



VERITAS KAPITAL ASSURANCE PLC

UNAUDITED FINANCIAL STATEMENTS FOR 9 MONTHS ENDED

SEPTEMBER 30, 2020

Report and Financial Statements for Period ended 30 September 2020

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Statement of Financial Position
As at September 30, 2020

	Note	30-9-2020 Company N'000	31-12-2019 Company N'000
ASSETS			
Cash and cash equivalents	3	3,094,912	3,659,345
Financial assets	4	2,813,602	1,303,071
Trade receivable	5	92,021	
Reinsurance assets	6	1,800,846	389,960
Deferred acquisition cost	7	156,723	107,340
Other receivables and prepayments	8	196,767	409,596
Investment in subsidiaries	9	1,576,300	1,576,300
Investment properties	11	289,440	412,111
Intangible assets - Software	13	28,834	40,253
Property, plant and equipment	14	2,955,829	2,893,407
Statutory deposits	15	355,000	355,000
Total Assets		13,360,274	11,146,383
Liabilities:			
Insurance contract liabilities	16	3,469,789	2,007,596
Trade payables	17	781,941	229,840
Employees retirement benefit obligations	18	-	-
Provision and other payables	19	354,553	377,934
Income tax liabilities	20	89,182	40,923
Deferred Tax Liabilities	21.2	542,136	542,136
Total Liabilities		5,237,601	3,198,429
EQUITY & LIABILITIES			
<i>Share capital & reserves:</i>			
Minimum paid up capital	22	6,933,333	6,933,333
Share premium	23	663,600	663,600
Statutory Contingency reserves	24	1,087,590	939,949
Retained earnings	25	(2,413,259)	(2,440,338)
Asset revaluation reserve	26a	1,809,964	1,809,964
Fair value reserve	26b	41,446	41,446
Total Equity		8,122,673	7,947,954
Total Equity & Liabilities		13,360,274	11,146,383

This Financial statement were approved by the board of Directors on October 21, 2020 and signed on its behalf by:



Mojeed Somorin
 Chief Finance Officer
 FRC/2017/ICAN/00000016849



Kenneth Egbaran
 Managing Director/CEO
 FRC/2015/CIIN/00000011953

The accompany notes on pages 5 to 20 forms an integral part of these financial statements.

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BOARD OF DIRECTORS

Non-Executive Directors:

Thomas Etuh (Chairman)
 Ibrahim Muhammad Kashim
 Priyal Heal
 Sen. Maj. General Mohammed Magoro OFR.
 Nahim Abe Ibraheem
 Yabawa Lawan Wabi, mni
 Aminu Babangida
 Oluwafunsho Obasanjo

Executive Directors:

Kenneth E. Egbaran (MD/CEO)

Statement of Profit or Loss and Other
Comprehensive income for the period ended September 30, 2020



	Note	2020 Company N'000	2019 Company N'000
Gross Premium written		4,921,362	2,454,316
Gross Premium Income	28	3,197,112	2,348,884
Reinsurance Expenses	29	(1,744,677)	(682,893)
Net premium income		1,452,436	1,665,991
Fees and commission income	30	171,806	124,212
Net underwriting income		1,624,242	1,790,203
Insurance claims and benefits paid- Gross (including loss adjustment expenses)	31	(359,465)	(559,554)
Underwriting expenses	32	(418,956)	(441,837)
Underwriting result		845,821	788,811
Investment income	34	451,905	429,761
Fair value changes in financial assets-FVTPL	4a&b	(1,797)	(5,256)
Fair value changes in investment property	11	-	-
Other operating income	35	19,106	31,809
Impairment of financial assets	36.2	-	-
Management expenses	36.1	(1,065,435)	(1,051,286)
Profit\Loss before tax		249,600	193,839
Income tax expense	37	(74,880)	(111,008)
Profit\Loss for the year from continuing operations		174,720	82,831

The accompany notes on pages 5 to 20 forms an integral part of these financial statements.

Statement of Changes in Equity
for the period ended September 30, 2020
Company-2020

	Share Capital	Share Premium	Asset revaluation reserve	Fair value reserve	Contingency Reserve	Retained Earnings	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
As at 1 January 2020	6,933,333	663,600	1,809,965	41,446	939,949	(2,440,339)	7,947,954
Impact of transition to IFRS 9							
Adjusted opening earnings	6,933,333	663,600	1,809,964	41,446	939,949	(2,440,338)	7,947,954
Transferred from statement of Profit or loss for the year	-	-	-	-	-	-	174,720
Other Comprehensive Income:	-	-	-	-	-	-	-
Changes in fair value of AFS Investments	-	-	-	-	-	-	-
Total Comprehensive Income	6,933,333	663,600	1,809,964	41,446	939,949	(2,265,618)	8,122,674
Transfer to Contingency Reserve					147,641	(147,641)	-
Transactions with owners of equity							
Dividends to equity holders							
As at September 30 2020	6,933,333	663,600	1,809,964	41,446	1,087,590	(2,413,259)	8,122,674
As at 1 January 2019							
Impact of transition to IFRS 9							
Adjusted opening earnings	6,933,333	663,600	1,773,780	34,501	851,335	(2,475,146)	7,781,403
Transferred from statement of Profit or loss for the year							
Other Comprehensive Income:	-	-	-	-	-	-	82,831
Changes in fair value of AFS Investments	-	-	-	-	-	-	-
Total Comprehensive Income	6,933,333	663,600	1,773,780	34,501	851,335	(2,392,315)	7,864,234
Transfer to Contingency Reserve					73,629	(73,629)	-
Transactions with owners of equity							
Dividends to equity holders							
As at September 30 2019	6,933,333	663,600	1,773,780	34,501	924,964	(2,465,945)	7,864,234

The accompany notes on pages 5 to 20 forms an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR PERIOD ENDED SEPTEMBER 30, 2020

		2020	2019
		Company	Company
		N'000	N'000
Cash flows from operating activities			
Premium received	28	4,921,362	2,454,316
Commission received	30	171,806	124,212
Reinsurance receipts in respect of claims	31(a)	331,497	
Other operating receipts	35	18,748	31,809
Cash paid to and on behalf of employees	36	(447,425)	(572,565)
Reinsurance premium paid	29	(3,234,427)	(912,482)
Insurance benefits and claims paid	31	(953,020)	(412,912)
Underwriting expenses	32	(468,339)	(414,222)
Cash paid to intermediaries and other suppliers		(87,077)	(143,681)
Company income tax paid	20	(26,622)	52,857
Net cash used in/from operating activities		226,504	207,333
Cash flow from Investing Activities			
Purchase of property and equipment	14	(110,219)	(143,457)
Purchase of intangible assets	13b	-	(5,000)
Proceed from sale of property and equipment		-	322
Proceed from sales of equity investment			
Dividend income	34	6,193	5,184
Interest receivables	34	445,712	395,388
Purchase of held to maturity		(1,132,623)	(1,824,656)
Redemption/repayment of HTM			
Purchase of investment property	11	-	-
Net cash provided by investing activities		(790,937)	(1,572,219)
Cash flow from Financing Activities			
Dividend paid		-	-
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash and cash equivalent		(564,433)	(1,364,887)
Cash and cash equivalent at the beginning		3,659,345	3,981,106
Cumulative effect of transition to IFRS 9(ECL)			(13,560)
Cash and cash equivalent at the end of the year		3,094,912	2,616,220

The accompany notes on pages 5 to 20 forms an integral part of these financial statements.

NOTE TO THE FINANCIAL STATEMENT FOR THE PERIOD ENDED September 30, 2020

General information

Veritas Kapital Assurance Plc('the company') was initially incorporated under the name of Kapital Insurance Company Limited as a private Limited liability company on the 8 September, 1973. On 14 March 2007, it acquired and merged with two other insurance companies and became a public liability company .Its shares are quoted on the Nigeria Stock Exchange.

Its Head office is located at 497 Abogo Largema Street, off Constitution Avenue, Central Business District, Abuja. Nigeria

The principal business of the company is underwriting of non-life insurance risks.
The Company has 93.46% equity interest in Health Care Security Limited and 70% interest in Veritas Glanvills Pensions Limited. These two subsidiary companies together with the Company constitute the Group.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are disclosed under General information on the Reporting Entity and Summary of Significant Accounting Policies. These policies have been consistently applied to all the years presented unless otherwise stated.

3 Cash and cash equivalents

This comprises of :

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
Cash at hand	855	465
Cash at Bank	(404,594)	202,663
Staff gratuity fund assets	12,760	18,197
Short term deposit (3a)	3,491,722	3,443,851
	<u>3,100,743</u>	<u>3,665,176</u>
Adjustment for ECL on Short Term Deposit (note 3.1)	(5,831)	(5,831)
Total	<u><u>3,094,912</u></u>	<u><u>3,659,345</u></u>

3.1 Movement in Adjustment ECL

01-Jan-20	5,831	13,560
Opening ECL adjustment on transition date	-	-
Charge during the year	-	(7,729)
30-Sep-20	<u><u>5,831</u></u>	<u><u>5,831</u></u>

In compliance with section 19(3) of Insurance Act 2003, the short term deposit is financed as follows:

a

Financed by Insurance fund	3,469,789	2,007,596
Financed by other funds	21,933	1,436,255
Total short term deposit	<u><u>3,491,722</u></u>	<u><u>3,443,851</u></u>

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
4 Financial Assets		
This comprises of:		
Fair value through profit or loss-quoted equities (note 4a)	51,574	46,616
Amortised Cost (Note 4b)	2,187,438	1,212,739
Fair Value through OCI (Note 4e)	574,591	252,743
	<u>2,813,602</u>	<u>1,512,098</u>
Current	-	1,212,739
Non-current	<u>2,813,602</u>	<u>299,359</u>
	<u>2,813,602</u>	<u>1,512,098</u>

a These are quoted equities on the Nigerian Stock Exchange. The fair value is determined by reference to the quoted closing bid price at the end of the reporting period and are derived as follows:

	Company 30-Sep-20 N'000	Company 31-Dec-19 N'000
Cost		
Balance at 1 January	50,664	50,664
Additions during the year	6,755	-
Disposal during the year	-	-
Balance, at September 30, 2020	<u>57,419</u>	<u>50,664</u>
Market value reserve		
Balance at 1 January	(4,048)	4,373
Disposal in the year	-	-
Fair value gain/loss	(1,797)	(8,421)
Balance, at September 30, 2020	<u>(5,845)</u>	<u>(4,048)</u>
Fair value as at September 30, 2020	<u>51,574</u>	<u>46,616</u>

b Investment at amortised cost are measured using the effective interest method and assessed for impairment for uncollectibility at the end of each reporting period.

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
FGN treasury bills	-	209,026
ECL Charge- FGN Treasury bill	-	-
State/FGN government bonds	-	-
Corporate bond	2,187,438	1,003,713
ECL Charge- Tak Agro Bond	-	-
	<u>2,187,438</u>	<u>1,212,739</u>

c The fair value of some of the unlisted equity investments could not be reliably determined at the end of the reporting period. As such, those unlisted equity investments have been accounted for at cost less impairment. Management believes that the recoverable amount of these unlisted investments is not significantly different from the carrying amount.

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
d Cost		
Balance at 1 January	46,616	36,771
Fair value (loss) / gain	4,958	9,845
Reclassification to quoted shares	-	-
Balance, at September 30, 2020	<u>51,574</u>	<u>46,616</u>
Impairment loss		
Balance at 1 January	-	(42,033)
Impairment charge during the year	-	42,033
Balance, at September 30, 2020	<u>-</u>	<u>-</u>
Fair value as at September 30, 2020	<u>51,574</u>	<u>46,616</u>

e Fair value through other comprehensive income

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
Fair value at 1 January	43,716	-
Transfer from Available for sale on transition to IFRS 9	-	36,771
Additions during the year	137,569	-
Fair value (loss)/gain	-	6,945
	<u>181,285</u>	<u>43,716</u>

NOTE TO THE FINANCIAL STATEMENT FOR THE PERIOD ENDED September 30, 2020

5 Trade receivables

a. This comprises of:

Premium receivable from insurance brokers
Premium receivable from insurance agents
Premium receivable from policy holders
Premium receivable from insurance companies

Less:

Impairment of premium receivables

Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
491,457	491,457
61,428	61,428
33,158	2,166
250,121	189,093
836,165	744,144
(744,144)	(744,144)
92,021	-

Age analysis of gross trade receivables are as follows

0-90 days

91-180 days

Above 180 days

92,021	-
-	-
744,144	744,144
836,165	744,144

6 Reinsurance assets

This is analysed as follows:

Prepaid reinsurance(see note(a) below)

Reinsurer' share of outstanding claims

Reinsurers share of claims paid (see note (c)below

1,595,832	96,020
205,014	293,940
-	-
1,800,846	389,960

a Movement in prepaid reinsurance is as follows:

Balance 1 January

Additions during the year

Amortized in the year - reinsurance expenses (note 29)

Balance at 30 September

96,019	249,776
3,234,427	1,168,260
(1,744,677)	(1,322,017)
1,595,832	96,019

b Movement in reinsurer' share of outstanding claims

Balance at 1 January

Movement in Reinsurers/coassurers' share of outstanding claims reported during the year

Balance at 30 September

293,940	323,540
(88,926)	(29,600)
205,014	293,940

c Movement in reinsurance share of claims Paid

At 1 January

Movement in Reinsurers/co-assurers' share of outstanding claims reported during the year

Balance at 30 September

-	70,047
-	(70,047)
-	-

7 Deferred acquisition cost

a This is analysed as follows:

Agric

Motor

Fire

General Accident

Marine

Aviation

Engineering

Oil and Gas

Bond

Total

3,311	659
22,128	15,188
63,323	39,594
18,679	8,606
4,290	6,638
6,371	6,773
12,246	10,543
20,347	18,013
6,027	1,326
156,723	107,340

The movement in deferred acquisition cost is as follow:

Acquisition Cost brought forward

Acquisition costs paid during the period (note 32)

Total

Amortised during the year (see note 32.)

Acquisition costs carried forward

107,340	161,293
468,339	295,624
575,679	456,917
(418,956)	(349,578)
156,723	107,340

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
8 Other receivables and prepayments		
The balance is analysed as follow:		
Receivables from staff (See Note (a) below)	18,291	12,549
Deposit for investment (See Note (b) below)	28,346	121,457
Commercial papers (See Note (c) below)	217,460	261,872
Prepayment	17,898	8,996
Inventory	646	8,006
Receivables from Related parties (See Note (f) below)	173,033	233,033
Fees receivables and other receivables (See note (d) below)	85,553	108,143
	<u>541,226</u>	<u>754,055</u>
Impairment of other receivables and prepayment (See Note (g) below)	<u>(344,459)</u>	<u>(344,459)</u>
	<u>196,767</u>	<u>409,596</u>
a Receivables from staff consist of amount due from staff in respect of unutilized upfront allowances.		
	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
At 1 January	12,549	30,628
Addition	20,000	15,596
Interest on Loans		
Impairment charge during the year		
Utilized during the year	(5,120)	(33,675)
At 30 September	<u>18,291</u>	<u>12,549</u>
b Deposit for investment represent net balances with Chapel hill for purchase of quoted equities on the Nigeria Stock exchange and investment in other financial instruments. A deed assigning 437,686 units of Lighthouse share in Systemspecs was entered into on 23 December 2019 in consideration for its balance of N93.1 million and N44.4 million net balance due on Back-up Network Limited commercial papers.		
c Commercial papers represents receivables from the following entities		
a) Back-up Network Ltd		44,412
b) TKM Mestro Nigeria Ltd	131,649	131,649
c) Off-shore integrated Concession Ltd	39,711	39,711
d) Kruger Brent Global Services Ltd	46,099	46,099
	<u>217,460</u>	<u>261,871</u>
These commercial paper have being impaired by the company as they are in doubt of recovery.		
d Fee receivables includes fees and commission receivable on RSA assets and administrative fee as at year end.		
f This relates to amount recoverable from;		
1. Subsidiary - Veritas Glanvills Pensions Limited as at 30 September 2020 for property situated at Plot 1698 C and D Oyin Jolayemi street, V.I. Lagos disposed to the latter in 2018. The transaction was carried out at arm's length. The sales price was based on the most recent valuation carried out by Osas and Oseji estate surveyors and valuers. The sum outstanding is N111 million.		
Associate - Goldlink Insurance Plc as at 30 September 2020 for various reimbursable expenses incurred on their behalf amounting to N62.03 million.		
g Balance, beginning of year	344,459	453,597
Provision no longer required	0	(149,444)
Impairment charge during the year		40,306
Balance, end of the period	<u>344,459</u>	<u>344,459</u>
9 Investment in Subsidiaries		
Veritas Kapital has 2 subsidiaries as at 30 September 2020. The details of the subsidiaries and principal activities are detailed below:		
	30-Sep-20 N'000	31-Dec-19 N'000
Veritas Glanvills Pension Limited at cost (See Note (a) below)	1,160,000	1,160,000
Health Care Security Limited at cost (See Note (b) below)	416,300	416,300
	<u>1,576,300</u>	<u>1,576,300</u>
Veritas Glanvills Pension Limited has issued share ordinary share capital of 1.5 billion units of N1 each.		
a		

Veritas Kapital holds 1.05 billion (70%): The company was incorporated on 20 May 2005, and licensed by National Pension Commission to carry on business of a Pension Fund Administrator on 19 June 2007. Its principal place of business is Lagos

- b Health Care Security Limited has issued ordinary share capital of 429,075,000 units of N1 each. Veritas Kapital holds 401,000,000 units (93.5%): The company carries on the business of a health maintenance organisation, and its principal place of business is Abuja.

Summarised financial information in respect of each of the Group's subsidiaries is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Healthare Security	
	30-Sep-20	30-Sep-19
	N'000	N'000
Total revenue	179,921	118,250
Profit/(loss) before tax	41,613	33,280
Total assets	647,650	618,919
Total liabilities	97,909	86,927
Shareholders fund	549,741	531,992

	Veritas Glanvills Pension Limited	
	30-Sep-20	30-Sep-19
	N'000	N'000
Total revenue	870,214	766,127
Profit/(loss) before tax	180,778	41,932
Total assets	1,848,665	1,723,524
Total liabilities	340,423	473,646
Shareholders fund	1,508,243	1,249,878

10 Investment in Associates

Share of associate loss (see note(a)below)

Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
1,010,650	1,010,650
(1,010,650)	(1,010,650)
<u>0</u>	<u>0</u>

Goldlink Insurance Plc

Veritas Kapital holds 1,268,064,351 (2018: 1,268,314,351) ordinary shares representing 51.53% (2018:51.53%)holdings in Goldlink Insurance Plc as at 30/09/2020.

Goldlink Insurance Plc became associate company of Veritas Kapital in 2011 but was taken over by the regulatory authority-National Insurance Commission for infraction of insurance regulations and its Board of Directors was dissolved in 2012.

Though Veritas Kapital holds majority shares in Goldlink Insurance Plc. (51.53%) the investment has been treated as an associate and accounted for using equity method at both the Company and Group level. In arriving at the decision to treat the investment as an associate, the Board of Directors considered if Veritas Kapital has control over Goldlink Insurance Plc based on the requirements of IFRS 10. IFRS 10.5 states that an investor regardless of the nature of its involvement with an entity is required to determine whether it is a parent by assessing whether it controls the investee.

Specifically, IFRS 10 states that an investor controls an investee if and only if the investor has the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

Based on assessment carried out, Directors concluded that Veritas Kapital does not have the power over the investee because the relevant activities of Goldlink Insurance Plc are subject to direction of the NAICOM instituted Board of Directors. The Board of Directors report directly to NAICOM on all its activities and resolutions are subject to the NAICOM (IFRS 10:B37).

Assessment of share of Profit/loss in Associate

On initial assessment, the shareholders fund for Goldlink Insurance Plc as at 31 December 2017 was in deficit of N6.177 billion. Veritas Kapital's shares of the shareholder's fund of Goldlink Insurance Plc. as at that date was N2.45 billion. However, IAS 28:38-39 states that, the investor ceases to recognise its share of the investee's losses once it has reduced its investment to zero. Hence the share of loss recognised is limited to N1.01 billion.

Based on a reassessment carried out in 2018, Veritas Kapital's share of associate loss stood at the shareholder's fund of the associate stood at N 3.18 billion. Hence, the share of loss recognised is limited to N1.01 billion.

11 Investment properties

Investment property comprises of landed properties and buildings held for the purpose of capital appreciation and rental income and are carried at fair value. The fair value of the Investment properties has been determined by external, independent professional valuers, Messrs. OSAS & OSAS and Partners (FRC/2012/NIESV/0000000522) as at 31 December 2019, having appropriate recognised professional qualifications and recent experience in the locations and categories of the Investment properties being valued. The properties have been valued using the depreciated replacement cost and market value approaches. Valuations are performed on an annual basis and the fair value gains and losses are recognised in the profit or loss account. The valuations were based on market data such as discount rates, rental risk and reversionary rates.

The movement in the fair value of investment properties as at 30 September 2020 is as follows:

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
Balance at 1 January	412,112	880,201
Addition	-	176,000
Disposal	(122,672)	(658,414)
Fair value (loss)/gain	-	14,325
Balance at 30 September	<u>289,440</u>	<u>412,112</u>

Measurement of fair value**a Fair value hierarchy.**

The fair value of investment in properties was determined by an external, independent property valuers, having appropriate professional qualifications and recent experience in location and category of property being valued. The independent valuers, orji & Partners, Estate Surveyors and Valuers (FRC/2012/0000000000522) valued the properties on the basis of open market value as at 31 December 2019.

The fair value measurement for the investment properties of N289,440 (2019:N412,112) has been categorised as a level 3 fair value based on the inputs into the valuation technique used.

b Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	between key unobservable inputs and fair value
The fair values are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent tim.References were made to prices of land and comparable properties in the nighbourhood.The data obtained were analysed and adjustments was made to reflect differences in site area and the actual location ,quality of construction and off-site facilities.	The estimated fair value would increase(decrease) if the rate of development in the area increases(decreases), quality of the building increases (decreases), influx of people and/or business to the area increases(decreases)

12 Goodwill

30-Sep-20	31-Dec-19
N'000	N'000

The goodwill is arising on acquisitions in the following subsidiaries:

FUG Pension
Healthcare Securities

-	-
-	-
<u>-</u>	<u>-</u>

Impairment charge relates to goodwill arising on acquisition of Healthcare Security Limited which was fully impaired at year end.

The calculation of value-in-use was based on the following key assumptions

- The cashflows were projected based on the company's approved budget. The cashflows were based on past experiences and were adjusted to reflect expected future performances of the company .

- A terminal growth rate (averaging 2.8% for HCSL and 4.6% for VGPL)was applied in determining the terminal cash flows

- Discount rates (averaging 21.88% for HCSL and 30.9% for VGPL), representing post-tax weighted average cost of capital (WACC), was applied in determining the value in use. Using an iterative process, the pre-tax discount rate of 30.3% for HCSL and 44.9% for VGPL was estimated. The growth rate used to extrapolate terminal cashflows for goodwill impairment testing is consistent with the long term sustainable growth rate for the company.

- The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount

Assessment of impairment on goodwill was developed by the management of the company.

13 Intangible assets - Software

This comprises of acquired computer software which does not form part of a related hardware.

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
Computer software	28,834	40,252
Cost		
Balance, at 1 January	293,802	285,989
Additions	-	7,813
Balance, 30 September	<u>293,802</u>	<u>293,802</u>
Accumulated amortisation		
Balance, at 1 January	253,550	238,383
Amortisation expense	11,418	15,167
Balance, 30 September	<u>264,968</u>	<u>253,550</u>
Carrying amount 30 September	<u>28,834</u>	<u>40,252</u>

14 NOTE TO THE FINANCIAL STATEMENT FOR THE PERIOD ENDED September 30, 2020

Parent
Property, plant and equipment

	Leasehold land	Building	Computer Hardware	Office Machinery	Motor vehicles	Office furniture and fittings	Work in progress	Total
Cost/Valuation	N'000	N'000	N'000	N'000	N'000	N'000		N'000
At 1 January, 2020	901,272	1,794,614	186,537	76,779	319,100	115,674	67,056	3,461,033
Additions	-	1,303	14,680	20,965	40,310	69	32,892	110,219
Revaluation adjustments	-	-	-	-	-	-	-	-
Disposals	-	-	(724)	(487)	-	(259)	(3,139)	(4,610)
As at 30 September, 2020	901,272	1,795,917	200,493	97,257	359,410	115,484	96,809	3,566,643

Accumulated depreciation								
At 1 January, 2019	-	-	176,090	54,605	229,406	107,559	-	567,660
Depreciation expenses	-	-	5,039	8,982	25,203	5,037	-	44,261
Revaluation adjustments	-	-	-	-	-	-	-	-
Disposals	-	-	(360)	(487)	-	(259)	-	(1,107)
As at 30 September, 2020	-	-	180,769	63,100	254,609	112,336	-	610,813
Carrying amount 30 September	901,272	1,795,917	19,724	34,157	104,802	3,147	96,809	2,955,829

Parent

	Leasehold land	Building	Computer Hardware	Office computer equipment	Motor vehicles	Office furniture and fittings	Work in progress	Total
Cost/Valuation	N'000	N'000		N'000	N'000	N'000		N'000
At 1 January	891,272	1,760,169	193,279	60,460	287,955	110,637	-	3,303,772
Additions	-	8,262	16,116	40,028	81,935	29,195	67,055	242,593
Revaluation gain	10,000	26,184	-	-	-	-	-	36,184
Transfer	-	-	-	-	-	-	-	-
Write off (see note 36)	-	-	-	-	-	-	-	-
Disposals	-	-	(22,473)	(23,709)	(50,790)	(24,158)	-	(121,131)
As at 31 December	901,272	1,794,615	186,922	76,779	319,100	115,674	67,055	3,461,419

Accumulated depreciation								
At 1 January	-	-	180,946	50,648	234,090	107,133	-	572,817
Depreciation expenses	-	-	17,642	22,504	35,289	24,581	-	100,016
Disposals	-	-	(22,146)	(18,547)	(39,973)	(24,156)	-	(104,822)
Balance as at 31 December	-	-	176,441	54,605	229,406	107,558	-	568,011
Carrying amount as at 31 December, 2019	901,272	1,794,615	10,481	22,174	89,694	8,116	67,055	2,893,407

a) Land and Building was independently valued by Osas&Osas and Partners, Estate surveyors & Valuers (RC/2012/000000000522) in 2019 to ascertain the open market value of land and building. The open market value of land and building as at 31 December 2019 was N2,695,887,000 (2018:2,651,441,000)

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
15 Statutory deposit	355,000	355,000
This represent amount deposited with the Central bank of Nigeria (CBN) as at September, 2020 in pursuant to section 9(1) and section 10(3) of insurance Act 2003. Interest income earned on this deposit is included in investment income. See note (34).		
16 Insurance contract liabilities	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
<i>Outstanding claims(see Note(a) below)</i>	851,083	1,113,141
Claims incurred but not reported	202,014	202,014
	<u>1,053,097</u>	<u>1,315,155</u>
Unexpired Risk Reserves-Gross Direct-AURR	5,421	5,421
Unearned premium(see Note (b) below)	2,411,271	687,020
	<u>3,469,789</u>	<u>2,007,596</u>
a Provision for outstanding claims		
Motor insurance	59,927	37,108
Fire insurance	173,248	173,772
General accident insurance	63,142	49,775
Marine insurance	4,792	64,624
Engineering	46,756	38,044
Aviation	128,382	112,081
Oil and gas	367,960	637,736
Bond	-	-
Agric	6,877	-
PHI	-	-
	<u>851,083</u>	<u>1,113,141</u>
a(i) Movement in outstanding claims can be analysed as follows:		
Balance, beginning of the year	1,113,141	1,214,825
Increase/(Decrease) in outstanding claims(see note 31)	(262,058)	(101,684)
	<u>851,083</u>	<u>1,113,141</u>
	Parent 31-Dec-20 N'000	Parent 31-Dec-19 N'000
a(ii) Movement in IBNR is analysed as follows:		
At 1 January	202,014	189,393
Increase/ (decrease) in IBNR (see note 31)	-	12,621
At 30 September	<u>202,014</u>	<u>202,014</u>
b Reserve for unearned premium		
Agric insurance	1,526,834	3,034
Motor insurance	200,868	170,230
Fire insurance	323,123	244,765
General accident insurance	92,850	43,355
Marine insurance	21,501	32,645
Engineering	61,628	51,611
Aviation	31,890	34,455
Oil and gas	122,440	100,295
Bond	30,137	6,630
	<u>2,411,271</u>	<u>687,020</u>
b(i) Movement in unearned premium can be analysed as follows:		
Balance, beginning of the year	687,020	920,992
Increase/(Decrease) in unearned premium(see note 28)	1,724,251	(233,972)
	<u>2,411,271</u>	<u>687,020</u>
c The investment in respect of this insurance funds is as stated in Note 3b.		
17 Trade payables		
Trade payables represent amounts payable to reinsurance, co-insurers, agents and brokers at year end. The carrying amounts disclosed below approximate the fair values at the reporting date.		
	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
This is analysis as follows:		
Co-insurance premium	687,230	116,868
Commission payable	94,711	112,972
	<u>781,941</u>	<u>229,840</u>

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
18 Retirement benefit obligation		
a .Gratuity Scheme		
Balance, beginning of period	-	-
Contributions in the period(see note (b) below)	-	-
Balance, end of period	-	-

Pension scheme

The employees of the Company are members of a state arranged Pension scheme (Pension Reform Act, 2004) which is managed by several Pension Funds Administrators. The only obligation of the Company with respect to this pension plan is to make the specified contributions.

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
19 Provision and other payables		
This is analysed as follows:		
Life insurance fund (Note 19a)	131,417	131,417
PAYE tax, VAT, NHF and other remittable deductions	57,014	1,597
Staff accounts	20,440	30,552
Accrued professional fees	26,105	46,291
Accrued NAICOM levy	48,680	28,755
Accrued penalty charge	-	-
Supplies & Services Bills Payables	36,319	36,319
Other accruals and payables	12,569	60,558
Unclaimed dividends	24,248	24,248
Due to employees	12,760	18,197
Pension Protection fund	-	-
	<u>369,553</u>	<u>377,934</u>

Life insurance fund arose from the business of the defunct Kapital Insurance Company Limited that ceased life business in 2007 because the emerged Veritas Kapital is not licensed to carry on life business. The fund was kept in abeyance pending transfer to a life assurance company.

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
20 Income tax liabilities		
Company income tax	74,880	31,123
Education tax	-	6,225
Under/ (over) provision in prior years	-	52,857
Per income statement	<u>74,880</u>	<u>90,205</u>
Balance at beginning of the year	40,924	56,815
Payments/adjustment	<u>(26,622)</u>	<u>(106,097)</u>
Per statement of financial position	<u>89,182</u>	<u>40,924</u>

21.1 Deferred tax asset

At 1 January
Charge to income statement
At 30 September

Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
-	-
-	-
-	-
-	-

21.2 Deferred tax liability

At 1 January
Charge for the period on building revaluation
Other Charges for the year
Charge on revaluation of investment property
At 30 September

Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
542,136	501,814
-	40,322
-	-
-	-
<u>542,136</u>	<u>542,136</u>

	30-Sep-20 N'000	31-Dec-19 N'000
22 Issued and paid up share capital		
a Authorised		
14 billion ordinary shares of 50 kobo each	7,000,000	7,000,000
b Issued and fully paid		
Balance, beginning of year	6,933,333	6,933,333
Bonus shares issued from share premium	-	-
Balance, at September 30, 2020	6,933,333	6,933,333

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the Company.

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
23 Share premium		
Share premium comprises additional paid-in capital in excess of their per value.		
Balance, beginning of year	663,600	663,600
Transfer to share capital	-	-
Balance, end of the period	663,600	663,600

- 24 Statutory contingency reserve**
In compliance with Section 21 (1) of Insurance Act 2003, the contingency reserve for non-life insurance business is credited with the greater of 3% of total premiums, or 20% of the net profits and the amount shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium. The movement in the account is as follows:-

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
Balance, beginning of year	939,949	851,335
Transfer from retained earnings	147,641	88,614
Balance, end of the period	1,087,590	939,949

- 25 Retained earnings**
The retained earnings are carried forward recognised income net of expenses plus current period profit attributable to shareholders.

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
Balance, beginning of year	(2,440,338)	(2,475,146)
Impact of transition to IFRS 9	-	-
Transferred from statement of Profit or loss for the year	174,720	123,422
Transfer to Contingency Reserve	(147,641)	(88,614)
Dividend paid(see note 25.1 below)	-	-
Balance, end of the period	(2,413,259)	(2,440,338)

- 26a Assets revaluation reserve**
Assets revaluation reserve represents the net accumulated change in the fair value of land and buildings until the asset

	Parent 30-Sep-20 N'000	Parent 31-Dec-19 N'000
Land		
Balance, beginning of year	746,068	736,068
Revaluation gain	-	10,000
Balance, end of the period	746,068	746,068
Building		
Balance, beginning of year	1,063,896	1,037,712
Revaluation surplus	-	26,184
Balance, end of the period	1,063,896	1,063,896
Carrying amount	1,809,964	1,809,964

- 26b Available for sale reserve**
Balance, beginning of year 41,446 34,501
Movement during the year - 6,945
41,446 41,446

- 27 Earnings per share**
Basic earnings per share (kobo)

The calculation of basic earnings per share was based on the profit after tax attributable to ordinary shareholders, and a weighted average number of ordinary shares outstanding on that date calculated as follow:

NOTE TO THE FINANCIAL STATEMENT FOR THE PERIOD ENDED September 30, 2020

	Parent 30-Sep-20 N'000	Parent 31/12/2019 N'000
Profit after tax attributable to equity holders	174,720	82,831
Weighted average number of ordinary shares at end the period	6,933,333	6,933,333
Basic Profit/earnings per share (kobo)	0.03	0.01
The Company does not have any instrument with a dilutive effect on its capital, Hence, the basic earnings per share is same as diluted earnings per share		
28 Gross premium	30-Sep-20 N'000	30-Sep-19 N'000
Gross premium earned (see note (a)below)	4,852,437	2,438,558
Inward reinsurance premium (see note (b)below)	68,925	15,758
Gross written premium	4,921,362	2,454,316
Changes in unearned premium (see note 16 b(i))	(1,724,250)	(105,432)
	<u>3,197,112</u>	<u>2,348,884</u>
a Gross premium earned is further analysed as follows:		
Fire	655,141	433,199
General accident	319,598	296,867
Marine	59,562	104,582
Motor	399,159	379,291
Oil and gas	314,650	480,541
Aviation	214,933	27,103
Engineering	114,023	213,115
Bond	48,855	4,100
Agriculture	2,726,516	499,759
Return Premium	-	-
PHI Premium	-	-
	<u>4,852,437</u>	<u>2,438,558</u>
b Inward reinsurance premium		
Fire	14,653	3,704
Motor	4,736	6,020
General accident	1,535	99
Aviation	47	-
Engineering	11,769	1,065
Marine	3,748	1,870
Oil and gas	12,564	3,000
Bond	-	-
Agriculture	19,874	-
	<u>68,925</u>	<u>15,758</u>
29 Reinsurance cost		
Reinsurance cost	3,234,427	912,482
Movement in prepaid reinsurance	(1,489,750)	(229,588)
Reinsurance expenses (note 6a)	<u>1,744,677</u>	<u>682,893</u>
30 Commission income	<u>171,806</u>	<u>124,212</u>
31 Claims expenses		
Direct claims paid	953,020	412,912
Changes in outstanding claims	(262,058)	203,913
Actuarial losses in outstanding claims	-	-
PHI claims	-	-
Gross claims incurred	690,962	616,825
Reinsurance recovery(see note 31(a)below)	(331,497)	(57,271)
	<u>359,465</u>	<u>559,554</u>
31a Analysis of reinsurance recoverable		
Reinsurance recovery on paid claims	331,497	57,271
Reinsurance recoverable on outstanding claims	-	-
Total reinsurance recoverable	<u>331,497</u>	<u>57,271</u>
32 Underwriting expenses		
Acquisition cost paid during the year	468,339	423,513
Movement in deferred acquisition	(49,383)	18,324
Cost during the year(See note 7)	418,956	441,837
Maintenance cost during the year	-	-
Total underwriting expenses	<u>418,956</u>	<u>441,837</u>

NOTE TO THE FINANCIAL STATEMENT FOR THE PERIOD ENDED September 30, 2020

	Parent 30-Sep-20 N'000	Parent 30-Sep-19 N'000
33 Impairment of financial assets		
Impairment charge on other assets	-	-
Impairment charge on unquoted equities	-	-
ECL charge	-	-
	<u>-</u>	<u>-</u>
34 Investment income		
Profit on disposal of investments property	(18,181)	29,190
Interest income-FGN Treasury bill	21,738	-
Interest received from:		
Staff loan-interest		
Dividends from equity investments at FVTPL	6,193	5,184
Interest income on Bond	216,801	-
RSA asset based fee	-	-
Short term deposits	179,036	351,309
Statutory deposit	46,317	44,078
	<u>451,905</u>	<u>429,761</u>
Further analysed as follows:		
Attributable to policy holders fund	94,900	90,250
attributable to shareholders funds.	357,005	339,511
	<u>451,905</u>	<u>429,761</u>
35 Other operating income		
Rental and other incomes	13,310	14,084
Bad debt write-off recovered	-	-
Profit on sale of investment	-	-
Profit on sale of asset	194	7,419
RSA administrative fee income	-	-
Staff Mortgage loan-interest	164	-
Exchange gain	-	-
Admin charges- Formal sector	-	-
Sundry income	5,438	10,305
	<u>19,106</u>	<u>31,809</u>
36 Management expenses		
Staff costs	447,425	572,565
Directors' allowances and expenses	118,463	120,110
Depreciation and amortisation	55,685	50,352
Professional fees	181,116	91,485
Audit fees	19,883	12,534
Marketing and advertisement	32,726	20,954
Administrative expenses	71,922	87,660
NITDA information technology levy	-	-
Repairs and maintenance	4,784	5,694
Travel costs and allowances	13,038	19,655
NAICOM Levy	51,027	33,672
Donation	20,000	-
Electricity and power	10,970	13,588
ECL charge	-	-
Penalty charge (see note(x))	-	-
Subscription	1,754	8,573
Printing and stationeries	10,640	5,198
Information technology expenses	26,001	9,247
Pension protection fund levy	-	-
Rent and rate	-	-
	<u>1,065,435</u>	<u>1,051,286</u>
37 Income tax expense		
Education tax	-	-
Company income tax	74,880	58,152
Under provision in prior years	-	52,857
Deferred tax expense	-	-
	<u>74,880</u>	<u>111,008</u>

38 Security Trading Policy

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule), Veritas Kapital Insurance Plc (the Company) maintains effective Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company shares. The Policy is regularly reviewed and updated by the Board. Relevant persons are prohibited from dealing in the Company's share both when they are in possession of material non-public information about the company's activities as well as during "closed period".

The solvency margin for the company as at 30 September 2020 is as follows:

Assets	Total Assets	Inadmissible assets	Admissible assets
Cash and cash equivalents	3,094,912		3,094,912
Financial assets	2,813,602		2,813,602
Trade receivable	92,021		92,021
Reinsurance assets	1,800,846		1,800,846
Deferred acquisition cost	156,723		156,723
Other receivables and prepayments	211,767	188,033	23,733
Investment in subsidiaries	1,576,300		1,576,300
Investment in associates	-		-
Investment properties	289,440	55,494	233,946
Goodwill	-		-
Intangible assets-Software	28,834		28,834
Property, Plant and equipment	2,955,829	1,943,154	1,012,675
Statutory deposits	355,000		355,000
Total Admissible Assets	13,375,274	2,186,681	11,188,593
Insurance contract liabilities	3,469,789		3,469,789
Trade payables	781,941		781,941
Employees retirement benefit obligations	-		-
Provision and other payables	369,553		369,553
Income tax liabilities	89,182		89,182
Deferred Tax Liabilities	542,136	542,136	-
Total Admissible liabilities	5,252,601	542,136	4,710,465
Solvency margin			6,478,128
The Higher of:			
A. Minimum Capital requirement			<u>3,000,000</u>
B. 15% of net premium			<u>217,865</u>
(Premium less reinsurance)			<u>3,000,000</u>
Higher of A and B	3,000,000		
Solvency ratio			<u>216%</u>

PARENT UNDERWRITING REVENUE ACCOUNT
for the period ended September 30, 2020

											September 2020	September 2019
											N'000	N'000
INCOME	FIRE N'000	G/ACCIDENT N'000	MARINE N'000	MOTOR N'000	OIL & GAS N'000	AVIATION N'000	ENGINEERING N'000	BOND N'000	AGRIC N'000			
Direct premium	655,141	319,598	59,562	399,159	314,650	214,933	114,023	48,855	2,726,516		4,852,437	2,438,558
Inward premium	14,653	1,535	3,748	4,736	12,564	47	11,769	-	19,874		68,925	15,758
Gross premium written	669,794	321,133	63,310	403,895	327,214	214,980	125,792	48,855	2,746,389		4,921,362	2,454,316
(Increase)/Decrease in provision for unexpired risks	(78,358)	(49,495)	11,145	(30,638)	(22,144)	2,565	(10,017)	(23,507)	(1,523,800)		(1,724,250)	105,432
Gross premium earned	591,436	271,638	74,455	373,256	305,070	217,545	115,775	25,348	1,222,589		3,197,112	2,348,884
Outward premium	(204,137)	(197,839)	(26,818)	(31,546)	(106,957)	(74,272)	(69,220)	21,316	(2,544,953)		(3,234,427)	(912,482)
Prepaid reinsurance	47,068	22,578	(4,260)	131	3,736	-	6,623	1,846	1,412,027		1,489,750	229,588
Net Premium earned	434,366	96,376	43,377	341,842	201,849	143,273	53,179	48,510	89,663		1,452,436	1,665,991
Commission Received	51,091	42,845	7,888	147	-	-	21,607	922	47,307		171,806	124,212
TOTAL OPERATING INCOME	485,457	139,221	51,265	341,989	201,849	143,273	74,786	49,432	136,970		1,624,242	1,790,203
Claims Expenses												
Gross claims paid	(371,024)	(48,913)	(68,323)	(87,091)	(208,951)	(1,110)	(21,386)	-	(146,221)		(953,020)	(412,912)
Increase/(Decrease) in provision for outstanding claims	706	(13,368)	59,651	(29,695)	269,777	(8,712)	(16,300)	-	-		262,058	(203,913)
Gross claims incurred	(370,318)	(62,280)	(8,672)	(116,787)	60,826	(9,822)	(37,687)	-	(146,221)		(690,962)	(616,825)
Reinsurance claims recoveries	8,663	17,371	45,901	14,930	26,691	3,218	51,336	-	163,387		331,497	57,271
Net claims incurred	(361,655)	(44,909)	37,228	(101,856)	87,517	(6,604)	13,649	-	17,166		(359,465)	(559,554)
Underwriting Expenses												
Acquisition cost	(130,789)	(53,763)	(11,857)	(43,754)	(108,147)	(32,529)	(25,058)	(9,771)	(52,671)		(468,339)	(423,513)
Movement in deferred Acquisition cost	23,729	10,073	(2,348)	6,941	2,334	(402)	1,702	4,701	2,653		49,383	(18,324)
Acquisition & maintenance costs less deferred cost	(107,060)	(43,689)	(14,205)	(36,813)	(105,813)	(32,930)	(23,356)	(5,070)	(50,019)		(418,956)	(441,837)
TOTAL DIRECT EXPENSES	(468,715)	(88,599)	23,023	(138,670)	(18,296)	(39,534)	(9,707)	(5,070)	(32,853)		(778,420)	(1,001,391)
UNDERWRITING PROFIT:												
2020	16,742	50,622	74,288	203,319	183,553	103,739	65,079	44,363	104,117		845,821	788,810
2019	-6,633	40,834	(5,125)	72,480	124,362	519,622	89,172	22,913	(68,814)			788,810

The statement of significant accounting policies and the accompanying notes to the account form an integral part of these financial statements