'S AND OTHER DIRECTORS' EMOLUMENTS</b>		
(a) Emoluments		
Chairman	1,242	1,255
Other Directors	<u>34,218</u>	<u>26,009</u>
	<u><u>35,460</u></u>	<u><u>27,264</u></u>
As Directors' Fees	870	870
Other Emoluments	<u>34,590</u>	<u>26,394</u>
	<u><u>35,460</u></u>	<u><u>27,264</u></u>
(b) The number of Directors whose emoluments were within the following ranges were:		
Up to 800,000	-	-
800,001 - 900,000	1	-
900,001 - 1,000,000	1	-
1,000,001 - 1,100,000	-	1
1,100,001 - 1,200,000	-	1
1,200,001 - 1,300,000	1	1
1,300,001 - 1,400,000	-	-
1,400,001 - 1,500,000	-	-
Above 1,500,000	4	4

## Notes on the Accounts

Continued

### 23 GUARANTEE AND OTHER FINANCIAL COMMITMENTS

- (a) The Company did not charge any of its assets to secure liabilities of third parties.
- (b) Capital expenditure contracted but not provided in the Accounts was NIL.
- (c) The company maintains a pension scheme for the benefit of its employees.
- (d) The Company's contribution to the scheme is charged to the profit and loss account each year.
- (e) The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of the Accounts under review.

24 POST BALANCE SHEET EVENT NIL

### 25 APPROVAL OF THE ACCOUNTS

The Accounts were approved by the Board of Directors on 15th day of March 2006.

## Value Added Statement

For the year ended  
31st December, 2005

	2 0 0 5		2 0 0 4	
	N'000	%	N'000	%
<b>INCOME</b>				
Gross premium written	4,528,802		3,875,974	
Commissions received	153,471		114,945	
Investment and other income	<u>2,058,779</u>		<u>561,459</u>	
	<u>6,741,052</u>		<u>4,552,378</u>	
<b>LESS:</b>				
Reinsurances, Claims and Commissions:				
Local	1,750,239		1,793,981	
Overseas	259,852		270,682	
Other expenses and services	<u>1,654,717</u>		<u>805,897</u>	
	<u>3,664,808</u>		<u>2,870,560</u>	
<b>VALUE ADDED</b>	<u>3,076,244</u>	<u>100.00</u>	<u>1,681,817</u>	<u>100.00</u>
<b>APPLIED AS FOLLOWS:</b>				
To pay employees' salaries, wages and other benefits	436,626	14.19	393,743	23.41
To pay taxation and insurance levy	122,044	3.97	65,916	3.92
Transfer to Reserve for Bonus Issue	975,409	31.71	250,000	14.86
To pay dividends	126,803	4.12	125,000	7.43
Transfer to contingency reserve	85,535	2.78	74,821	4.45
Transfer to insurance funds	951,960	30.95	699,219	41.58
Depreciation	98,473	3.20	60,559	3.60
Retained Profits	279,394	9.08	12,559	0.75
	<u>3,076,244</u>	<u>100.00</u>	<u>1,681,817</u>	<u>100.00</u>

**NOTE**

Value added represents the additional wealth created by the Company's efforts and those of its employees. This statement shows the allocation of that wealth among employees, government, capital providers and that retained by the business for future creation of wealth.

## Five-Year Financial Summary

	2005 N'000	2004 N'000	2003 N'000	2002 N'000	2001 N'000
<b>RESULTS</b>					
Gross premium written	4,528,802	3,875,974	2,904,193	2,292,354	1,894,870
Net Premium written	3,956,391	3,335,479	2,425,106	1,877,608	1,537,587
Premium earned	2,439,651	2,476,906	2,065,949	1,331,342	1,035,580
Profit before tax	727,478	510,674	347,573	100,785	84,257
Profit after tax	641,491	446,232	306,427	87,241	78,999
Dividends	126,803	125,000	105,000	50,000	39,531
Earnings per share (Actual)	32.88k	44.62k	43.78k	21.81k	24.98k
Dividends per share (Actual)	6.50k	12.50k	15.00k	12.50k	12.50k
Earnings per share (Adjusted)	32.88k	22.87k	15.71k	4.47k	4.05k
Dividends per share (Adjusted)	6.50k	6.41k	5.38k	2.56k	2.03k
<b>BALANCE SHEETS</b>					
<b>Assets</b>					
Current Assets	3,088,407	1,622,250	1,301,868	1,083,097	1,215,568
Long Term Investments	6,730,402	5,716,869	4,203,709	1,638,037	1,584,156
Statutory Deposits	35,000	35,000	35,000	13,500	13,500
Fixed Assets	434,426	402,820	411,693	309,969	301,589
<b>Total Assets</b>	<b>10,288,236</b>	<b>7,776,939</b>	<b>5,952,270</b>	<b>3,044,603</b>	<b>3,114,813</b>
<b>Liabilities</b>					
Current Liabilities	3,413,270	2,873,209	1,882,042	1,528,645	1,254,945
Insurance Funds	2,145,818	1,567,354	1,444,007	1,063,085	854,858
Managed Funds	-	-	-	-	630,293
Share Capital	975,409	500,000	350,000	200,000	158,126
Share Premium	236,108	10,699	10,699	10,699	10,699
Reserves	3,517,631	2,825,677	2,265,522	242,174	205,892
<b>Total Liabilities</b>	<b>10,288,236</b>	<b>7,776,939</b>	<b>5,952,270</b>	<b>3,044,603</b>	<b>3,114,813</b>

## Leadway at a Glance

YEAR OF INCORPORATION	1970
COMMENCEMENT OF OPERATIONS	1971
FINANCIAL YEAR END	31st December
AUTHORISED SHARE CAPITAL	₦2 billion
SHAREHOLDERS' FUNDS	₦4.7 billion
CLASSIFICATION	All classes of Insurance, Managed Funds & Trusteeship.
NO. OF BRANCHES	16
SUBSIDIARIES	Leadway Trustees Limited Leadway Properties & Investments Ltd.
ASSOCIATE	Pensure PFA Limited
NUMBER OF EMPLOYEE	330 (as at 31 <sup>st</sup> December 2005)
FOUNDER	Sir Hassan O. Odukale (1926-1999)
MANAGEMENT	Mr. O. Hassan-Odukale, MFR (MD/CEO) Mr. Olawale O. Oyedele (ED) Mr. B. Hassan-Odukale (Adjunct) Mr. O. Ayanbule (GM) Mr. John A. Ajadi (GM) Mr. Muftau O. Oyegunle (GM) Mr. Abiodun Foluso (DGM) Mr. Bayo Okuwobi (DGM) Ms. Adetola Adegbayi (AGM) Mr. Olasoji A. Tehingbola (AGM) Mr. Adetayo A. Adekunle (AGM)

## Guidelines for the Insurance Sector Reform and Consolidation

### Note on Capital Base Compliance

In accordance with “Capital Base” as defined by National Insurance Commission (NAICOM) under its guidelines for the Insurance Sector Reform and Consolidation of 30th of September, 2005, Leadway Assurance Company Limited has met its capital requirements by 95% as at 31st of December, 2005.

The breakdown is as follows:

	N'000
Paid-up share Capital	975,409
Share Premium Account	236,108
Statutory Contingency Reserve	446,161
Other Reserves	1,263,029
Equities Price Equalization Reserve	<u>1,808,441</u>
Shareholders' Funds	<u>4,729,148</u>
Composite Company Capital Base Requirement	5,000,000