



# BUILT ON TRUST

Custodian And Allied Insurance Limited Annual Report & Accounts 2019

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# Corporate Information

## DIRECTORS

Mr. Johnnie Wilcox (Chairman)  
Mr. Olatoye Odunsi (Managing Director)  
Mr. Wole Oshin  
Chief (Mrs.) Margaret Giwa  
Mr. Richard Asabia  
Mr. Ravi Sharma  
Mr. Edeki Isujeh  
Mr. Ademola Ajuwon

## SECRETARY

Custodian Trustees Limited  
Custodian House  
16A Commercial Avenue  
Sabo, Yaba  
Lagos, Nigeria  
Tel: (+234) 01-2707206-7, 2793740, 2793401,  
0700-CUSTODIAN, (+234)1 2774000-9  
Fax: (+234) 1 2707203  
P.O. Box 2101, Lagos  
Email: [enquiries@custodianinsurance.com](mailto:enquiries@custodianinsurance.com)  
Website: [www.custodianplc.com.ng](http://www.custodianplc.com.ng)

## RC No.

RC685235

## FRC No.

FRC/2012/0000000000316

## REGISTERED OFFICE

Custodian House  
16A Commercial Avenue  
Sabo, Yaba  
Lagos, Nigeria  
Tel: (+234) 01-2707206-7, 2793740, 2793401  
0700-CUSTODIAN, (+234)1 2774000-9  
Fax: (+234) 1 2707203  
P.O. Box 2101, Lagos  
Email: [carecentre@custodianinsurance.com](mailto:carecentre@custodianinsurance.com)  
Website: [www.custodianplc.com.ng](http://www.custodianplc.com.ng)

## BANKERS

First Bank of Nigeria Limited  
Stanbic IBTC Plc  
Zenith Bank Plc  
Access Bank Plc  
Guaranty Trust Bank Plc  
Standard Chartered Bank Nigeria Limited

## AUDITORS

Ernst & Young  
10th & 13th Floors  
UBA House  
57, Marina  
P.O. Box 2442, Marina, Lagos

## REINSURERS

Munich Reinsurance Company Limited  
African Reinsurance Company  
Continental Reinsurance Plc  
Swiss Reinsurance Company Limited

## Reporting Actuary

Zamara Consulting Actuaries Nigeria Limited  
4th Floor, Ibukun House  
70 Adetokunbo Ademola Street  
Victoria Island, Lagos  
FRC No: FRC/2017/NAS/00000016912

# Branch Directory

## Custodian And Allied Insurance Limited

### Custodian House

16A, Commercial Avenue,  
Sabo, Yaba,  
Lagos  
Tel: [+234] 1 2707206-7, 2793740, 27937401  
0700-CUSTODIAN, [+234] 1 2774000-9  
Fax: [+234] 1 2707203  
P. O. Box 2101, Lagos  
Email: [investors@custodianplc.com.ng](mailto:investors@custodianplc.com.ng)  
Website: [www.custodianplc.com.ng](http://www.custodianplc.com.ng)

### Branch Offices

#### Abuja

Prime Plaza, Plot 1012, Adetokunbo  
Ademola Crescent  
Opposite Rockview, wuse 2, Abuja  
Tel.: 09-7817420

#### Kano

15 Bank Road, Kano, Kano State  
Tel.: 064-895969

#### Port Harcourt

180, Aba Road, Port Harcourt,  
Rivers State  
Tel.: 07085000046

### Akure

2nd & 3rd Floors  
BOI House, Alagbaka, Akure  
Tel.: 08034202962, 07086600484

### Benin

34, Akpakpava Road,  
by Igbesamwan Junction  
Benin City, Edo State  
Tel.: 05-2292480

### Ibadan

6TH Floor, Broking House  
1, Alhaji Jimoh Odutola Street,  
Ibadan, Oyo State  
Tel.: 08050986920,  
08023380211, 08056436878

### Kaduna

3, Kanta Road  
P.O. Box 9301, Kaduna  
Kaduna State  
Tel.: 06-2293346

# Notice Of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Custodian and Allied Insurance Limited will hold on February 27, 2020 at 16A, Commercial Avenue, Sabo, Yaba, Lagos by 10.30am to transact the following business:

## ORDINARY BUSINESS

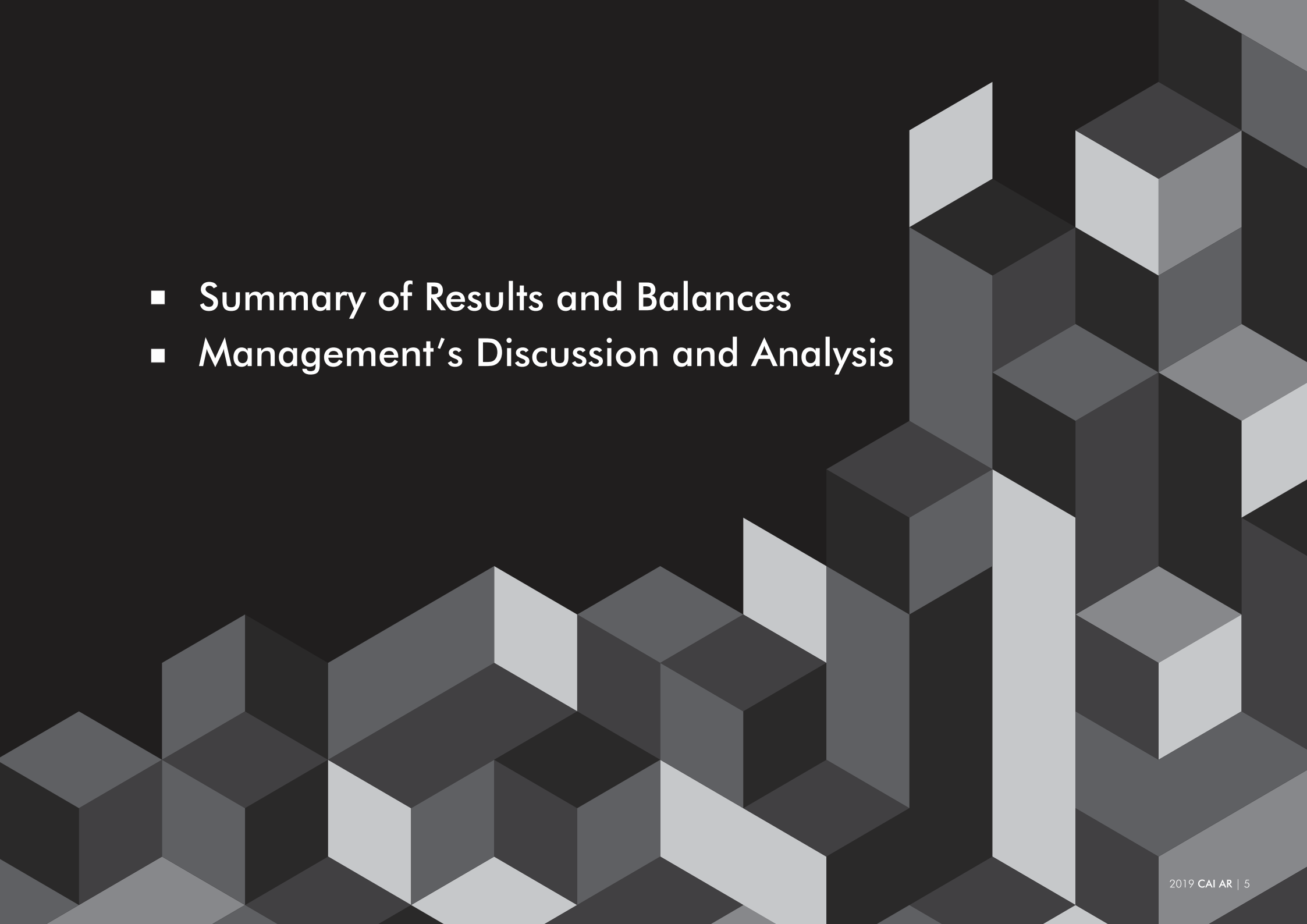
1. To receive the Report of the Directors and Audited Financial Statements together with the Auditors' Report for the year ended December 31, 2019.
2. To declare a dividend.
3. To re-elect Directors.
4. To authorise the Directors to fix the remuneration of the Auditors.

## BY ORDER OF THE BOARD

CUSTODIAN TRUSTEES LTD  
  
AUTHORISED

**ADEYINKA JAFUJO**  
Company Secretarial Services

Dated this February 6, 2020

- 
- Summary of Results and Balances
  - Management's Discussion and Analysis

# Summary Of Results And Balances

For The Year Ended 31 December 2019

Major Statement of Profit or loss and other Comprehensive Income items	2019 N'000	2018 N'000	Variance Increase/ (Decrease) N'000	Growth %
Gross premium written	25,651,020	23,811,985	1,839,036	8%
Gross premium income	25,183,487	22,746,847	2,436,640	11%
Net insurance premium income	7,377,618	7,571,024	(193,407)	(3%)
Underwriting profit	4,200,146	3,880,139	320,006	8%
Interest, investment and other income	2,022,073	2,015,488	6,585	0.3%
Management expenses	3,156,354	2,917,445	238,909	8%
Profit before income tax expense	3,440,531	4,669,492	(1,228,961)	(26%)
Profit for the year	2,979,291	3,824,756	(846,965)	(22%)

## Statement of Financial Position Item

Total assets	36,043,303	38,617,780	(2,574,477)	(7%)
Insurance contract liabilities	11,957,745	12,826,281	(868,536)	(7%)
Statutory contingency reserve	8,447,097	7,677,566	834,396	10%
Total equity	18,865,435	17,947,975	567,460	5%

# Management's Discussion and Analysis

For The Year Ended 31 December 2019

This analysis of the Custodian and Allied Insurance Limited's performance as at 31 December 2019 should be read in conjunction with the financial statements as at 31 December 2019.

## **Business Profile**

Custodian and Allied Insurance Limited is a Nigerian company whose vision is to be Africa's insurer of choice, with a mission to develop, package and deliver innovative insurance products that best satisfy customer needs whilst operating a highly profitable, efficient, resourceful and ethical organization that will survive well into the future and be a valuable asset to its shareholders.

Custodian and Allied Insurance Limited ("the Company") is engaged in property-casualty insurance.

The products and services are essentially market-driven with emphasis on providing options on policies, paying due regard to production processes employed in various industries. Consequently, our product ranges have been developed to meet and address the needs of our clients, buoyed by the Company's commitment to delivering exemplary service to its clients and outperforming its peers.


## **Objectives and Strategies**

The Company remains committed to continuous improvement of its structures, systems and processes in order to keep ahead of the challenges of new growth, improving business prospects, transparency, and governance.

The Company's strategy and performance to date are very strong indicators of the Company's vision, mission and long-term growth objectives.

## Management's Discussion and Analysis Contd

Highlights of operating performance and financial position



	2019 N'000	2018 N'000	Change %
Gross premium written	25,651,020	23,811,985	8%
Gross premium income	25,183,487	22,746,847	11%
Net insurance premium income	7,377,618	7,571,024	(3%)
Underwriting profit	4,200,146	3,880,139	8%
Interest, investment and other income	2,022,073	2,015,488	0.3%
Management expenses	3,156,354	2,917,445	8%
Profit before income tax expense	3,440,531	4,669,492	(26%)
Profit for the year	2,979,291	3,824,756	(22%)
Earnings per share (kobo):			
Basic/diluted	43	55	(22%)
Cash and cash equivalents	4,517,560	9,070,412	(50%)
Total assets	36,043,303	38,617,780	(7%)
Insurance contract liabilities	11,957,745	12,826,281	(7%)
Total equity	18,865,435	17,947,975	5%

## Management's Discussion and Analysis Contd

### Underwriting Performance

Gross premium written increased by 8% above prior year while net insurance premium revenue decreased by 3%.

During the year the Company paid out a total of N5.654b (Note 11.2) claims across all general insurance business classes, an increase of 7% compared to prior year. Underwriting profit is N4.200b compared to N3.880b in 2018, representing an increase of 8%.

### Interest, Investment and other income

Interest, investment and other income for the year was N2.022b up from N2.015b in 2018 representing a 0.3% increase.

### Management expenses

Management expenses for the year was N3.156b from N2.917b in 2018 representing an increase of 8%.

### Profitability

The Company's profit before income tax expense was N3.441b compared to N4.669b in 2018, a decrease of 26%, the Company's profit for the year was N2.979b compared to N3.825b in 2018, a decrease of 22% with basic earnings per share (EPS) decreasing to 43kobo from 55kobo.

### Liquidity and financial position

The Company's cash and cash equivalents decreased by 50% from N9.070b in 2018 to N4.518b as at 31 December 2019; while Insurance contract liabilities were N11.958b, 7% down from N12.826b in 2018. Total assets now stand at N36.043b representing a 7% decrease from N38.618b in 2018, while total equity/shareholders' funds increased by 5% to N18.865b when compared to N17.948b recorded in 2018.



## Management's Discussion and Analysis Contd

### Future Outlook

The National Insurance Commission (NAICOM) plans to further grow the Nigerian insurance industry by 2020 by ensuring an effective implementation of the second phase of the Commission's Market Development and Restructuring Initiative (MDRI). This will bring about necessary reforms in the areas of industry capacity, market efficiency and consumer protection in the Nigeria insurance market. Custodian and Allied Insurance Limited is poised to take its leadership position in the non- life segment of the insurance sector in line with our vision to be Africa's Insurer of choice.

The Regulator have re-introduced its recapitalization plans following suspension of an earlier plan communicated last year. The new capital requirements stipulate that general insurance companies have a minimum paid up capital of N10 billion, from N3 billion previously. Custodian and Allied Insurance Limited already have sufficient capital based on the components of its shareholders funds in the bid to meet up with the minimum capital requirements

- 
- Chairman's Statement
  - Board of Directors



## Chairman's Statement

**Distinguished shareholders,  
fellow members of the  
Board of directors, ladies and  
gentlemen. As always, I am  
delighted to welcome you to  
the Annual General Meeting  
of our company and to present  
the Annual Accounts and Reports  
for the year ended 31 December 2019.**

**Mr. Johnnie Wilcox (Chairman)**

## Chairman's Statement contd

Distinguished shareholders, fellow members of the Board of directors, ladies and gentlemen. As always, I am delighted to welcome you to the Annual General Meeting of our company and to present the Annual Accounts and Reports for the year ended 31 December 2019.

I will begin my statement with an overview of the global and domestic economies within which we operated in 2019 and conclude with our outlook for 2020.

### Global economy

The global macroeconomic landscape faced more turbulence in 2019, as protracted Sino-U.S. trade tensions, uncertainties around Brexit, waning fiscal stimulus in Europe and geopolitical crises in the Middle East exerted downward pressure on global economic growth. The recent drop in long-term yields versus short term in the U.S. also inspired less confidence and raised the fear of an impending global recession.

Similarly, business confidence continued to diminish in the year, as leading manufacturing and industrial indicators across developed economies continue to reflect signs of weaknesses, especially in the Euro Area. In fact, global trade volume growth reached the lowest level

since 2016, turning the spotlight on the vulnerability of external sectors, particularly across developed economies.

Given the weakened global economic growth, central bankers across the globe were under pressure as they struggle to limit the impact of the mounting risks on economic growth outturns. Thus, GDP readings across most advanced economies in 2019 have shown resilience, thanks to the accommodative monetary policies and increased government fiscal stimulus packages.

However, growth in the emerging and frontier economies, have been largely mixed, trapped within the blend of domestic challenges – weakened household spending, and declining business investments. The IMF global growth estimate for 2019 was reduced by 0.3% to 3.0% Year on year. According the World Bank, 2019 eventually closed the year with a global growth rate of 2.4% year on year.

### Domestic economy

In 2019, the nation conducted a relatively peaceful election that re-elected the incumbent. Key priorities for the president remain tackling insecurity and corruption while simultaneously expanding revenue

**GDP readings across most advanced economies in 2019 have shown resilience, thanks to the accommodative monetary policies and increased government fiscal stimulus packages.**

## Chairman's Statement contd

generation capacity of the government. In its bid to restore fiscal responsibility and prompt implementation of projects, the government for the first time in decades signed into law the 2020 budget before the beginning of the 2020 fiscal year. This paved way for implementation from January 1, 2020. While this effort is commendable, funding still remains a challenge as government may resort to borrowing to fund the anticipated deficit.

The government continued its effort at diversifying the economy, however, oil continues to remain the main source of earnings. The nation's high dependency on oil has exposed it to oil price volatility which continues to influence growth performance.

The Nigerian economy continued its moderate path of recovery, growing by 2.28% year on year in real terms as at Q3'19. The pace of economic recovery was subdued as depressed private consumption and investors' wait-and-see attitude kept economic growth below population growth. Furthermore, consumer facing sectors such as Trade, Manufacturing and Agriculture recorded low performance, as this implies weakness on the part of the consumers' purchasing power.

Agricultural growth remains below potential due to continued insurgency in the Northeast and ongoing farmer-herdsmen conflicts. Manufacturing output suffered a decline in 2019 due to a weaker power sector performance. Food and drink output increased, consequent upon border closure and import restrictions.

Despite expansion in the service sector, employment creation remains weak and insufficient to absorb the fast-growing labour force, service sector is not as labour intensive as sectors such as manufacturing, construction or mining. The resultant effect of this is high rate of unemployment (23.1%), with another 20% of the labour force underemployed.

Foreign exchange (FX) rate in 2019 was largely stable at between N360 – N363/\$1. This is the result of government hitting its production target with a daily production of 2.3million barrels at an average price of \$64 per barrel and the CBN continuous intervention in providing liquidity for the FX market. The Nigerian Stock Exchange All Share Index (ASI) posted a negative return of 14% closing the year at 26,842.07points. Other NSE indices also posted negative returns for the year with the NSE Consumer Goods Index being the worst impacted, declining 20.83%, followed by the NSE Main Board Index, which fell by 20%. The NSE Insurance Index and the NSE Premium Index were the least impacted, declining by 0.52% and 3.59% respectively.

**The Nigerian economy continued its moderate path of recovery, growing by 2.28% year on year in real terms as at Q3'19.**

## Chairman's Statement contd

### Financial Result

Despite the global and domestic economic challenges, the Company once again demonstrated its resilience by posting 8% growth in Gross Premium Written closing the year at N25.7billion (2018: N23.8billion). Also, the Company grew its shareholders fund by 5% with a balance of N18.9billion (2018: N17.9billion), after paying 30 kobo dividend per share during the year. The combination of stable exchange rate, significant fall in interest rate and losses in the equity market relative to the preceding year, prevented your Company from matching and surpassing the prior year's net profit result.

The Company's profit after tax of N3.0billion, though commendable in the challenging operating environment, fell short of the N3.8billion of the previous year that was positively impacted to the tune of N1.2billion in foreign exchange gains.

The Company will continue to seek ways of maximizing shareholders fund as the economy rebounds while maintaining financial prudence and high ethical standards for which it is known.

### Dividend

Despite the challenges of 2019, your Company remains committed to delivering consistent dividend to its shareholders. During the year, the Company paid an interim dividend of 10k per share and we are pleased to propose a final dividend of 15kobo per share. If approved, this will bring the total dividend on the year's result to 25kobo per share.

### Corporate social responsibility

The Company's commitment to action towards contributing positively to the development of its host communities, the natural environment and the larger economy remains unwavering.

The execution of socially impactful projects continues to be carried out by the Custodian Social Responsibility Foundation (CSRF) that is solely funded by the companies within the group. Below are some of the activities executed by CSRF:

- (i) Maintenance of the Ilupeju public library and provision of solar power for the complex.



**Despite the challenges of 2019 your Company remains committed to delivering consistent dividend to its shareholders.**

## Chairman's Statement contd

- (ii) Launch of a program known as Vocational Training Empowerment Program (VOTEP) and the subsequent training of 45 young secondary school leavers on vocational and technical skills.
- (iii) Conducted another round of blood donation drive with an increase in number of blood packs donated for use by patients suffering from different ailments including cancer, sickle cell anemia, road accident victims, mothers in labour etc.

### Outlook

Since Nigeria remains reliant on oil receipt for FX reserves, the dynamics of crude oil price and production will continue to influence the economy. Whilst the 2020 budget benchmarked the price of oil at \$57 per barrel, the current price of oil is already trending around \$54 per barrel. Factors such as U.S. and Iran tension, oil supply shocks (e.g. Eastern Europe, Venezuela, and Libya), oil price war between Saudi-Arabia and Russia, and progress in trade negotiations between the U.S. and China could exert pressure on crude oil prices in 2020. More recently, the outbreak of the deadly Covid19 virus could impact global economic growth, and Nigeria could be adversely affected as demand for crude oil would be on a bearish momentum with adverse implications on oil prices. However, we believe that this shock would be temporary.

**The National Insurance Commission (NAICOM) has directed an increase in the minimum paid up share capital for insurance and reinsurance businesses.**

The Nigerian economy is projected to grow by 2.5% in 2020. This will be driven by higher consumer and government spending. We believe that the FGN's continued efforts in improving security conditions in the northern part of the country would drive the agricultural sector back to an appreciable level.

The CBN's push for higher credit to the private sector and the launch of Nigerian Stock Exchange Growth Board are expected to improve access to credit and economic activities in the real sector.

The National Insurance Commission (NAICOM) has directed an increase in the minimum paid up share capital for insurance and reinsurance businesses. Minimum paid up share capital was increased from N3billion to N10billion for general insurance companies. I am pleased to inform you that the Company is well positioned to meet these requirements.

The coming year is also a period where the benefits of the recently signed Finance Bill will begin to accrue to our company as the new law will ensure a fairer taxation of insurance companies. With the new law non-life businesses will no longer be liable to special minimum tax provision and all wholly, exclusively, reasonably and necessarily incurred expenses will be tax deductible. Also, excess dividend tax has been amended to avoid double

## Chairman's Statement contd

taxation. With this amendment, the payment of excess dividend tax will be limited. The flip side of the finance bill is the potential inflationary effects of the increase in VAT rate to 7.5% from 5%.

The recent restriction of non-banks corporate and individuals from investing in Open Market Operation (OMO) and the fall in money market rates have the potential to impact our business as investment income contributes significantly to the Company's results.

In spite of the macroeconomic headwinds, I believe that based on past track record and our strategic drive, our company will remain solid, dependable and prosperous.

### Conclusion

In conclusion, I would like to thank my fellow board members and management for all the hard work over the years. My gratitude also goes to our shareholders,

customers and other stakeholders who have stood by us through the years. With your support, we have built and will continue to sustain a world class institution that is driven by strong ethical and governance standards.

God bless you and God bless Nigeria.



Mr. Johnnie Wilcox  
Chairman



**With your support, we have built and will continue to sustain a world class institution that is driven by strong ethical and governance standards.**



## Board of Directors



Mr. Johnnie Wilcox (Chairman)



Mr. Olatoye Odunsi  
(Managing Director)



Mr. Wole Oshin



Mr. Richard Asabia



Mr. Ravi Sharma



Chief (Mrs.) Margaret Giwa



Mr. Edeki Isujeh



Mr. Ademola Ajuwon

- Executive Management Team
- Directors' Report

## Executive Management Team



Mr. Olatoye Odunsi  
Managing Director



Mr. Edeki Isujeh  
Executive Director,  
Technical



Mrs. Olubunmi Aderemi  
Head, Management  
Services



Mr. Abayomi Agiri  
Head, Human Resources



Mr. Friday Nwachukwu  
Chief Financial Officer



## Executive Management Team Contd



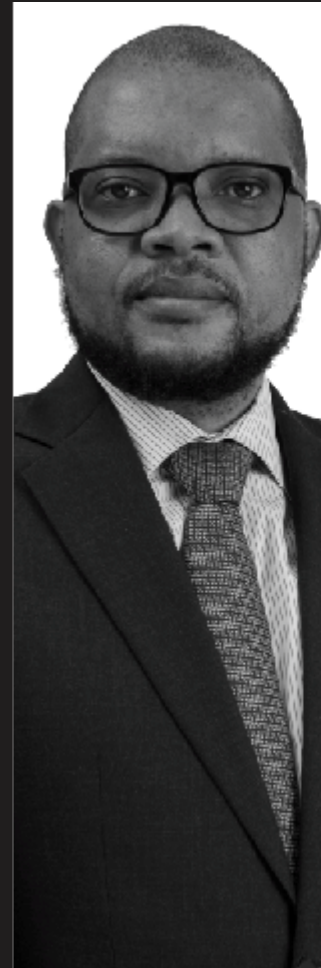
Mr. Moses Ariyibi  
Head, Engineering &  
Telecoms



Mr. Tunji Anibaba  
Head, Oil & Gas



Mr. Kola Lamidi  
Head, Marketing



Mr. Olumide Awe  
Head, Investment



Mr. Anthony Olojede  
Head, Manufacturing



Mrs. Kate Ojih  
Head, Northern Region

# Report of The Directors'

For the year ended 31 December, 2019

## **1 Accounts**

The Directors submit their report on the affairs of Custodian and Allied Insurance Limited ("the Company") together with the Company's audited financial statements for the year ended 31 December 2019.

## **2 Commencement of Business**

The Company commenced business in 2007.

## **3 Legal Form**

The Company was incorporated on 16 March, 2007 as a private limited liability company called "Crusader General Insurance Limited". The Company's name was changed to Custodian and Allied Insurance Limited in March 2013 following the successful scheme of merger between Crusader Nigeria Plc and Custodian Investment Plc (formerly Custodian and Allied Plc).

The Company is a wholly owned subsidiary of Custodian Investment Plc (formerly Custodian and Allied Plc).

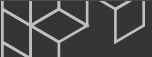
## **4 Principal Activities and Business Review**

The principal activities of the Company during the year were the provision and marketing of general and special risk services and products.

## Report of The Directors' Contd

### 5. Directors and their Shareholdings

The Directors of the Company and their interest in the share capital of the Company as at the year ended under review were:

Directors 	2019	2018
Mr. Johnnie Wilcox	NIL	NIL
Mr. Olatoye Odunsi	NIL	NIL
Mr. Oluwole Oshin	NIL	NIL
Chief (Mrs.) Margaret Giwa	NIL	NIL
Mr. Richard Asabia	NIL	NIL
Mr. Ravi Sharma	NIL	NIL
Mr. Edeki Isujeh	NIL	NIL
Mr. Ademola Ajuwon	NIL	NIL


The Company is a fully owned subsidiary of Custodian Investment Plc.

### 6. Directors' interest in contracts

None of the Directors has notified the Company, for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, LFN 2004, of any declarable interest in contracts with which the Company was involved as at 31 December 2019.

### 7 Major Shareholders

According to the Register of Members, the following Shareholder of the Company holds more than 5% of the issued ordinary share capital of the Company as at 31 December 2019:

 Name	Units	%
Custodian Investment Plc	6,999,300,000	99.99

## Report of The Directors Contd

### 8 Record of Directors' Attendance

In accordance with Section 258(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, 2004 the record of the Directors' attendance at Directors' Meetings during 2019 is available for inspection at the Annual General Meeting.

### 9 Analysis of Shareholdings

The range of shareholdings as at 31 December 2019 is as follows:

Range	Number of Holders	Holder's %	Holder's Cumulative	Units '000	Units %	Units Cumulative '000
1,000,000	1	50%	1	700	0.01	700
1,000,001 & ABOVE	1	50%	2	6,999,300	99.99	7,000,000

## Report of The Directors Contd

10. Results	2019 N'000	2018 N'000
Gross premium written	25,651,020	23,811,985
Gross premium income	25,183,487	22,746,847
Profit before income tax expense	3,440,531	4,669,492
Income tax expense	(461,240)	(844,736)
Profit for the year	2,977,791	3,824,756
Transfer to statutory contingency reserve	(769,531)	(933,898)
	2,209,760	2,890,858
Retained earnings brought forward	6,218,660	5,6427,802
Transfer of fair value reserve of equity instruments designated at FVOCI	314,295	-
	<b>8,742,715</b>	<b>8,318,660</b>
Final dividend paid	(1,400,000)	(1,050,000)
Interim dividend declared	(700,000)	(1,050,000)
<b>Retained earnings as at 31 December</b>	<b>6,642,715</b>	<b>6,218,660</b>

### 11 Directors' responsibilities

The Directors are responsible for the preparation of the financial statements that present fairly, in all material respects, the state of financial affairs of the Company at the end of each financial year, and of the profit or loss and other comprehensive income for that year, in line with the International Financial Reporting Standards (IFRS) and comply with the Companies and Allied Matters Act, CAP C20 LFN 2004, the provision of Insurance Act 2003, the relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011. In so doing, the Directors ensure that:



## Report of The Directors' Contd

- Proper accounting records are maintained
- Adequate internal control procedures are established which, as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities
- Applicable accounting standards are followed
- Suitable accounting policies are adopted and consistently applied
- Judgments and estimates made are reasonable and prudent, and
- The going-concern basis is used, unless it is inappropriate to presume that the Company shall continue in business.

### 12 Corporate Governance

The Company maintains corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices. The business of the Company is conducted with integrity which pays due regard to the legitimate interests of all our stakeholders.

### 13 Personnel

#### a) Employment of Disabled Persons

No disabled person was employed by the Company during the period under review. It is however the Company's policy to consider disabled persons for employment if academically and mentally qualified.

Average number of persons including Directors employed by the Company during the year was:

	2019 Number	2018 Number
Management	12	11
Staff	116	114

#### b) Health, Safety and Welfare

The Company provides subsidies to all employees for medical care and treatment. Employees are made aware of the safety regulations in force within the premises.

## Report of The Directors' Contd

### c) **Employee Involvement and Training**

The Company is committed to keeping its employees fully informed as far as possible regarding the Company's performance and progress, and seeking their views, wherever practicable on matters which particularly affect them as employees. Professional, technical and management expertise are the Company's major assets. Therefore, continuous development thereof is keenly pursued by the Company in the form of regular training for employees.

### 14 **Auditors**

In line with Section 8(iii) of the Code of Good Corporate Governance for the insurance industry in Nigeria, 2009 and in accordance with Section 357 of the Companies and Allied Matters Act of Nigeria, Ernst & Young having completed the prescribed duration for the rotation of the insurance companies of Five (5) years shall discontinue as the auditors of the Company. A new auditor shall be appointed at the next annual general meeting of the Company.

BY ORDER OF THE BOARD

**CUSTODIAN TRUSTEES LTD**  
  
**AUTHORISED**

Adeyinka Jafojo  
FRC/2013/NBA/00000002403  
For: Custodian Trustees Limited

LAGOS, NIGERIA

COMPANY SECRETARY

06 February 2020

# Statement of Directors' Responsibilities

In Relation To The Preparation Of The Financial Statements for the year ended 31 December, 2019

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that presents fairly, in all material respects, the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the preparation and fair presentation of the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Company and of its profit and other comprehensive income. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



**Mr. Johnnie Wilcox**

Director

FRC/2014/CISN/00000006671

February 6, 2020



**Olatoye Odunsi**

Managing Director

FRC/2013/CIIN/00000002239

February 6, 2020

- 
- Corporate Governance
  - Board Evaluation
  - Independent Auditors' Report
  - Summary of Significant Accounting Policies

# Corporate Governance

We at Custodian and Allied Insurance Limited value our shareholders. We appreciate the fact that our shareholders require ethical behavior and good administration of the Company. The Company has imbibed a culture of compliance to ensure that our operations are conducted in accordance with the principles of probity, accountability, transparency and fairness.

At Custodian, regulatory compliance is central to our corporate governance framework. The Company ensures strict compliance with the Code of Good Corporate Governance for the Insurance Industry in Nigeria issued by the National Insurance Commission (NAICOM). Our Internal control checks ensure that Custodian meets the legal and ethical standards required of the Board, Management and staff in the day to day activities of the Company.

At Custodian, we believe that the input of stakeholders improve our competitiveness and overall performance. We therefore encourage teamwork and recognise contributions from shareholders, employees, clients, creditors and suppliers. Our Corporate Governance framework encapsulates our effective management and promotion of stakeholders engagement in achieving our objectives.

## **Ethical Standards**

The Company is devoted to acting with utmost integrity and expects same of every employee in the Company. The Board has adopted the Code of Good Corporate Governance for the Insurance Industry in Nigeria issued by the National Insurance Commission (NAICOM) which sets out the Corporate Governance best practice framework for Custodian and incorporates some of the laws, rules and regulations it is required to comply with. Noting also that the Company is also expected to comply with:

- Companies and Allied Matters Act, 2004
- Nigerian Code of Corporate Governance, 2018
- Financial Reporting Council of Nigeria Act 2011.

## Corporate Governance Contd

- Insurance Act 2003.
- International best practice.
- The Company's Memorandum and Articles of Association.

Custodian's Code of Conduct and Board Charter corroborates the Company's policy to conduct its affairs in compliance with all applicable laws and regulations and to observe the highest standards of business ethics. Custodian expects that the spirit as well as the letter of these standards are followed by Directors, officers and employees of the Company and its affiliates. This is transmitted to every new Director, officer and employee and was communicated to those in office at the time the Standards of Business Conduct were adopted.

### **Corporate Legal Structure**

Custodian and Allied Insurance Limited is a limited liability Company as defined under the Companies and Allied Matters Act [the Act]. Corporate powers reside in the Board of Directors and the Shareholders at the Annual General Meeting. The functions and powers of both bodies are stipulated by the Act and the Company's Memorandum and Articles of Association.

### **Annual General Meeting**

Annual General Meetings are vital to our Corporate Governance framework and are duly convened in line with the Company's Articles of Association and existing statutory requirements. Attendance at Annual General Meetings is open to all Shareholders or their proxies while the principle of 'one share, one vote' applies.

### **The Board**

Custodian's Board of Directors act on behalf of shareholders and is responsible for controlling and managing the strategic business of the Company and constantly reviews and presents a balanced and comprehensive assessment of the Company's performance and future prospects. It is responsible

## Corporate Governance Contd

for putting in place adequate measures that ensure effective risk management and control within the Company; ensures compliance with statutory requirements and internal regulations; approval of periodic financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices; approval of changes relating to the Company's capital structure, annual operating and capital expenditure budget.

The Board ensures regular training of Board members on issues pertaining to their oversight functions and Corporate Governance. The Board or a Committee of the Board receives and reviews Management reports.

The Board is accountable to Shareholders and ensures that the conduct of the Company's activities is within the applicable regulatory framework. The Board is also responsible for reviewing the Company's performance, setting objectives and determining strategy. In doing this, the Board safeguards the Company's interests and aspires to achieve a long-term increase in the Company's values.

### **Delegation to Management**

The Board has delegated the responsibility for day-to-day operations of the Company to Management and ensures that Management maintains a balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between adherence to governance principles and economic performance.

### **Directors' Independence**

Directors are expected to contribute views and judgment at Board deliberations that are independent of Management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgment, having regard to the best interests of the Company.

## Corporate Governance Contd

### **Meetings of the Board**

In order to aid the effective performance of its oversight functions and to adequately monitor Management's performance, the Board meets at least once every quarter. Periodic meetings of the Board are held at such times and places as determined by the Board, while special meetings are held at other times as the Board may consider expedient.

All Directors are provided with notices, agenda and Board documents ahead of each meeting to enable them prepare adequately for meetings. Directors are also provided with regular updates on developments in the regulatory and business environment.

### **Change in a Director's Occupation**

The Board does not believe that Directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. However, promptly following such an event, the Director must notify the Board of such event and the Board may take such event into consideration when determining whether to re-nominate such Director.

### **Appointment Process, Orientation and Training of Board Members**

Custodian's Board Succession Policy ensures that the Company is managed and overseen by knowledgeable, capable and trustworthy individuals. In making Board appointments, the Board recognises knowledge, experience and skill of prospective Directors as well as other qualities considered necessary for the role. The Board Enterprise Risk Management and Governance Committee is responsible for Directors succession planning and recommends new appointments to the Board.

Upon appointment to the Board, newly appointed Directors are given adequate orientation regarding the Company's business, Corporate Governance and reporting procedures and are updated on such matters on a continuing basis. Directors are briefed on policies and procedures



## Corporate Governance Contd

applicable to the Board and Board Committees as well as on the rights and responsibilities of Directors. Various information reports are sent to the Board in order to keep them informed of the Company's undertakings.

The Board attaches great importance to training its Directors and for this purpose, continuously offers training and education to its Directors, in order to enhance their performance on the Board and the various committees to which they belong.

### **Re-Election of Directors**

In accordance with the Company's Articles of Association, one third of all Non-Executive Directors are presented for re-election every year. In keeping with this requirement, Chief [Mrs.] Margaret Giwa and Mr. Ademola Ajuwon will retire at this Annual General Meeting and being eligible will submit themselves for re-election. The Board confirms that following a formal evaluation, these Directors continue to demonstrate commitment to their duties and roles as Non-Executive Directors.

The Board is convinced that the Directors standing for re-election will continue to add value to the Company. The Board believes that they are required to maintain the balance of skill, knowledge and experience on the Board.

The biographical details of Directors standing for re-election are set in the Annual Report.

### **Directors Access to Management and Independent Advisers**

Custodian's Board has the authority to retain, terminate and determine the fees and terms of consultants, legal counsel and other advisers to the Board as the Board may deem appropriate in its discretion. Directors receive operating and financial reports of the Company and have access to Senior Management.

## Corporate Governance Contd

### Board Structure and Composition

Custodian's Board comprises eight [8] Directors. Chief (Mrs.) Margaret Giwa is an Independent Director on the Company's Board and was appointed in accordance with the criteria laid down in the Code of Good Corporate Governance for the Insurance Industry and the Company's Code of Conduct & Board Charter has met the requirement that an independent Director should not have any significant shareholding interest in the Company.

The Board functions either as a full Board or through any of the under-listed three (3) Committees which are constituted as follows:

#### Audit and Compliance Committee

Chief (Mrs.) Margaret Giwa - Chairperson  
Mr. Wole Oshin  
Mr. Richard Asabia  
Mr. Ravi Sharma  
Mr. Olatoye Odunsi

#### Finance, Investment and General Purpose Committee

Mr. Ravi Sharma - Chairman  
Mr. Wole Oshin  
Mr. Richard Asabia  
Chief (Mrs.) Margaret Giwa  
Mr. Olatoye Odunsi

#### Risk Management and Governance Committee

Mr. Richard Asabia - Chairman  
Chief (Mrs.) Margaret Giwa  
Mr. Wole Oshin  
Mr. Ravi Sharma

## Corporate Governance Contd

A record of attendance at Board of Directors meetings are provided below:

Directors	February 6, 2019	April 18, 2019	July 29, 2019	October 23, 2019
Mr. Johnnie Wilcox	✓	✓	✓	✓
Mr. Wole Oshin	✓	✓	✓	✓
Chief [Mrs.] Margaret Giwa	✓	✓	✓	✓
Mr. Richard Asabia	✓	✓	✓	✓
Mr. Toye Odunsi	✓	✓	✓	✓
Mr. Edeki Isujeh	✓	✓	✓	✓
Mr. Ravi Sharma	✓	✓	✓	✓
Mr. Ademola Ajuwon	✓	✓	✓	✓

A record of the attendance at the Audit and Compliance Committee meetings is provided below:

Directors	February 4, 2019	April 17, 2019	July 22, 2019	October 21, 2019
Mr. Wole Oshin	✓	✓	✓	✓
Mr. Richard Asabia	✓	✓	✓	✓
Chief [Mrs.] Margaret Giwa	✓	✓	✓	✓
Mr. Toye Odunsi	✓	✓	✓	✓
Mr. Ravi Sharma	✓	✓	✓	✓

## Corporate Governance Contd

A record of the attendance at the Board Enterprise Risk Management and Governance is provided below:

Directors	February 4, 2019	April 17, 2019	July 22, 2019	October 21, 2019
Mr. Wole Oshin	✓	✓	✓	✓
Mr. Richard Asabia	✓	✓	✓	✓
Chief [Mrs.] Margaret Giwa	✓	✓	✓	✓
Mr. Ravi Sharma	✓	✓	✓	✓

A record of attendance at Finance, Investment and General Purpose committee meetings is provided below;

Directors	February 5, 2019	April 18, 2019	July 22, 2019	October 22, 2019
Mr. Richard Asabia	✓	✓	✓	✓
Mr. Wole Oshin	✓	✓	✓	✓
Chief [Mrs.] Margaret Giwa	✓	✓	✓	✓
Mr. Teye Odunsi	✓	✓	✓	✓
Mr. Ravi Sharma	✓	✓	✓	✓

## Corporate Governance Contd

### **Communication with Third Parties**

Directors are of the opinion that it is the responsibility of Management to speak for the Company regarding communications with third parties such as investors, the press and public in general. Directors only engage in such communications at the request of or after consultation with Management.

### **Performance Monitoring and Evaluation**

In Custodian's customary manner of imbibing the best corporate governance practices, the Board engaged the services of an Independent Consultant, Society for Corporate Governance Nigeria, to carry out the annual Board and Directors appraisal for the 2019 financial year.

The Board believes that the use of an independent consultant not only encourages Directors to be more honest in their evaluation of the Board performance, but also enhances the objectivity and transparency of the evaluation process.

The annual appraisal covered all aspects of the Board's composition, structure, responsibilities, relationships, processes, individual member's competencies and respective roles in the overall performance of the Board, as well as the Company's compliance status with the provisions of the Code of Good Corporate Governance for the Insurance Industry. The result also confirmed that the individual Directors and the Board continue to operate at a high level of effectiveness and efficiency.

# Board Evaluation Report

For the Board of Custodian And Allied Insurance Limited



## Executive Summary

The Society for Corporate Governance Nigeria was contracted to conduct an independent evaluation/assessment of the performance of the Board of Custodian and Allied Insurance Ltd for 2019 as part of stipulated regulatory requirement.

## Scope

The scope of the evaluation covered the following areas:

- Composition, commitment and alignment of the skills/qualifications of directors to business requirement and performance
- Composition/effectiveness of the committees
- Compliance with existing regulatory requirement
- Effectiveness of directors in delivery of their fiduciary responsibilities
- Effective transparency and disclosure channels

Below is a summary of our findings:

Custodian and Allied Insurance Ltd is registered with the National Insurance Commission (NAICOM) and approved by other regulatory bodies. It has a drive to develop, package and deliver innovative insurance products that best satisfy customer needs, whilst operating a highly profitable, efficient, resourceful and ethical organization that will survive well into the future and be a valuable asset to its shareholders.

In the year under review, the Board had Two (2) Executive directors, One (1) Independent Non-Executive Director and Five (5) Non-Executive Directors whose knowledge and understanding span across their diversity, experience, resounding knowledge of the business, financial and economic environment.

## Board Evaluation Report Contd

The Board Chairman exhibits a leadership style that promotes an environment that encourages and supports the active participation and contribution of Board members at meetings. The position of the Chairman and Managing Director are held by separate individuals which shows clear separation of powers between both offices.

All required policy documents were sighted and assessed for content and relevance and were found to be detailed, relevant, comprehensive and articulate in efficiently guiding business processes and mitigating risk exposures.

In line with Sectoral code and NCCG 2018 we have found Custodian and Allied Insurance Ltd to a large extent compliant in the following areas evaluated;

### **a) Composition, commitment and alignment of the skills/qualifications of Directors to business requirement and performance**

The Board is adequately composed, having diverse skill and experience. Directors have demonstrated dedication and commitment by attending all board meetings and contributing meaningfully. There is an alignment between the competencies of Directors and the requirements/needs of the Company.

### **Composition/effectiveness of the Committees**

Each committee is composed of at least three (3) directors with relevant skill and experience. All committees had all members in attendance at meetings.

- Board Audit, Compliance Committee which met 4 times.
- Board Finance, Investment & General Purpose Committee which met 4 times
- Board Risk Management & Governance Committee which met 4 times

### **b) Effectiveness of directors in delivery of their fiduciary responsibilities**

The Board formulates strategies, monitors and supports management to achieve set out goals.

## Board Evaluation Report Contd

### c) **Effective transparency and disclosure channels**

All conflicts of interest are disclosed and the company has a whistle blowing policy. The board is annually evaluated by an external consultant. The Company reports and other communications are in plain language, readable, and understandable.

Based on our findings, we recommend the following;

#### a) The board should improve on its gender diversity.

In as much as there is still room for improvement and continuous Director Development, we are happy to state that the Board of Custodian and Allied Insurance Limited conducted its affairs in an acceptable and satisfactory manner in 2019.

**For: Society For Corporate Governance Nigeria**



**Hilda Nkor (Mrs.)**

Chief Executive Officer

**FRC/2016/NIM/00000015618**



## Corporate Governance Contd

### **Roles of the Chairman and the Managing Director**

In line with internationally accepted best practice, there is separation of powers between the Chairman and the Managing Director. The roles of the Chairman and the Managing Director are separate and distinct. The Chairman's priority is to lead the Board and ensure its effectiveness while the Managing Director's priority is the management of the Company.

### **Skills, Knowledge and Characteristics of the Board**

The profile and qualifications of Board members are periodically reviewed to ensure that the Board possesses diverse and varying expertise in the performance of its functions and a balanced mix of attributes and experiences enabling them to evaluate the Company's related and core business.

### **Company Secretariat and Access to Independent Professional Advice**

Custodian Trustees Limited acts as Company Secretary to the Company.

The Company Secretary works closely with the Chairman to manage the flow of information between the Board, its Committees and Senior Executives of the Company. The Company Secretary is also responsible for providing advice and support to the Board on governance related matters. The appointment and removal of the Company Secretary is subject to Board approval and all Directors have a right of access to information and advice, facilitated through the Company Secretary.

The Company Secretary is responsible for keeping Directors abreast of statutory requirements relating to Corporate Governance and providing guidance when required in relation to Directors roles and responsibilities. The Secretariat maintains the register and other records of the Company and generally acts as a liaison between the Board and Shareholders.

In addition to the assistance provided by the Company Secretary, the Board reserves the right to obtain advice and assistance from relevant independent external professional advisers and experts at the expense of the Company and as it may consider appropriate to assist it in carrying out its duties.

## Corporate Governance Contd

### **Anti-bribery and Corruption Policy**

At Custodian, we are committed to high ethical standards and integrity. The Company's Anti-Bribery & Corruption policy prohibits offering of or giving something valuable for the purpose of persuading an official or any person to misuse his office to benefit the Company or its employees. The Policy also prohibits receiving something valuable for the purpose of influencing an official action. The Company's Board of Directors and Senior Management are charged with the responsibility of ensuring that the Company complies with the Policy.

### **Shareholders Rights**

The Board treats all the Company's shareholders equally, regardless of the magnitude of their shareholdings and social conditions. The Company ensures that all Shareholders receive notices of meetings.

### **External Auditors**

Ernst and Young Nigeria acted as the Company's External Auditors for the 2019 financial year. The firm ensures that its responsibilities to the Company are carried out in an independent manner.

### **Internal Controls**

Custodian's internal audit function provides oversight on significant compliance issues and guide strategies, policies and practices for assessing and managing risk across the Company. The head of the Department is a competent professional Accountant with high integrity.

### **Accounting Principles, Disclosure and Reporting**

Custodian's accounting practices are fundamental to the information required by its investors, customers, regulators and other stakeholders to facilitate objective evaluation of the Company and its future prospects. Custodian's accounting records are presented in a concise and transparent manner so that the Company's financial position at any given time is adequately disclosed.

## Corporate Governance Contd

Reporting and disclosure requirements are in accordance with International Financial Reporting Standards [IFRS]. The Company ensures prudent financial reporting and maximum disclosure in the Annual Reports & Accounts.

### **Diversity**

Custodian acknowledges that a diverse workforce is of significant social and commercial value and important to being an inclusive employer. Custodian accepts the value that diversity can bring, which includes:

- Providing greater alignment to customer needs.
- Improving creativity and innovation.
- Broadening the skills and experience of the labour pool from which Custodian can draw and attract top talent to our businesses.

The Company strives to create a work environment which is inclusive to all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference. All areas of diversity are important and Custodian pays particular attention to gender diversity.

### **Code of Ethics**

Custodian prioritises high ethical standards and expects its Board, Executives and Employees to observe such standards in all their dealings. The Company's Code of Ethics Policy outlines the minimum standards of conduct expected in the management of our business. All stakeholders are expected to comply with these standards in the discharge of their duties.

### **Whistle-blowing**

Custodian has a whistle blowing policy which allows for reporting of suspected breaches of the Company's policies or other unethical practices. The policy also provides for protection against harassment or victimization of employees who report genuine concerns, malpractice or illegal acts or omissions by Directors and employees.

## Corporate Governance Contd

The Company's whistle blowing policy ensures that whistle blowing would assist in uncovering significant risks in line with best practices. Under the policy, a whistle blower who in good faith, reports suspected violations or attempted violation of the Policy or who reports a request or offer of a corrupt payment is protected. A form for this purpose is available on the Company's website.

### Statement of Compliance

Custodian and Allied Insurance Limited is a Limited Liability Company and is subject to the jurisdiction of the National Insurance Commission's Code of Good Corporate Governance for the Insurance Industry. The Board of Directors charged with the responsibility of ensuring compliance has submitted that the Company was in compliance with the provisions of the Code in the 2019 financial year.

The Company also complied with all the relevant laws of Nigeria.

**CUSTODIAN TRUSTEES LTD**  
  
**AUTHORISED**

**ADEYINKA JAFORO**

FRC/2013/NBA/00000002403

Custodian Trustees Limited

Company Secretary

Dated this February 6, 2020

# Independent Auditors' Report

Report on the audit of the Financial Statements

## Opinion

We have audited the financial statements of Custodian and Allied Insurance Limited ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and relevant policy guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act No. 6, 2011.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of the Company. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independent Auditors' Report Contd

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matter	How the matter was addressed in the audit
<p><b>Impairment of financial assets carried at amortised costs</b></p> <p>The Company's investments in this class of financial assets include cash and short-term deposits, debt instruments, intercompany and other receivables carried at amortised costs. This totaled N21.5 billion as at 31 December 2019 representing 60% of the Company's total assets and the associated expected credit loss (ECL) is significant to the financial statements.</p> <p>This was considered a Key Audit Matter as IFRS 9 requires significant judgement to determine the impairment loss reserve.</p> <p>The general approach to ECL was adopted. This approach involves identification of significant changes in credit risks using a multi factor model, for the purpose of determining whether financial assets will be classified as stage 1, stage 2 or stage 3.</p>	<p>We reviewed the IFRS 9 ECL models and documentation prepared by the management for the computation of impairment losses on financial assets carried at amortised costs in line with the requirements of IFRS 9.</p> <p>We gained an understanding of how the client derived the risk parameters (i.e. PD's and LGD's) by performing a walkthrough exercise. We also challenged all the assumptions considered in the estimation of recovery cash flows, the discount factor, collateral valuation and timing of realization, the forecast, and assigned probability weight to the scenarios.</p> <p>In instances where we were not satisfied with the assumptions used by the management in its cash flow estimation and discounting, we challenged management assumptions by re-computing the cash flows to determine the recoverable amounts and all other parameters used.</p>

## Independent Auditors' Report Contd

Key Audit Matter	How the matter was addressed in the audit
<p>While twelve months ECLs are computed for financial assets in stage 1, lifetime ECLs are computed for financial assets in stage 2 and 3. Calculating ECL for these class of financials assets also involves determination of risk parameters such as probability of default (PD), loss given default (LGD) and exposure at default (EAD).</p> <p>The approach also involves considerable level of judgements and estimation in determining inputs for ECL calculation such as:</p> <ul style="list-style-type: none"> <li>•Determination of PD and LGD</li> <li>•Adjusting the PD for forward looking information</li> <li>•Selecting macroeconomics variables</li> <li>•Incorporating multiple scenarios</li> <li>•Considered cash flow estimation including timing and amount and collateral valuation.</li> </ul> <p>Impairment on financial assets carried at amortised costs is disclosed in Note 1, Note 2, Note 6 and Note 42 to the financial statements and related accounting policies in Note 2.7 in the summary of significant accounting policies.</p>	<p>We focused on the most significant model assumptions including probability of default and loss given default. We performed detailed procedures on the completeness and accuracy of the information used.</p> <p>Lastly, we reviewed the qualitative and quantitative disclosures for appropriateness to ensure conformity with the IFRS 7- Financial Instruments: Disclosures.</p>

## Independent Auditors' Report Contd

Key Audit Matter	How the matter was addressed in the audit
<p><b>Adequacy of valuation of Insurance Contract Liabilities</b></p> <p>The Company has insurance contract liabilities of N11.957 billion as at 31 December 2019 representing 73% of the Company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes and therefore we considered it a key audit matter for our audit.</p> <p>Consistent with the insurance industry practice, the Company engages an actuary to test the adequacy of this valuation of non-life business as at year end. The complexity of the valuation models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models. Economic assumptions such as interest rates and future inflation rates and actuarial assumptions such as customer behavior and uniform risk occurrence throughout the period are key inputs used to determine these liabilities. Significant judgement is applied in setting these assumptions.</p> <p>Insurance contract liabilities are disclosed in Note 11 to the financial statements and related accounting policies in Note 2.19 in the summary of significant accounting policies.</p>	<p>We used our in-house actuarial specialist to assist us in performing the audit procedures in the area of reviewing the Company's Actuarial reports on general business which included among others:</p> <ul style="list-style-type: none"> <li>i. Consideration of the appropriateness of assumptions used in the valuation of the Insurance contracts by reference to company and industry data and expectations.</li> <li>ii. Consideration of the appropriateness of non-economic assumptions used in the valuation of the Insurance contracts in relation to lapse or extension assumptions by reference to company specific and industry data.</li> </ul> <p>Other Key audit procedures included:</p> <ul style="list-style-type: none"> <li>i. We reviewed and documented management's process for estimating insurance contracts.</li> <li>ii. We performed file review of specific underwriting contracts to maximize our understanding of the book business and validate initial loss estimates.</li> </ul> <p>We performed a review of subsequent year claim payments to confirm the reasonableness of initial loss estimates.</p>



## Independent Auditors' Report Contd

### Other Information

The Directors are responsible for the other information. The other information comprises the Summary of Results and Balances, Management's Discussion and Analysis, and Report of the Directors, Statement of Value Added and Five-Year Financial Summary as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, relevant policy guidelines issued by the National Insurance Commission (NAICOM), and the Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## Independent Auditors' Report Contd

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent Auditors' Report Contd

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.  
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Section 28(2) of the Insurance Act 2003, we confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Company, in so far as it appears from our examination of those books;
- iii) the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account;

## Independent Auditors' Report Contd

- iv) in our opinion, the financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Section 28(2) of the Insurance Act 2003 so as to present fairly, in all material respects, the state of affairs and financial performance of the Company.

### Contraventions

The Company incurred penalties in respect of contraventions of the requirement of certain sections of the National Insurance Commission's Operational Guideline 2015 and the Financial Reporting Council Act No. 6, 2011 during the financial year. The details of the contraventions and penalties are disclosed in Note 40 of the financial statements.



Jamiu Olakisan FCA,  
FRC/2013/ICAN/00000003918  
For Ernst & Young  
Lagos, Nigeria  
24 February 2020



# Summary of Significant Accounting Policies

## 1. Corporate information

Custodian and Allied Insurance Limited (“the Company”) commenced operations in 2007. The Company is a financial and wealth protection company in Nigeria. The principal objective of the Company is to render qualitative insurance & risks management services. It is a provider of Auto Insurance, Travel Insurance, Special Risks and Investment products and services. The address of the registered office is: Custodian House, 16A, Commercial Avenue, Sabo Yaba.

The Company pays claims arising from insurance contract liabilities and invests policy holders’ funds in line with the provisions of Insurance Act, CAP117, LFN 2004 and NAICOM guidelines.

Custodian and Allied Insurance Limited (RC 685235) was incorporated on 16 March, 2007 as a private limited liability company called “Crusader General Insurance Limited”. The Company’s name was changed to Custodian and Allied Insurance Limited in March 2013 following the successful scheme of merger between Crusader Nigeria Plc and Custodian Investment Plc (formerly Custodian and Allied Plc).

The Company is a wholly owned subsidiary of Custodian Investment Plc.

Custodian and Allied Insurance Limited is regulated by the National Insurance Commission of Nigeria.

## 2. Summary of significant accounting policies

### 2.1 Introduction to summary of accounting policies

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

### 2.2 Basis of presentation and compliance with IFRS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the

## Summary of Significant Accounting Policies Contd

International Accounting Standards Board and IFRS Interpretation Committee (IFRIC) interpretations applicable to companies reporting under IFRS. Additional information required by national regulations has been included where appropriate.

The preparation of these financial statements have been based on the historical cost basis except for investment properties and certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In accordance with IFRS 4 Insurance Contracts, the Company has applied existing accounting policies for Non-life insurance contracts, modified as appropriate to comply with the IFRS framework.

The preparation of financial statements in conformity with IFRS requires the Company's Board of Directors to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions or estimates are significant to the financial statements are as disclosed in Note 3.

The financial statements of Custodian and Allied Insurance Limited have been prepared on a going concern basis. The Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The principal accounting policies are set out below.

### **2.3 Changes in accounting policies and disclosures**

New and amended standards and interpretations

In these financial statements, the Company has applied IFRS 16 Leases which is effective for annual periods beginning on or after 1 January 2019, for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

## Summary of Significant Accounting Policies Contd

### IFRS 16 – Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS 17. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company reassessed all rental contracts to which the Company is a lessee to identify whether a contract is, or contains a lease at 1 January 2019. The Company applied the standard to all contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company resolved based on the reassessment of the rental contracts that all leases qualified as short-term lease based on the grounds that they were operating leases with a remaining lease term of less than 12 months as at 1 January 2019. In many of the lease contracts, the Company, being the lease does not have reasonable certainty that the extension option will be taken. Based on the reassessment, there are no transition adjustments.

The Company does not have any sale and lease back transaction as at transition date.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.17 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company. The Company had no lease previously classified as finance lease as at the transition date.

## Summary of Significant Accounting Policies Contd

Refer to Note 2.17 Leases for the accounting policy prior to 1 January 2019.

### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determined whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Company applies significant judgement in identifying uncertainties over income tax treatments. It assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing.

The Company's tax filings and those of her parents as well as other related parties are in same jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing documentation, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. These amendments do not have any impact on the Company's financial statements.



## Summary of Significant Accounting Policies Contd

### **Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments are applicable retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Company.

### **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

## Summary of Significant Accounting Policies Contd

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments had no impact on the Company's financial statements as it does not have any employee benefit that include future plan amendments, curtailments, or settlements.

### **Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Company does not have such long-term interests in associate and joint venture, the amendments did not have an impact on its financial statements.

### **Annual Improvements 2015-2017 Cycle (issued in December 2017)**

These improvements include:

- **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

## Summary of Significant Accounting Policies Contd

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments did not have an impact on the Company's financial statements as there is no transaction where joint control is obtained.

### • IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions. These amendments did not have an impact on the Company's financial statements as there is no transaction where joint control is obtained.

### • IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

## Summary of Significant Accounting Policies Contd

### • IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

### 2.4 Presentation and Functional Currency

The financial statements are presented in Nigeria Naira (N) and are rounded to the nearest thousand ('000) unless otherwise stated.

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company is incorporated in Nigeria and has adopted Naira as its functional currency.

### 2.5 Foreign Currencies

#### Transactions and Balances

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary item or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period which they arise.

## Summary of Significant Accounting Policies Contd

### 2.5 Foreign Currencies

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on non-monetary is recognised on profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

### 2.6 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. These assets are readily convertible into known amounts of cash.

### 2.7 Financial Instruments

#### Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on Revenue from non-insurance contracts with customers.

## Summary of Significant Accounting Policies Contd

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

### **Business Model Assessment**

There are three business models available under IFRS 9:

- Hold to collect Financial assets with objective to collect contractual cash flows.
- Hold to Collect and sell (Financial assets held with the objective of both collecting contractual cash flows and selling financial assets).
- Other Financial Assets held with trading intent or that do not meet the criteria of either "Hold to Collect" or "Hold to Collect and sell."

The Assessment of the business model requires judgment based on the facts and circumstances as at the date of the assessment. Custodian and Allied Insurance Limited has considered quantitative factors (e.g. expected frequency and volume of sales) and qualitative factors such as how the performance of the business model and financial assets held within the business model are evaluated and reported to management; the risk that affect the performance of the business, model and the financial assets held within the business model. In particular, the way in which those risks are managed; and how management received returns on the assets (i.e. whether the returns are based on fair value of the assets managed or on contractual cash flows collected).

## Summary of Significant Accounting Policies Contd

### **Solely Payments Of Principal And Interest (SPPI)**

If a financial asset is held in either a Hold to Collect or Hold to Collect and Sell model, then an assessment is determined whether contractual cash flows are solely payments of principal and interest on principal amount outstanding at initial recognition is required to determine the classification.

Contractual cash flows that are SPPI on the principal amount outstanding are considered as basic lending arrangement with interest as consideration for the time value of money and the credit risk associated with the principal amount outstanding during the tenor of the agreed arrangement. Other basic lending risks like Liquidity risk and cost of administration associated with holding the financial asset for the specified tenor and the profit margin that is consistent with a basic lending arrangement.

### **Subsequent Measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

### **Financial Assets At Amortised Cost (Debt Instruments)**

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

## Summary of Significant Accounting Policies Contd

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes debt instruments (bonds), loans to staff, fixed deposits with banks and other receivables.

### **Financial Assets At Fair Value Through OCI (Debt Instruments)**

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

During the year under consideration, the Company did not have any debt instruments at fair value through OCI.

### **Financial Assets Designated At Fair Value Through Oci (equity Instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.



## Summary of Significant Accounting Policies Contd

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Company elected to classify irrevocably its non-listed equity investments under this category.

### **Financial Assets At Fair Value Through Profit Or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

## Summary of Significant Accounting Policies Contd

- The rights to receive cash flows from the asset have expired  
Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement□ and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

### **Impairment of Financial Assets**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

## Summary of Significant Accounting Policies Contd

For debt instruments at amortised cost, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the credit rating of the debt instrument by international credit rating agencies like S&P, Moodys and Fitch as well as local ratings by Augusto and Co. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company's debt instruments at amortised cost comprise solely of quoted bonds that are graded in the top investment category and the credit ratings are tracked by the finance and investment teams via publications by International Credit Rating Agencies and trading exchange platforms.

The Company's fixed income investment portfolio consists of Investment grade and high speculative bonds and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the International Credit Rating Agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in the following:

- Disclosures for significant estimates Judgements and assumptions - Note 3
- Financial assets at amortised cost - Notes 1.3 and 2.3 to the financial statements
- Other receivables and prepayments - Note 6.2

## Summary of Significant Accounting Policies Contd

### **Write Off**

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Company categorises its receivables for write off when a debtor fails to make contractual payments greater than 360 days past due. Where financial assets have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The gross carrying amount of an asset is written off (either fully or partially) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cashflows to repay the amount subject to write off. However, the financial assets that are subjected to write off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amount due.

## **2.8 Financial liabilities and equity instruments**

### **2.8.1 Classification as debt or equity**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### **2.8.2 Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## Summary of Significant Accounting Policies Contd

### 2.8.3 Compound Instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method. Once the convertible security is not convertible to fixed numbers of ordinary shares, it cannot be considered a compound instrument.

### 2.8.4 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss (FVTPL)' or 'other financial liabilities'.

The Company does not have any financial liability that is measured at fair value through profit or loss during the period under review.

## Summary of Significant Accounting Policies Contd

### 2.8.4.1 Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### 2.8.4.2 Derecognition of Financial Liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are extinguished- i.e. when the obligation specified in the contract is discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

### 2.8.4.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## Summary of Significant Accounting Policies Contd

### 2.9 Other Receivables and Prepayments

These principally consists of prepayments, sundry debtors and staff loans (carried at amortised cost). Prepayment is not a financial asset. Thus, it is measured at amount initially paid less amortization to profit or loss.

### 2.10 Reinsurance Contracts

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured.

#### 2.10.1 Reinsurance Assets

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and ceded policy claims. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of the reinsurance contract. Reinsurance is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of reinsurance.

Reinsurance assets are subject to impairment testing when and only when;

- (a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and
- (b) that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer.

The carrying amount is reduced to its recoverable amount when there is an impairment loss. The impairment loss is recognised as an expense in the profit or loss. The asset is impaired if objective evidence is available to suggest that it is probable that the Company will not be able to collect the amounts due from reinsurers.

## Summary of Significant Accounting Policies Contd

Reinsurance liabilities are derecognised when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

### **2.10.2 Reinsurance Recoveries**

Reinsurance recoveries in respect of Incurred but not reported (IBNR) claims are assumed to be consistent with the historical recoveries on paid and outstanding claims, adjusted to reflect changes in the nature and extent of the Company's reinsurance programmes. An assessment is made of the recoverability of reinsurance having regard to available data on the financial strength of the reinsurance companies.

Gains or losses on buying reinsurance are recognised in income at the date of purchase and are not amortised.

### **2.10.3 Reinsurance Liabilities**

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due.

### **2.11 Deferred Acquisition Costs**

The incremental costs directly attributable to the acquisition of new business are deferred by recognising an asset. For other insurance contracts, acquisition costs including both incremental acquisition costs and other indirect costs of acquiring and processing new business are deferred (deferred acquisition costs).

Where such business is reinsured the reinsurer's share is carried forward as deferred income.

Deferred acquisition costs and deferred origination costs are amortized systematically over the life of the contracts and tested for impairment at each reporting date. Any amount not recoverable is expensed. They are derecognised when the related contracts are settled or disposed of.



## Summary of Significant Accounting Policies Contd

### **Deferred income - Reinsurance commissions**

The Company recognises commissions receivable on outwards reinsurance contracts as a deferred income and amortised over the average term of the expected premiums payable.

### **2.12 Investment Properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited independent external valuer applying a valuation model.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. The amount of consideration to be included in the gain or loss arising from derecognition of investment property is determined in accordance with the requirements for determining the transaction prices in IFRS 15.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If a property initially classified as property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

## Summary of Significant Accounting Policies Contd

### 2.13 Intangible Assets

#### Software

The amount initially recognised for intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Its estimated useful life typically varies between 3 and 5 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

#### Acquired Insurance Liabilities

On acquisition of a portfolio of insurance contracts the difference between the fair value and the carrying value of the insurance liabilities measured under the Company's accounting policies is recognised as an intangible asset. This is amortized on a systematic basis over the estimated life of the acquired contracts which typically varies between 1 and 10 years. The carrying value is assessed at each reporting date and any reductions are recognised in profit or loss for the period in which they arise. The subsequent measurement of this asset is consistent with the measurement of the related insurance liability.

## Summary of Significant Accounting Policies Contd

### 2.14 Property, Plant and Equipment

Property, plant and equipment are those owned and used by the Company, and are stated in the statement of financial position at cost, less any accumulated depreciation and accumulated impairment loss (if any).

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated at the following annual rates:

<b>Asset Description</b>	<b>Years</b>
Motor Vehicles	4
Furniture and Fittings	5
Computer and Office Equipment	4
Plant and Machinery	5

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## Summary of Significant Accounting Policies Contd

### 2.15 Impairment of Intangible Assets

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The Company tests an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount

- (a) annually, and
- (b) whenever there is an indication that the intangible asset may be impaired.

If there is any indication that an asset may be impaired, recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the company's CGUs to which the individual assets are allocated.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## Summary of Significant Accounting Policies Contd

### 2.16 Impairment of Property, Plant and Equipment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such circumstances include, though are not limited to, significant or sustained declines in revenues or earnings and material adverse changes in the economic environment.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets.

A Cash Generating Unit (CGU) is the smallest identifiable unit of asset that generates cash inflows that are largely independent of the cash inflows from other assets or Company of assets. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. To calculate value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Fair value less costs of disposal is determined by taking recent market transactions into accounts. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses, if any, are recognised in profit or loss and are only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised. For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

## Summary of Significant Accounting Policies Contd

### 2.17 Leases

#### **Policy applicable before 1 January 2019**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

#### **Company as a Lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

## Summary of Significant Accounting Policies Contd

### **Company as a Lessor**

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### **Policy applicable with effect from 1 January 2019**

#### **Initial recognition and measurement**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

### **Company as a Lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **i) Right-of-use Assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of a right-of-use asset at inception of the lease includes an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company incurs the obligation for those costs at the commencement date or as a consequence of having used the underlying asset during a particular period.

## Summary of Significant Accounting Policies Contd

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets (Real Estate 2 to 5 years)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section(s) Impairment of non-financial assets Property plant and equipment- Note 2.16).

The Company's lease arrangements are majorly real estate leases which include leases of office spaces. These lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

In the financial statements for the current and prior periods, no right of use (ROU) asset is recognized because of the application of short term lease exception.

### **ii) Lease Liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.



## Summary of Significant Accounting Policies Contd

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not clearly stated in the lease contract. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

### **iii) Short-term Leases and Leases of Low-Value Assets**

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

### **Company as a Lessor**

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Company enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the

## Summary of Significant Accounting Policies Contd

lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease that the entity, as a lessee, has accounted for applying paragraph 6, the sublease shall be classified as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

### **Rent Receivables**

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to accounting policies on financial assets in this note. 5.18.

### **Tenant deposits**

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term. Refer also to accounting policies on financial liabilities in note. 2.8.4.

## **2.18 Statutory Deposit**

Statutory deposit represents a deposit of 10% of the regulatory minimum share capital (N3bn) for a non-life insurance business kept with the Central Bank of Nigeria. The cash amount held is considered to be a restricted cash balance.

## Summary of Significant Accounting Policies Contd

### **2.19 Insurance Contract Liabilities**

#### **2.19.1 Provision for Outstanding claims and Incurred but not reported (IBNR) claims**

Provision for liabilities of insurance contracts is made for outstanding claims and settlement expenses incurred at the reporting date including an estimate for the cost of claims incurred but not reported (IBNR) at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, environmental and pollution exposures, the ultimate cost of which may vary from the original assessment. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material. The liability for Incurred but not Reported (IBNR) claims is calculated at the end of the reporting period, using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability was discounted for time value of money; and no further provision was made for equalisation or catastrophe reserves (as prohibited by IFRS 4).

These liabilities are derecognised when the obligation to pay a claim is extinguished (i.e. expired, discharged or cancelled).

#### **2.19.2 Provision for Unearned Premiums and Unexpired Risks**

The provision for unearned premiums represents that part of written premiums, gross of commission payable to intermediaries that is estimated to be earned in subsequent periods. The change in the provision is recorded in the profit or loss to recognise revenue over the period of the risk.

#### **2.19.3 Liability Adequacy**

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less related deferred acquisition costs and intangible assets to ensure that the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment return.

## Summary of Significant Accounting Policies Contd

If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognised as an expense in the profit or loss initially by writing off the intangible assets and subsequently by recognising an additional liability for claims provisions or recognising a provision for unexpired risks.

The unexpired risks provision is assessed in aggregate for business classes which are managed together.

### **2.20 Trade Payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted.

### **2.21 Other Payables**

#### **2.21.1 Other Payables**

Other payables are initially recognised at fair value, fair value represents transaction price and subsequently measured at amortised cost.

### **2.22 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **2.22.1 Current Tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## Summary of Significant Accounting Policies Contd

The current taxes include: Company Income Tax at 30% of taxable profit; Education Tax at 2% of assessable profit; Capital Gain Tax at 10% of chargeable gains; and Information Technology Development Levy at 1% of accounting profit. Minimum tax may be computed based on CITA.

### 2.22.2 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is provided and accounted for using liability method. Deferred tax assets are generally recognised for all deductible temporary difference, unutilised tax loss and unutilised tax credits.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## Summary of Significant Accounting Policies Contd

### 2.22.3 Current and Deferred Tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The Company offsets deferred tax assets and deferred tax liabilities if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

### 2.23 Employee Benefit Costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

This is done in line with the Pension Reform Act 2014, whereby the minimum rate of Pension Contribution is 18% of monthly emolument, where 8% will be contributed by employee and 10% by the employer.

## Summary of Significant Accounting Policies Contd

### 2.25 Statutory Contingency Reserve

The Company maintains Statutory contingency reserve in accordance with the provision of Section 21 (2) of the Insurance Act CAP 117, LFN 2004 to cover fluctuations in securities and variations in statistical estimates at a rate equal to greater of 3% of gross premium or 20% of net profits until the accumulated amount reaches the greater of the minimum paid-up capital or 50% of the net premium.

### 2.26 Dividends

Interim dividend paid to the shareholders of the Company is recognised in the period in which the interim dividend approved by the Board of Directors or a second interim dividend approved by the Company's shareholders at the Company's annual general meeting is paid.

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders at the Annual General Meeting.

### 2.27 Revenue Recognition

#### 2.27.1 Gross Written Premium

Written premiums comprise the premiums on contracts inception in the financial year. Written premiums are stated gross of commissions that are payable to intermediaries and exclusive of taxes and duties on premiums.

Unearned premiums are those proportions of the premium which relate to periods of risk after the reporting date.

Unearned premiums are calculated on a time apportionment basis.

#### 2.27.2 Fees and Commission Income

Fees and commission income consist primarily of agency and brokerage commission, reinsurance and profit commissions, policyholder administration fees and other contract fees. Reinsurance commission receivables are deferred in the same way as acquisition costs. All other fees and commission income are recognised as the services are provided.

## Summary of Significant Accounting Policies Contd

### 2.27.3 Investment Income

Investment income consists of dividend, interest and rental income on investment properties, realized gains and losses, and unrealized gains and losses on fair value assets.

#### **Interest Income**

Interest income comprises amount calculated using effective interest method.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

#### **The Effective Interest Rate Method**

If expectations of fixed rate financial asset's cash flows are revised for reasons other than credit risk, the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the statement of financial position with a corresponding increase or decrease in interest income.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Company calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial assets cures (and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.



## Summary of Significant Accounting Policies Contd

### **Dividend Income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividend income is recognised in profit or even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

### **Rental Income**

Rental income is recognised on an accrual basis.

### **Realized Gains and Losses**

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and carrying amount and are recorded in profit or loss on occurrence of the sale transaction.

### **Unrealised Gains and Losses**

Unrealized gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals during the year.

## **2.28 Benefits, Claims and Expenses Recognition**

### **2.28.1 Insurance Benefits and Claims**

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

## Summary of Significant Accounting Policies Contd

### Reinsurance Claims

The Company recognises reinsurance claims when the related gross insurance claims are recognised according to the terms of the relevant contracts.

### 2.28.2 Underwriting Expenses

Underwriting expenses refer to all expenses, inclusive of net commissions, that are applicable to the servicing of net premiums written. These expenses encompass all that are incurred by an insurance company.

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

Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts. Other underwriting expenses are those incurred in servicing existing policies/contract. These expenses are charged in the accounting period in which they are incurred.

### 2.28.3 Other Expenses

All other operating expenses are recognised directly in profit or loss when incurred.

### 2.29 Fair Value Measurement

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

## Summary of Significant Accounting Policies Contd

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumption that market participant would use when pricing the asset or liability, assuming that market participant's act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any adjustment for transaction costs.

For other financial instruments other than investment in equity instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's best estimate of the most appropriate model assumptions.

For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument. The use of different pricing models and assumptions could produce materially different estimates of fair values.

## Summary of Significant Accounting Policies Contd

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

### 3. **Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### **Critical judgments in applying the Company's accounting policies**

The following are the critical judgments, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### **Going Concern**

The financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. Capital adequacy, profitability and liquidity ratios are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operation of the Company.

## Summary of Significant Accounting Policies Contd

The Directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the next 12 months ahead.

### **Insurance product classification and contract liabilities**

The Company's non-life insurance contracts are classified as insurance contracts. As permitted by IFRS 4, assets and liabilities of these contracts are accounted for under previously applied GAAP.

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

### **Determining the lease term of contracts with renewal and termination options – Company as lessee**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

## Summary of Significant Accounting Policies Contd

The Company included the renewal period as part of the lease term for leases of office spaces and plant and machinery with shorter non-cancellable period (i.e., three to five years) where this is expressly stated in the lease contract or enforceable at law per the lease contract. The Company typically exercises its option to renew for these leases because there will be a significant negative effect on its operation if a replacement asset is not readily available. The renewal periods for leases of office spaces are not included as part of the lease term as these are not reasonably certain to be exercised.

Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

### **Property Lease Classification – Company as Lessor**

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

### **Key Sources of Estimation Uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

### **Valuation of Liabilities of non-life Insurance Contracts**

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the reporting date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder, Stochastic reserving (Bootstrap) and Bornheutter-Ferguson methods.

## Summary of Significant Accounting Policies Contd

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying amount for non-life insurance contract liabilities at the reporting date is N11,958 million (2018: N12,826 million).

### **Fair value of financial instruments using valuation techniques**

The Directors use their judgment in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In the current market environment, such price information is typically not available for all instruments and the company uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the company estimates the non-market observable inputs used in its valuation models.

## Summary of Significant Accounting Policies Contd

Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

The carrying amount of financial assets at the report date is N703 million (31 December 2018: N1,938 million).

### **Impairment under IFRS 9**

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost.

The determination of impairment loss and allowance moves from the incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under IAS 39, to expected credit loss model under IFRS 9, where expected credit losses are recognised upon initial recognition of the financial asset based on expectation of potential credit losses at the time of initial recognition.

### **Staged Approach to the Determination of Expected Credit Losses**

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition. These stages are as outlined below:

- Stage 1: The Company recognises a credit loss allowance at an amount equal to the 12 month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after the initial recognition.
- Stage 2: The Company recognises a credit loss allowance at an amount equal to the lifetime expected credit losses (LTECL) for those financial assets that are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on Lifetime probabilities of default that represents the probability of a default occurring over the remaining lifetime of the financial assets. Allowance for credit losses is higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in stage 1.



## Summary of Significant Accounting Policies Contd

Stage 3: The Company recognises a loss allowance at an amount equal to life-time expected credit losses, reflecting a probability of default (PD) of 100% via the recoverable cash flows for the asset. For those financial assets that are credit impaired. The Company's definition of default is aligned with the regulatory definition. The treatment of the loans and other receivables in stage 3 remains substantially the same as the treatment of impaired financial assets under IAS 39 except for the portfolios of assets purchased or originated as credit impaired .

The Company does not originate or purchase credit impaired loans or receivables.

The determination of whether a financial asset is credit impaired focuses exclusively on default risk, without taking into consideration the effect of credit risk mitigants such as collateral or guarantees. Specifically, the financial asset is credit impaired and in stage 3 when the Company considers the obligor is unlikely to pay its credit obligations to the company. The termination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that a qualitative indicators of credit impairment; or contractual payments of either principal or interest by the obligor are pass due by more than 90 days.

For financial assets considered to be credit impaired, the ECL allowance covers the amount of loss the Company is expected to suffer. The estimation of ECLs is done on a case by case basis for non-homogenous portfolios, or by applying portfolio based parameters to individual financial assets in this portfolios by the Company's ECL model for homogenous portfolios.

Forecast of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability – weighted present value of the difference between:

- 1) The contractual cash flows that are due to the Company under the contract; and
- 2) The cash flows that the Company expects to receive.

## Summary of Significant Accounting Policies Contd

Elements of ECL models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The development of ECL models, including the various formulas and the choice of inputs.

Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

### **Expected Lifetime:**

The expected life time of a financial asset is a key factor in determine the life time expected credit losses. Lifetime expected credit losses represents default events over the expected life of a financial asset. The company measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension option) over which it is exposed to credit risk.

### **Re-assessment of useful lives and residual values**

The Company carries its property, plant and equipment at cost in the statement of financial position. The annual review of the useful lives and residual value of property, plant and equipment result in the use of significant management judgements.

## **4. Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

## Summary of Significant Accounting Policies Contd

### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cashflows of a Company of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period

## Summary of Significant Accounting Policies Contd

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss, but are recognised directly on the statement of financial position.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a Company of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is to have a significant impact on profit and total equity together with presentation and disclosure.

### **Definition of a Business – Amendments to IFRS 3**

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application- 1 January 2020, the Company will not be affected by these amendments on the date of transition.

## Summary of Significant Accounting Policies Contd

### **Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

### **The Conceptual Framework for Financial Reporting**

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

## Summary of Significant Accounting Policies Contd

### **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

### **Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7**

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

### **The Amendments to IFRS 9**

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

## Summary of Significant Accounting Policies Contd

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. The fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship.

Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value. The reliefs continue indefinitely in the absence of any of the events described in the amendments.

When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items. The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

### **The Amendments to IAS 39**

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

## ▪ Financials



# Statement of Financial Position

As at 31 December, 2019

Assets	Notes	2019 N'000	2018 N'000
Cash and cash equivalents	1	4,517,560	9,070,412
Financial assets	2	18,174,307	15,818,595
Trade receivables	3	107,318	350,091
Reinsurance assets	4	8,291,969	8,413,518
Deferred acquisition costs	5	543,304	666,147
Other receivables and prepayments	6	268,397	267,986
Investment properties	7	3,637,178	3,555,000
Property, plant and equipment	8	194,005	167,564
Intangible assets	9	9,265	8,467
Statutory deposits	10	300,000	300,000
<b>Total assets</b>		<b>36,043,303</b>	<b>38,617,780</b>
<b>Liabilities and equity</b>			
Insurance contract liabilities	11	11,957,745	12,826,281
Trade payables	12	2,035,944	5,383,622
Other payables and accruals	13	1,473,465	725,825
Deferred income	14	382,167	442,480
Current income tax payable	15	898,023	847,743
Deferred tax liabilities	16	429,024	443,854
<b>Total liabilities</b>		<b>17,176,368</b>	<b>20,669,805</b>
<b>Equity</b>			
Issued and paid-up share capital	17	3,500,000	3,500,000
Share premium	17	84,607	84,607
Statutory contingency reserve	18	8,447,097	7,677,566
Retained earnings	18	6,642,715	6,218,660
Fair value reserve	18	192,516	467,142
<b>Total equity attributable to Owners</b>		<b>18,866,935</b>	<b>17,947,975</b>
<b>Total liabilities and equity</b>		<b>36,043,303</b>	<b>38,617,780</b>

These financial statements were approved by the Board of Directors and authorized for issue on 6 February 2020 and signed on its behalf by:



Johnnie Wilcox  
Director  
FRC/2014/CIIN/00000006671



Olatoye Odunsi  
Managing Director/CEO  
FRC/2013/CIIN/00000002239



Friday Nwachukwu  
Chief Financial Officer  
FRC/2013/ICAN/00000002207

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

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December, 2019

	Notes	2019 N'000	2018 N'000
Gross premium written		25,651,020	23,811,985
Gross premium income	19	25,183,487	22,746,847
Premiums ceded to reinsurers	4.1, 20	(17,805,869)	(15,175,823)
Net premium income		7,377,618	7,571,024
Fees and commission income	21	1,369,440	1,077,707
Net underwriting income		8,747,058	8,648,731
Claims expenses:			
Gross benefits and claims expenses	22.1	(4,318,005)	(6,134,442)
Claims expenses ceded to reinsurers	22.2	2,047,990	3,394,489
Net claims expenses		(2,270,015)	(2,739,953)
Underwriting expenses	23	(2,276,897)	(2,028,639)
Total underwriting expenses		(4,546,912)	(4,768,592)
Underwriting profit		4,200,146	3,880,139
Interest income	24	1,813,143	1,862,023
Other investment and sundry income	25	208,930	153,465
Net realised gain	26	429,429	28,548
Foreign exchange/Net fair value (loss)/ gain	27	(12,848)	1,549,305
Impairment loss (charge) /write back	28	(41,915)	113,457
Management expenses	29	(3,156,354)	(2,917,445)
Profit before income tax expense		3,440,531	4,669,492
Income tax expense	15	(461,240)	(844,736)
Profit for the year		2,979,291	3,824,756
Other Comprehensive Income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Net gain on equity instruments designated at fair value through other comprehensive income	30	39,669	150,862
Other comprehensive profit for the year, net of tax		39,669	150,862
Total comprehensive income for the year, net of tax		3,018,960	3,975,618
<b>Earnings per share:</b>			
Basic (kobo)	32	43	55
Diluted (kobo)	32	43	55

# Statement of Changes In Equity

For the year ended 31 December, 2019

	Attributable to equity holders					
	Issued and paid -up share capital	Share Premium ₹'000	Statutory Contingency Reserve ₹'000	Retained Earnings ₹'000	Fair value reserve ₹'000	Total Equity ₹'000
<b>For the year ended 31 December 2019</b>						
<b>At 1 January 2019</b>	3,500,000	84,607	7,677,566	6,218,660	467,142	17,947,975
Profit for the year	-	-	-	2,979,291	-	2,979,291
Other comprehensive income, net of tax (Note 30)	-	-	-	-	39,669	39,669
Total Comprehensive income	-	-	-	2,979,291	39,669	3,018,960
Dividend for last financial result (2018) (Note 33)	-	-	-	(1,400,000)	-	(1,400,000)
Interim dividend (for current year) ( Note 33)	-	-	-	(700,000)	-	(700,000)
Transfer of fair value reserve of equity instruments designated at FVOCI (Note 18.2)				314,295	(314,295)	-
Transfer between reserves (Note 18)	-	-	769,531	(769,531)	-	-
<b>At 31 December 2019</b>	<b>3,500,000</b>	<b>84,607</b>	<b>8,447,097</b>	<b>6,642,715</b>	<b>192,516</b>	<b>18,866,935</b>
<b>For the year ended 31 December 2018</b>						
<b>At 1 January 2018</b>	3,500,000	84,607	6,743,668	5,427,802	316,280	16,072,357
Profit for the year	-	-	-	3,824,756	-	3,824,756
Other comprehensive income, net of tax (Note 30)	-	-	-	-	150,862	150,862
Total Comprehensive income	-	-	-	3,824,756	150,862	3,975,618
Dividend for last financial result (2017) (Note 33)	-	-	-	(1,050,000)	-	(1,050,000)
Interim dividend (for current year) ( Note 33)	-	-	-	(1,050,000)	-	(1,050,000)
Transfer between reserves (Note 18)	-	-	933,898	(933,898)	-	-
<b>At 31 December 2018</b>	<b>3,500,000</b>	<b>84,607</b>	<b>7,677,566</b>	<b>6,218,660</b>	<b>467,142</b>	<b>17,947,975</b>

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

# Statement of Cash Flows

For the year ended 31 December, 2019

		2019 N'000	2018 N'000
<b>Cash flows from operating activities</b>	<b>Notes</b>		
Premiums received from policyholders		21,972,229	23,550,596
Premiums received in respect of future policies	12.2	773,258	3,697,000
Net payments to reinsurers		(17,926,079)	(15,613,471)
Cash payments to and on behalf of employees	29	(716,788)	(703,652)
Other operating cash paid		(2,633,898)	(1,019,816)
Commissions received	14	1,320,377	1,173,299
Commissions paid	5	(1,877,085)	(1,977,045)
Maintenance cost paid		(280,377)	(175,424)
Claims and benefits paid	11.2	(5,654,075)	(5,281,814)
Claims and benefit received		2,368,911	2,208,784
<b>Cash flows generated from operating activities</b>	36	(2,653,527)	5,858,457
Income tax paid	15	(414,589)	(554,543)
<b>Net cash (used in) / provided by operating activities</b>	35	(3,068,116)	5,303,914
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(122,018)	(78,240)
Purchase of intangible software	9	(4,898)	(6,824)
Purchase of investment properties		(43,143)	-
Proceeds on disposal of investment property		-	400,000
Proceeds on disposal of property, plant and equipment		5,054	1,610
Interest income received		1,813,143	1,862,023
Rental income received	14	66,500	33,750
Dividend income received	25	126,321	79,582
Proceeds on disposal of investments		2,735,465	228,184
Purchase of investments	2	(7,820,812)	(8,306,599)
Proceed from redemption of financial assets measured at amortised costs	2	3,126,550	7,673,584
<b>Net cash (used in) / provided by investing activities</b>		(117,838)	1,887,070
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	33	(1,400,000)	(2,100,000)
<b>Net cash used in financing activities</b>		(1,400,000)	(2,100,000)
Net (decrease)/ increase in cash and cash equivalents		(4,585,953)	5,090,984
Net foreign exchange difference		33,101	70,304
Cash and cash equivalents at 1 January		9,070,412	3,909,124
<b>Cash and cash equivalents at 31 December</b>	1	4,517,560	9,070,412

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

# Notes To The Financial Statements

		31-Dec-2019 N'000	31-Dec-2018 N'000
<b>1</b>	<b>Cash and cash equivalents</b>		
	Cash and bank balances	(Note 1.1) 702,768	4,586,858
	Short-term deposits	(Note 1.2) 3,891,687	4,566,952
	Less: Allowance for credit losses	(76,895)	(83,398)
	Cash and cash equivalents (per statement of cash flows)	<u>4,517,560</u>	<u>9,070,412</u>
<b>1.1</b>	Cash and banks is made up of the following:	63	58
	Cash on hand	594,849	155,305
	Cash held with banks in naira	107,856	4,431,495
	Cash held with banks in foreign currencies	702,768	4,586,858
	Less: Allowance for credit losses	(10,754)	(13,471)
	Total Cash and banks	<u>692,014</u>	<u>4,573,387</u>
<b>1.2</b>	Short term deposit is made up of:		
	Call deposits	9,658	3,070
	Term deposits	3,882,029	4,563,882
	Less: Allowance for credit losses	(66,141)	(69,927)
		<u>3,825,546</u>	<u>4,497,025</u>

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. All deposits are subject to an average variable interest rate of 6.53% per annum (2018: 8.75%).

## Notes To The Financial Statements Contd

### 1.3 Impairment loss on cash and cash equivalents

An analysis of the gross carrying amount and corresponding ECLs is as follows:

	31-Dec-19			
	Stage 1 Individual N'000	Stage 2 Individual N'000	Stage 3 Individual N'000	Total N'000
<b>Gross carrying amount</b>				
Cash on hand	63	-	-	63
Balances held with local banks and domiciliary accounts	702,705	-	-	702,705
Call deposits	9,658	-	-	9,658
Term deposits	3,882,029	-	-	3,882,029
	<u>4,594,455</u>	<u>-</u>	<u>-</u>	<u>4,594,455</u>
<b>Expected credit losses</b>				
Cash on hand	-	-	-	-
Balances held with local banks and domiciliary accounts	10,616	-	-	10,616
Call deposits	138	-	-	138
Term deposits	66,141	-	-	66,141
	<u>76,895</u>	<u>-</u>	<u>-</u>	<u>76,895</u>

## Notes To The Financial Statements Contd

### 1.3 Impairment loss on cash and cash equivalents contd.

An analysis of changes in the gross carrying amount and corresponding ECLs is as follows:

	31-Dec-18			
	Stage 1 Individual ₹'000	Stage 2 Individual ₹'000	Stage 3 Individual ₹'000	Total ₹'000
<b>Gross carrying amount</b>				
Cash on hand	58	-	-	58
Balances held with local banks and domiciliary accounts	4,586,800	-	-	4,586,800
Call deposits	3,070	-	-	3,070
Term deposits	4,563,882	-	-	4,563,882
	<u>9,153,810</u>	<u>-</u>	<u>-</u>	<u>9,153,810</u>
<b>Expected credit losses</b>				
Cash on hand	-	-	-	-
Balances held with local banks and domiciliary accounts	13,471	-	-	13,471
Call deposits	39	-	-	39
Term deposits	69,888	-	-	69,888
	<u>83,398</u>	<u>-</u>	<u>-</u>	<u>83,398</u>

An analysis of changes in the gross carrying amount and corresponding ECLs is as follows:

## Notes To The Financial Statements Contd

### 1.3 Impairment loss on cash and cash equivalents contd.

An analysis of changes in the gross carrying amount and corresponding ECLs is as follows:

	2019							
	Stage 1		Stage 2		Stage 3		Stage 4	
	Gross carrying amount N'000	ECL N'000	Gross carrying amount N'000	ECL N'000	Gross carrying amount N'000	ECL N'000	Gross carrying amount N'000	ECL N'000
As at 1 January 2019	9,153,752	83,398	-	-	-	-	9,153,752	83,398
New assets purchased	592,301	17,082	-	-	-	-	592,301	17,082
Assets derecognised or matured (excluding write-offs)	(5,142,498)	(89,796)	-	-	-	-	(5,142,498)	(89,796)
Amounts written off	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	66,475	-	-	-	-	-	66,475
Foreign exchange adjustments	(9,163)	(264)	-	-	-	-	(9,163)	(264)
At 31 December 2019	4,594,392	76,895	-	-	-	-	4,594,392	76,895

	2018							
As at 1 January 2018	3,909,069	93,431	-	-	-	-	3,909,069	93,431
New assets purchased	7,030,555	28,332	-	-	-	-	7,030,555	28,332
Assets derecognised or matured (excluding write-offs)	(1,834,936)	(2,697)	-	-	-	-	(1,834,936)	(2,697)
Amounts written off	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	(35,301)	-	-	-	-	-	(35,301)
Foreign exchange adjustments	49,064	(368)	-	-	-	-	49,064	(368)
At 31 December 2018	9,153,752	83,398	-	-	-	-	9,153,752	83,398



## Notes To The Financial Statements Contd

### 2. Financial assets

Below is an analysis of the Company's financial assets		31-Dec-2019 ₹'000	31-Dec-2018 ₹'000
	Notes		
Equity : Fair Value through profit or loss (FVTPL)	Note 2.1	674,987	501,012
Equity : Fair Value through OCI (FVTOCI)	Note 2.2	703,179	1,937,977
Debt instruments measured at amortised cost:			
Federal government bonds		3,159,506	1,897,356
State government bonds		718,783	252,928
Corporate bonds		12,205,947	10,854,798
Other debt securities - short term deposits		932,723	555,050
Impairment losses on financial assets measured at amortised cost		(220,818)	(180,526)
Total debt instruments measured at amortised cost		16,796,141	13,379,606
		<u>18,174,307</u>	<u>15,818,595</u>

#### 2.1 Equity : Fair Value through Profit or Loss (FVTPL)

The Company's fair value through profit or loss (FVTPL) financial assets consist of investment in quoted equities of entities whose stock are actively traded on the stock exchange. The investments are held primarily for trading purposes and are fair valued frequently. The resulting fair value adjustments are recorded in the profit or loss

## Notes To The Financial Statements Contd

### 2.2 Equity : Fair Value through Other Comprehensive Income (FVTOCI)

Equities - fair value through other comprehensive income :

	31-Dec-2019 N'000	31-Dec-2018 N'000
ARM Properties Plc.	11,000	11,000
Friesland Wamco Nig. Plc.	5,758	7,775
ARM Hospitality Fund	99,022	103,775
African Reinsurance Corporation	204,620	205,442
Energy and Allied Insurance Pool of Nigeria	172,326	148,796
Mainstreet Technologies Limited	171,003	123,758
WSTC Financial Services Limited	22,250	14,171
Nigerian Liability Insurance Pool	17,200	5,500
MTN linked share	-	1,317,760
	<u>703,179</u>	<u>1,937,977</u>

## Notes To The Financial Statements Contd

### 2.3 Impairment losses on financial assets subject to impairment assessment

Debt instruments at amortised cost

An analysis of changes in the gross carrying amount and corresponding ECLs is as follows:

	2019							
	Stage 1		Stage 2		Stage 3		Stage 4	
	Gross carrying amount N'000	ECL N'000	Gross carrying amount N'000	ECL N'000	Gross carrying amount N'000	ECL N'000	Gross carrying amount N'000	ECL N'000
<b>Amortised cost</b>								
As at 1 January 2019	13,560,132	180,526	-	-	-	-	13,560,132	180,526
New assets purchased	6,591,688	71,658	-	-	-	-	6,591,688	71,658
Assets derecognised or matured (excluding write-offs)	(3,126,550)	(46,280)	-	-	-	-	(3,126,550)	(46,280)
Amounts written off	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	15,055	-	-	-	-	-	15,055
Foreign exchange adjustments	(8,311)	(141)	-	-	-	-	(8,311)	(141)
At 31 December 2019	17,016,959	220,818	-	-	-	-	17,016,959	220,818
	2018							
	Stage 1		Stage 2		Stage 3		Stage 4	
	Gross carrying amount N'000	ECL N'000	Gross carrying amount N'000	ECL N'000	Gross carrying amount N'000	ECL N'000	Gross carrying amount N'000	ECL N'000
As at 1 January 2018	12,843,738	284,638	-	-	-	-	12,843,738	284,638
New assets purchased	8,254,730	129,392	-	-	-	-	8,254,730	129,392
Assets derecognised or matured (excluding write-offs)	(7,673,584)	(184,060)	-	-	-	-	(7,673,584)	(184,060)
Amounts written off	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	(48,430)	-	-	-	-	-	(48,430)
Foreign exchange adjustments	135,248	(1,014)	-	-	-	-	135,248	(1,014)
At 31 December 2018	13,560,132	180,526	-	-	-	-	13,560,132	180,526

## Notes To The Financial Statements Contd

	Fair value through OCI ₹'000	Fair value through profit or loss ₹'000	Amortised Cost ₹'000	Total ₹'000
As at 1 January 2018	1,787,115	774,500	12,559,100	15,120,715
Additions	-	51,869	8,254,730	8,306,599
Maturities and redemptions	-	-	(7,673,584)	(7,673,584)
Disposals	-	(298,940)	-	(298,940)
Fair value gains recorded in OCI (Note 30)	150,862	-	-	150,862
Fair value loss taken to profit or loss (Note 27)	-	(26,416)	-	(26,416)
Impairment write-back during the year (Note 28)	-	-	103,098	103,098
Foreign exchange adjustments	-	-	136,262	136,262
At 31 December 2018	1,937,977	501,012	13,379,606	15,818,595
Additions	-	1,229,123	6,591,688	7,820,812
Maturities and redemptions	-	-	(3,126,550)	(3,126,550)
Disposals	(1,274,467)	(1,064,670)	-	(2,339,137)
Fair value gains recorded in OCI (Note 30)	39,669	-	-	39,669
Fair value loss taken to profit or loss (Note 27)	-	9,522	-	9,522
Impairment charge during the year (Note 28)	-	-	(40,434)	(40,434)
Foreign exchange adjustments	-	-	(8,170)	(8,170)
At 31 December 2019	703,179	674,987	16,796,141	18,174,307

## Notes To The Financial Statements Contd

### Maturity profile of debt instruments at amortised cost (gross):

	31-Dec-2019 N'000	31-Dec-2018 N'000
Within one year	2,414,429	1,103,457
More than one year	14,602,530	12,456,675
	<u>17,016,959</u>	<u>13,560,132</u>

The Company's "debt instrument measured at amortised costs" under IFRS 9 consist of investment in bonds and other securities that the Company holds within a business model of collecting the contractual cashflow till maturity. These investments are carried at their amortised cost and interest income is recognised using the effective interest rate.

<b>3. Trade receivables</b>	<b>31-Dec-2019 N'000</b>	<b>31-Dec-2018 N'000</b>
Due from brokers	96,577	350,091
Due from insurers	10,741	-
	<u>107,318</u>	<u>350,091</u>

#### 3.1 Aging analysis of trade receivables:

Within 30 days	107,318	350,091
More than 30 days	-	-
	<u>107,318</u>	<u>350,091</u>

All insurance receivables are designated as Trade receivables and their carrying values approximate fair value at the reporting date. A total amount of N107.32m (2018: N350.09m) was received after year end as at 31 January 2020.

## Notes To The Financial Statements Contd

	Notes	31-Dec-2019 N'000	31-Dec-2018 N'000
<b>4 Reinsurance assets</b>			
Prepaid reinsurance	4.1	5,402,557	5,203,185
Reinsurer's share of claims	4.2	2,255,326	2,676,251
	11	7,657,883	7,879,436
Due from reinsurance brokers	4.3	586,129	486,125
Minimum deposit on premiums paid	4.4	47,957	47,957
		<u>8,291,969</u>	<u>8,413,518</u>
<b>4.1 Reinsurance share of unearned premium reserve</b>			
At 1 January		5,203,185	4,426,029
Reinsurance ceded during the year	20	18,005,241	15,952,979
Reinsurance expense during the year	20	(17,805,869)	(15,175,823)
At 31 December		<u>5,402,557</u>	<u>5,203,185</u>
<b>4.2 Reinsurer's share of claims</b>			
At 1 January		2,676,251	1,553,996
(Decrease)/Increase ((charged) /credited) to Profit or loss	22.2		
At 31 December		<u>(420,925)</u>	<u>1,122,255</u>
		<u>2,255,326</u>	<u>2,676,251</u>
<b>4.3 Due from reinsurance brokers</b>			
At 1 January		486,125	422,675
Increase during the year		100,004	63,450
At 31 December		<u>586,129</u>	<u>486,125</u>

Amount due from reinsurance brokers represent net claims recoverable from reinsurance. They are valued after an allowance for their recoverability, and the carrying amount is a reasonable approximation of fair value. For cash flow purpose, the increase during the year of N100 million (2018: N63 million) has been adjusted to arrive at claims and benefit received of N2.369 billion (2018:N2.209 billion).

## Notes To The Financial Statements Contd

4.4	Minimum deposit on premiums paid	31-Dec-2019 N'000	31-Dec-2018 N'000
	At 1 January	47,957	50,005
	Addition	47,957	47,957
	Expensed during the year	(47,957)	(50,005)
	At 31 December	<u>47,957</u>	<u>47,957</u>

The amount expensed during the year is included in reinsurance expense and has been adjusted against net payments to reinsurers in the cash flows.

5.	Deferred Acquisition Costs (DAC)	Notes	31-Dec-2019 N'000	31-Dec-2018 N'000
	At 1 January		666,147	542,317
	Acquisition cost during the year		1,877,085	1,977,045
	Acquisition cost expensed during the year	23	(1,999,928)	(1,853,215)
	At 31 December		<u>543,304</u>	<u>666,147</u>
	Reconciliation of Acquisition cost expensed during the year			
	Acquisition cost during the year		1,877,085	1,977,045
	Increase/(decrease) in deferred acquisition cost during the year		<u>122,843</u>	<u>(123,830)</u>
			<u>1,999,928</u>	<u>1,853,215</u>

## Notes To The Financial Statements Contd

### 5. Deferred Acquisition Costs (DAC) Contd

	Motor N'000	Accident N'000	Bond N'000	Marine N'000	Aviation N'000	Fire N'000	Engineering N'000	Oil & Energy N'000	Total N'000
At 1 January 2019	60,487	48,597	181	20,877	2,669	158,963	123,339	251,034	666,147
Acquisition cost during the year	290,145	297,188	878	184,364	30,888	582,456	84,155	407,008	1,877,085
Acquisition cost expensed during the year	(279,909)	(301,515)	(795)	(179,715)	(21,248)	(559,461)	(106,633)	(550,652)	(1,999,928)
At 31 December 2019	70,723	44,270	264	25,526	12,309	181,958	100,861	107,390	543,304
At 1 January 2018	56,745	38,533	134	13,952	2,081	136,007	158,512	136,353	542,317
Acquisition cost during the year	242,959	226,123	628	136,746	9,716	436,366	64,812	859,695	1,977,045
Acquisition cost expensed during the year	(239,217)	(216,059)	(581)	(129,821)	(9,128)	(413,410)	(99,985)	(745,014)	(1,853,215)
At 31 December 2018	60,487	48,597	181	20,877	2,669	158,963	123,339	251,034	666,147

6. Other receivables and prepayments	Notes	31-Dec-2019 N'000	31-Dec-2018 N'000
Staff loans	6.1	63,039	76,058
Prepayments and sundry debtors	6.2	307,738	286,240
Withholding tax receivable		-	349
		370,777	362,647
*Allowance for impairment on Other receivables	6.3	(102,380)	(94,661)
		<b>268,397</b>	<b>267,986</b>

\*Individual impairment of items were carried out to arrive at this value.



## Notes To The Financial Statements Contd

		31-Dec-2019 ₹'000	31-Dec-2018 ₹'000
<b>6.1. Staff</b>			
At 1 January		76,058	68,261
Addition during the year		18,203	29,187
Accrued Interest		1,531	1,400
Repayment during the year		(32,753)	(22,790)
		63,039	76,058
ECL impairment provision		(37,951)	(36,048)
<b>At 31 December</b>		<b>25,088</b>	<b>40,010</b>
<b>6.2 Prepayment and sundry debtors</b>			
Sundry debtors	6.2.1	149,022	41,746
Claims debtors	6.2.2	60,442	96,049
Prepaid others	6.2.3	27,552	37,805
Deposit for property	6.2.4	33,120	71,932
Prepaid insurance on owned assets		22,617	20,209
<b>Prepaid rent</b>		14,985	18,499
		<b>307,738</b>	<b>286,240</b>

## Notes To The Financial Statements Contd

- 6.2.1** Sundry debtors represents deposit for various services not yet received and recoverable from suppliers and service providers. Included in the 2019 balance is an amount of N94million due from MTN Nigeria.
- 6.2.2.** Claims debtors are receivables due from co-insurers based on claims settled on their behalf as the lead insurer.
- 6.2.3** Prepaid others relates to prepayments made for services rendered by vendors.
- 6.2.4** This comprises an amount of N33.1 million deposited for purchase of properties (2018: N33.1million and N38.8million respectively). The Company secured ownership of a property for which a deposit of N38.8million was made after payment of the balance of N41.2million as full and final settlement during the financial year. The balance of N33.1million relates to a property development for which an initial deposit of N36.8million was made. The property development has been stalled and the developer has so far refunded the sum of N3.7million whilst the balance of N33.1million has been fully impaired.

	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
	<b>N'000</b>	<b>N'000</b>
At 1 January	71,932	33,120
Deposit during the year	41,227	38,812
Reclassifications to investment property (Note 7.1)	(80,039)	-
	<u>33,120</u>	<u>71,932</u>
Impairment loss	(33,120)	(33,120)
At 31 December	<u>-</u>	<u>38,812</u>

## Notes To The Financial Statements Contd

### 6.3 Impairment loss on other receivables

The impairment loss relates to staff loans, deposit for properties and sundry debtors.

An analysis of changes in the gross carrying amount and corresponding ECLs is as follows:

	2019							
	Stage 1		Stage 2		Stage 3		Stage 4	
	Gross carrying amount ₹'000	ECL ₹'000	Gross carrying amount ₹'000	ECL ₹'000	Gross carrying amount ₹'000	ECL ₹'000	Gross carrying amount ₹'000	ECL ₹'000
As at 1 January 2019	96,198	1,123	-	-	93,538	93,538	189,736	94,661
New assets purchased	112,316	8,600	-	-	-	-	112,316	8,600
Assets derecognised or matured (excluding write-offs)	(56,871)	(883)	-	-	-	-	(56,871)	(883)
Amounts written off	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	2	-	-	-	-	-	2
Foreign exchange adjustments	-	-	-	-	-	-	-	-
At 31 December 2019	151,643	8,842	-	-	93,538	93,538	245,181	102,380

	2018							
	Stage 1		Stage 2		Stage 3		Stage 4	
	Gross carrying amount ₹'000	ECL ₹'000	Gross carrying amount ₹'000	ECL ₹'000	Gross carrying amount ₹'000	ECL ₹'000	Gross carrying amount ₹'000	ECL ₹'000
As at 1 January 2018	96,990	5,497	-	-	93,538	89,858	190,528	95,355
New assets purchased	61,464	-	-	-	-	-	61,464	-
Assets derecognised or matured (excluding write-offs)	(62,256)	-	-	-	-	-	(62,256)	-
Amounts written off	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	(4,374)	-	-	-	3,680	-	(694)
Foreign exchange adjustments	-	-	-	-	-	-	-	-
At 31 December 2018	96,198	1,123	-	-	93,538	93,538	189,736	94,661

## Notes To The Financial Statements Contd

### 6.3 Impairment loss on other receivables- continues

#### Analysis of impact of impairment 2019

	Asset		Impairment		Asset
	Gross carrying amount as at 31 December N'000	Balance as at 1 January N'000	Increase/ (Write-back) during the year N'000	Balance as at 31 December N'000	Carrying amount as at 31 December N'000
Staff loans	63,039	38,804	(853)	37,951	25,088
Prepayments	65,154	-	-	-	65,154
Sundry debtors	149,022	22,737	8,572	31,309	117,713
Claims debtors	60,442	-	-	-	60,442
Deposit for property	33,120	33,120	-	33,120	-
Withholding tax receivable	-	-	-	-	-
Total	370,777	94,661	7,719	102,380	268,397

#### Analysis of impact of impairment 2018

Staff loans	76,058	38,615	189	38,804	37,254
Prepayments	76,513	-	-	-	76,513
Sundry debtors	41,746	23,898	(1,161)	22,737	19,009
Claims debtors	96,049	-	-	-	96,049
Deposit for property	71,932	32,842	278	33,120	38,812
Withholding tax receivable	349	-	-	-	349
Total	362,647	95,355	(694)	94,661	267,986

## Notes To The Financial Statements Contd

7.	Investment properties	Notes	31-Dec-2019 N'000	31-Dec-2018 N'000
	At 1 January		3,555,000	3,541,000
	Additions during the year		81,955	-
	Disposals during the year		-	(371,000)
	Net gain on fair value adjustments	27	223	385,000
	At 31 December		<u>3,637,178</u>	<u>3,555,000</u>

Further analysis and details of the investment properties including their location are stated below. These include the carrying amount and the corresponding fair value adjustments recognized in the profit or loss.

7.1	Description of properties and movement	1-Jan-2019 N'000	Additions during the year N'000	Fair value adjustments N'000	Disposals during the year N'000	31- Dec 2019 N'000
	88, Adetokunbo Ademola Street, Victoria Island, Lagos	230,000	-	-	-	230,000
	3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos	2,850,000	-	-	-	2,850,000
	156 Awolowo Road, Ikoyi, Lagos	405,000	-	-	-	405,000
	Plot 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos	40,000	1,916	(146)	-	41,770
	Plot 676 Cadastral Zone, Abuja	30,000	-	-	-	30,000
	5 Chapel Street, Yaba	-	80,039	369	-	80,408
		<u>3,555,000</u>	<u>81,955</u>	<u>223</u>	<u>-</u>	<u>3,637,178</u>

During the financial year, the Company acquired the property at 5, Chapel street at the cost of N80.04million while additional cost was incurred to perfect the Company's title to the property at Plot 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos (2018: Nil).

## Notes To The Financial Statements Contd

### 7.2

	1-Jan-2018 ₦'000	Additions during the year ₦'000	Fair value adjustments ₦'000	Disposals during the year ₦'000	31 - Dec 2018 ₦'000
88, Adetokunbo Ademola Street, Victoria Island, Lagos	230,000	-	-	-	230,000
3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos	2,500,000	-	350,000	-	2,850,000
156 Awolowo Road, Ikoyi, Lagos	370,000	-	35,000	-	405,000
Plot 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos	40,000	-	-	-	40,000
Plot 676 Cadastral Zone, Abuja	30,000	-	-	-	30,000
5 Chapel Street, Yaba	371,000	-	-	(371,000)	-
	<u>3,541,000</u>	<u>-</u>	<u>385,000</u>	<u>(371,000)</u>	<u>3,555,000</u>

Investment property located at 12 Keffi street, Ikoyi Lagos was disposed in 2018 at the price of N400 million with a gain on disposal of N 29million (Note 26).

Valuation techniques used for fair valuation of Investment properties

This represents the Company's investment in building and landed property for the purpose of capital appreciation. The investment properties are stated at fair value, which has been determined based on valuations performed by a qualified estate surveyor. The investment properties were independently valued by Barin Epega & Company (a registered estate surveyor & valuer) as at 31 December 2019 and 31 December 2018 based on valuation model in accordance with that recommended by the International Valuation Standards Committee. The determination of fair value of the investment property was supported by market evidence. The rental income arising from these properties during the year is included in other investment and sundry income.

#### Details of the Valuer

The investment properties were independently valued as at 31 December 2019 by Barin Epega (an estate surveyor & valuer) duly registered with the Financial Reporting Council of Nigeria. The valuer, which is located at No. 98, Norman Williams Street Ikoyi, Lagos, is a qualified member of the Nigerian Institution of Estate Surveyors and Valuers with FRC No. FRC/2012/NIESV/00000000597.

## Notes To The Financial Statements Contd

The rental income arising during the year amounted to N77.8million (year ended 31 December 2018: N69.9million) which is included in other investment and sundry income. Direct operating expenses arising in respect of such properties during the year are included within management expenses.

### 7. Investment properties contd.

	2019 N'000	2018 N'000
Rental income derived from investment properties (Note 25)	77,750	69,911
Direct operating expenses in generating rental income	(4,508)	(8,683)
Profit from investment properties carried at fair value	<u>73,242</u>	<u>61,228</u>

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal. The Company has no contractual obligations to purchase, construct or develop investment property or for repairs or enhancement.

### Valuation techniques used for fair valuation of investment properties - 31 December 2019

Location of Investment properties	Valuation technique	Significant unobservable inputs
88, Adetokunbo Ademola Street, Victoria Island, Lagos  - Title was perfected and obtained on 1 September 2011.	Depreciated replacement cost approach.	- Construction cost/M2 : N180,000 for Main Building of 300.3m2, N150,000 for Domestic Staff Quarters of 47.4m2 and N100,000 for Gate house of 8.48m2 Depreciation rate of 70%
3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos  - Title was perfected and obtained on 7 September 2011.	Income approach (DCF Method)	- Estimated rental per annum N34,200,000 – N41,040,000 - Rent growth p.a 1.14% - Long-term vacancy rate 0% - Discount rate 10%

## Notes To The Financial Statements Contd

Location of Investment properties	Valuation technique	Significant unobservable inputs
156 Awolowo Road, Ikoyi, Lagos  - Title was perfected and obtained on 29 June 1994.	Income approach (DCF Method).	- Estimated rental per annum N22,500,000 - Rent growth p.a 5% - Long-term vacancy rate 2% - Discount rate 10%
Plot 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos  - Title perfection is ongoing with the Lagos State Government since April 2017	Market comparison approach.	- Estimated price per square metre N35,000 - N45,000
Plot 676 Cadastral Zone, Abuja  - Title was perfected and obtained on 1 September 2011	Market comparison approach.	- Estimated price per square meter N8,000 - N12,000
5 Chapel Street, Yaba, Lagos  - Title perfection is ongoing with the Lagos State Government since acquisition in September 2019	Depreciated replacement cost approach was adopted in arriving at the market value.	-Construction cost/M2 : N120,000 for Main Building of 169.4m2 Land cost/M2: N145,000 for 454.3m2 Depreciation rate of 35% (Main Building), 45% (Fence)



## Notes To The Financial Statements Contd

### Valuation techniques used for fair valuation of investment properties - 31 December 2019

Location of Investment properties	Valuation technique	Significant unobservable inputs
88, Adetokunbo Ademola Street, Victoria Island, Lagos - Title was perfected and obtained on 1 September 2011.	Depreciated replacement cost approach was adopted in arriving at the market value.	- Construction cost/M2 : N180,000 for Main Building of 300.3m <sup>2</sup> , N150,000 for Domestic Staff Quarters of 47.4m <sup>2</sup> and N100,000 for Gate house of 8.48m <sup>2</sup> Depreciation rate of 70%
3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos - Title was perfected and obtained on 7 September 2011.	Income approach (DCF Method)	- Estimated rental per annum N34,200,000 – N41,040,000 - Rent growth p.a 1.14% - Long-term vacancy rate 0% - Discount rate 15%
156 Awolowo Road, Ikoyi, Lagos - Title was perfected and obtained on 29 June 1994.	Income approach (DCF Method).	- Estimated rental per annum N9,500,000 - N11,800,000 - Rent growth p.a 19% - Long-term vacancy rate 33% - Discount rate 15%
Plot 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos - Title perfection is ongoing with the Lagos State Government since April 2017.	Market comparison approach.	- Estimated price per square meter N40,000 - N42,500
Plot 676 Cadastral Zone, Abuja - Title was perfected and obtained on 1 September 2011.	Market comparison approach.	- Estimated price per square meter N8,000 - N12,000
12 Keffi Street, Ikoyi, Lagos - Title was perfected and obtained on September 7 2011.	Income approach (DCF Method).	- Estimated rental per annum N3,200,000 – N5,200,000 - Rent growth p.a 0.02% - Long-term vacancy rate 0% - Discount rate 15%

## Notes To The Financial Statements Contd

### **Investment Properties carried at fair value**

All Investment properties are carried at fair value as determined by an independent valuer. Valuation under the market approach is based on open market capital valuation using the market comparison approach through analysis of recent transactions of sale of comparable properties in the neighborhood to arrive at the value of the property. The income approach using discounted cashflows method is also used in arriving at the fair value of income yielding investment properties. The Depreciated replacement cost approach was used in arriving at the fair value of dilapidated structures due to the specialised nature of the property. Investment properties are categorised as Level 3 assets based on the methodology adopted in determining the fair value.

### **Investment Properties carried at fair value using income approach**

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases/(decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower)/fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower/(higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

## Notes To The Financial Statements Contd

### Investment Properties carried at fair value using market approach

Market comparable method is used when there exist a good volume of transactions involving comparable properties in the area during the year. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. This approach is based on the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparism applied by the Company is the price per square meter(sq.m). The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition.

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

### Investment Properties carried at depreciated replacement cost approach

Depreciated replacement cost (DRC) method of valuation is used where there is no active market for the asset being valued – that is, where there is no useful or relevant evidence of recent sales transactions due to the specialised nature of the asset. The cost of a modern equivalent asset is estimated and then adjusted to reflect the subject asset's physical condition and utility together with obsolescence and relative disabilities affecting the actual asset.

	Fair value hierarchy of Investment Properties			
	Level 1 ₹'000	Level 2 ₹'000	Level 3 ₹'000	Total ₹'000
<b>31 December 2019</b>	-	-	3,637,178	3,637,178
Investment properties				
<b>31 December 2018</b>	-	-	3,555,000	3,555,000
Investment properties				

## Notes To The Financial Statements Contd

8	Property, plant and equipment			Computer and Office		
	Cost	Motor Vehicles N'000	Furniture and Fittings N'000	Equipment N'000	Plant and Machinery N'000	Total N'000
	At 1 January 2018	279,403	69,685	136,027	6,213	491,328
	Additions	59,087	8,143	11,010	-	78,240
	Disposals	(22,265)	-	(4,785)	-	(27,050)
	At 31 December 2018	316,225	77,828	142,252	6,213	542,518
	Additions	108,300	567	9,685	3,466	122,018
	Disposals	(36,739)	-	(354)	-	(37,093)
	At 31 December 2019	387,786	78,395	151,583	9,679	627,443
	Accumulated depreciation:					
	At 1 January 2018	179,830	58,318	79,741	3,408	321,296
	Charge for the year	51,430	8,204	18,651	629	78,914
	Disposal	(22,265)	-	(2,991)	-	(25,256)
	At 31 December 2018	208,995	66,522	95,401	4,037	374,954
	Charge for the year	71,796	3,548	19,073	860	95,277
	Disposal	(36,503)	-	(290)	-	(36,793)
	At 31 December 2019	244,288	70,070	114,183	4,897	433,438
	Carrying Amount					
	At 31 December 2019	143,498	8,325	37,400	4,781	194,005
	At 31 December 2018	107,230	11,306	46,851	2,176	167,564

8.1 The Company had no capital commitment as at the end of the year (2018: Nil).

8.2 Impairment assessment was carried out during the year and there was no indication of impairment of any of the assets in use by the Company, hence no impairment test was performed during the year.

## Notes To The Financial Statements Contd

- 8.3 None of the property, plant and equipment of the Company has been pledged as security for borrowings or otherwise, as at the end of the year (2018: Nil).

### 9 Intangible assets

Cost	Software costs N'000	Total N'000
At 1 January 2018	115,786	115,786
Additions	6,824	6,824
At 31 December 2018	122,610	122,610
Additions	4,898	4,898
At 31 December 2019	127,508	127,508
<b>Accumulated amortisation and impairment:</b>		
At 1 January 2018	101,220	101,220
Charge for the year	12,923	12,923
At 31 December 2018	114,143	114,143
Charge for the year	4,100	4,100
At 31 December 2019	118,243	118,243
<b>Carrying amount:</b>		
At 31 December 2019	9,265	9,265
At 31 December 2018	8,467	8,467

## Notes To The Financial Statements Contd

<b>10. Statutory deposits</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
	<b>N'000</b>	<b>N'000</b>
Deposits with CBN	<u>300,000</u>	<u>300,000</u>

In line with Section 10 (3) of the Insurance Act of Nigeria, a deposit of 10% of the regulatory share capital required for non-life insurance business (N3billion) is kept with the Central Bank of Nigeria. The cash amount held is considered to be a restricted cash balance.

### 11. Insurance contract liabilities

#### 11.1 Carrying amount

Non-life:

	Note	Gross		Reinsurers' Assets		Net	
		2019 N'000	2018 N'000	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Outstanding claims		2,847,255	4,442,389	1,291,875	1,895,056	1,555,380	2,547,333
IBNR	11.3	1,618,444	1,359,380	963,451	781,195	654,993	578,185
	11.2a	4,465,699	5,801,769	2,255,326	2,676,251	2,210,373	3,125,518
Unearned premiums	11.2b	7,492,046	7,024,512	5,402,557	5,203,185	2,089,489	1,821,327
Total non-life	11.2	<u>11,957,745</u>	<u>12,826,281</u>	<u>7,657,883</u>	<u>7,879,436</u>	<u>4,299,862</u>	<u>4,946,845</u>
Within one year		8,758,012	8,084,321	5,535,522	5,373,727	3,222,490	2,710,594
More than one year		3,199,733	4,741,960	2,122,361	2,505,709	1,077,372	2,236,251
		<u>11,957,745</u>	<u>12,826,281</u>	<u>7,657,883</u>	<u>7,879,436</u>	<u>4,299,862</u>	<u>4,946,845</u>

#### 11.2 Movement

At 1 January	12,826,281	10,908,515	7,879,436	5,980,025	4,946,845	4,928,490
Change in unearned premium (Note 19)	467,534	1,065,139	199,372	777,156	268,162	287,983
Claims charged during the year	4,318,005	6,134,442	2,047,990	3,394,489	2,270,015	2,739,953
Claims paid during the year	(5,654,075)	(5,281,814)	(2,468,915)	(2,272,234)	(3,185,160)	(3,009,580)
At 31 December	<u>11,957,745</u>	<u>12,826,281</u>	<u>7,657,883</u>	<u>7,879,436</u>	<u>4,299,862</u>	<u>4,946,845</u>

## Notes To The Financial Statements Contd

11.2a Movement in outstanding claims	Note	Gross		Reinsurers' Assets		Net	
		2019 N'000	2018 N'000	2019 N'000	2018 N'000	2019 N'000	2018 N'000
At 1 January		5,801,770	4,949,142	2,676,251	1,553,996	3,125,519	3,395,146
Claims charged during the year		4,318,005	6,134,443	2,047,990	3,394,489	2,270,015	2,739,954
Claims paid during the year		(5,654,075)	(5,281,814)	(2,468,915)	(2,272,234)	(3,185,160)	(3,009,580)
At 31 December	11.1	4,465,700	5,801,770	2,255,326	2,676,251	2,210,374	3,125,518
Statistics of claims incurred:							
Average claim cost (N)		440,615	620,222	199,919	7,454	240,696	612,768
Average number of claims (Number)		6,462	7,004	1,612	115	4,850	6,889
Average claim settlement period (Days)		174	211	150	181	24	30
11.2b Movement in unearned premiums							
At 1 January		7,024,512	5,959,373	5,203,185	4,426,029	1,821,326	1,533,344
Premium written during the year		25,651,020	23,811,985	18,005,241	15,952,979	7,645,779	7,859,006
Premium earned during the year	19	(25,183,487)	(22,746,846)	(17,805,869)	(15,175,823)	(7,377,618)	(7,571,024)
At 31 December	11.1	7,492,046	7,024,512	5,402,557	5,203,185	2,089,487	1,821,326
11.3 Age analysis of outstanding claims							
2019 claims status		Gross N'000	0 - 90 days N'000	91- 180 days N'000	181-270 days N'000	271-365 days N'000	365 days and above N'000
Awaiting supporting Documentation		2,726,527	240,138	299,888	271,929	205,547	1,709,025
Being adjusted		76,638	76,638	-	-	-	-
Awaiting settlement decision		420	420	-	-	-	-
Claims awaiting payment		43,670	43,670	-	-	-	-
		<b>2,847,255</b>	<b>360,866</b>	<b>299,888</b>	<b>271,929</b>	<b>205,547</b>	<b>1,709,025</b>

## Notes To The Financial Statements Contd

### 11.3 Age analysis of outstanding claims

2018 claims status	Gross N'000	0 - 90 days N'000	91 - 180 days N'000	181-270 days N'000	271-365 days N'000	365 days and above N'000
Awaiting supporting documentation	4,117,061	168,290	149,989	113,469	141,237	3,544,077
Being adjusted	316,685	148,402	74,811	17767.39013	56032.50982	19,672
Awaiting settlement decision	1,866	752	1,000	48	-	65
Claims awaiting payment	6,777	6,776.95	-	-	-	-
	<b>4,442,389</b>	<b>324,221</b>	<b>225,800</b>	<b>131,285</b>	<b>197,269</b>	<b>3,563,814</b>

### 11.4 Changes in historical reserves for loss and loss adjustment expenses (LAE)

The analysis of loss and LAE reserves by actuaries and management is conducted by line of business and separately for specific claim type e.g. motor claims or fire claims.

The origin year of losses is taken into consideration by analyzing each line of business also by accident year. While this determines the estimates of reserves for loss and LAE by accident year as recorded in the statement of financial position, the effect in the profit or loss in the respective calendar year combines the accident year loss ratio for the current year with the favorable or adverse development from prior years (run-off). The tables below first show the loss development by accident year followed by the resulting change for the most recent calendar years.

The technical reserves were independently valued as at 31 December 2019 by Zamara Consulting Actuaries Nigeria Limited duly registered with the Financial Reporting Council of Nigeria. The actuary, Seth S. Chengo, whose office is located at 4th Floor, Ibukun House, 70 Adetokunbo Ademola Street, Victoria Island, Lagos, Nigeria is a qualified member of the Society of Actuaries and the Institute of Actuaries with FRC No. FRC/2017/NAS/00000016912.



# Notes To The Financial Statements Contd

## Actuarial Assumptions

Chain-ladder techniques are applied to premiums, paid claims and incurred claims (i.e. paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on historical patterns. The selected development factors are then applied to cumulative claims data for each underwriting year that is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year.

Chain-ladder techniques are most appropriate for classes of business that have a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business or for underwriting years that are still at immature stages of development where there is a higher level of assumption volatility.

The Bornhuetter-Ferguson method uses a combination of a benchmark/market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims observed to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations where developed claims experience was not available for the projection (i.e. recent underwriting years or new classes of business).

The expected loss ratio method uses a benchmark/market-based estimate applied to the expected premium and is used for classes with little or no relevant historical data.

The choice of selected results for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business. As such, there are many assumptions used to estimate general insurance liabilities.

To illustrate the robustness of the reserves, the loss development tables below provide information about historical claims development by eight classes of business – accident, aviation, bond, engineering, fire, marine, motor and oil & energy. The tables are by underwriting year which in view provides the most transparent reserving basis.

## Notes To The Financial Statements Contd

Accident	Development year					
Accident year	0	1	2	3	4	5
2014	568,970,066	791,426,829	735,950,505	716,926,085	693,294,988	690,513,285
2015	374,990,011	453,164,100	433,318,253	460,579,263	456,758,993	
2016	622,527,985	664,425,829	717,463,073	708,672,054		
2017	329,580,940	500,815,812	519,789,200			
2018	343,850,753	466,924,169				
2019	324,290,794					

Aviation	Development year					
Accident year	0	1	2	3	4	5
2014	286,185	95,215,024	95,185,059	95,182,889	95,173,308	95,017,363
2015	3,833,466	3,195,239	3,190,864	3,542,772	3,038,507	
2016	6,241,078	540,250	509,522	9,389		
2017	38,887,588	1,963,407	1,707,310			
2018	2,743,226	1,731,923				
2019	8,937,029					

Bond	Development year					
Accident year	0	1	2	3	4	5
2014	-	-	-	-	-	-
2015	-	-	-	-	-	
2016	-	-	-	-		
2017	-	-	-			
2018	719,702	719,702				
2019	288,015					

## Notes To The Financial Statements Contd

Engineering	Development year					
Accident year	0	1	2	3	4	5
2014	155,510,206	313,303,247	317,634,681	317,647,009	317,438,885	317,414,429
2015	140,823,139	221,052,985	217,182,848	217,041,190	216,481,493	
2016	67,519,443	109,878,490	125,134,113	275,166,512		
2017	64,861,499	137,794,320	124,940,995			
2018	155,361,832	156,787,895				
2019	118,691,918					

Fire	Development year					
Accident year	0	1	2	3	4	5
2014	722,810,276	1,758,871,266	1,715,595,300	1,737,826,499	1,739,225,953	1,735,713,485
2015	1,372,929,699	1,531,361,109	1,538,301,143	1,557,141,851	1,536,329,605	
2016	956,251,773	1,225,411,419	1,161,663,799	1,168,805,632		
2017	2,013,570,265	2,513,290,910	2,527,343,636			
2018	1,100,793,088	1,613,181,351				
2019	2,125,349,828					

Marine	Development year					
Accident year	0	1	2	3	4	5
2014	400,453,312	802,215,812	1,038,377,626	1,048,697,523	1,047,773,759	1,047,366,721
2015	472,175,088	476,213,879	464,119,684	433,959,752	432,115,183	
2016	204,536,643	227,856,063	226,479,287	214,672,499		
2017	196,253,556	343,963,271	346,162,241			
2018	203,675,234	267,081,962				
2019	155,023,756					

## Notes To The Financial Statements Contd

Motor						
	Development year					
Accident year	0	1	2	3	4	5
2014	1,517,902,210	1,859,963,721	1,828,292,706	1,821,969,087	1,822,252,471	1,822,252,471
2015	1,551,227,011	1,818,876,550	1,802,177,037	1,801,149,689	1,800,803,013	
2016	1,712,958,256	1,957,447,073	1,942,235,878	1,931,108,394		
2017	1,643,405,819	1,826,344,499	1,818,636,623			
2018	1,220,118,696	1,358,395,232				
2019	1,204,721,794					

Oil & Energy						
	Development year					
Accident year	0	1	2	3	4	5
2014	19,559,371	363,528,779	1,929,862,766	1,491,449,305	1,269,765,269	96,787,422
2015	845,747,330	1,110,809,720	1,041,016,322	1,200,024,870	956,808,833	
2016	75,872,628	790,385,082	867,124,598	910,167,393		
2017	227,212,023	379,526,145	359,591,628			
2018	76,381,692	104,629,890				
2019	69,495,153					

## Notes To The Financial Statements Contd

### 12 Trade payables

	31-Dec-2019 ₹'000	31-Dec-2018 ₹'000
Reinsurance payable	404,452	325,290
Commission payable (Note 12.1)	817,076	1,097,453
Premium deposit (Note 12.2)	773,258	3,921,564
Stale cheques	41,158	39,315
	<u>2,035,944</u>	<u>5,383,622</u>

All amounts are payable within one year.

#### 12.1 Commission payable

Due to agents	21,027	92,079
Due to brokers	309,434	304,034
Due to insurance companies	486,615	701,340
	<u>817,076</u>	<u>1,097,453</u>

#### 12.2 Premium deposit

For cashflow purpose, premium deposit received in any reporting year is taken into consideration when determining the cash flow for the premium received from policyholders for the subsequent year.

## Notes To The Financial Statements Contd

<b>13</b>	<b>Other payables and accruals</b>	<b>31-Dec-2019</b> <b>N'000</b>	<b>31-Dec-2018</b> <b>N'000</b>
	Dividend payable (Note 13.1 and Note 37.3)	700,000	-
	Accrued expenses ( Note 13.2)	373,889	438,578
	Statutory payables (Note 13.3)	148,667	134,240
	Other payables (Note 13.4)	250,909	153,007
		<u>1,473,465</u>	<u>725,825</u>
<b>13.1</b>	<b>Dividend payable</b>		
	At 1 January	-	-
	Dividend declared and approved during the year	2,100,000	2,100,000
	Dividend paid during the year	(1,400,000)	(2,100,000)
	At 31 December	<u>700,000</u>	<u>-</u>
<b>13.2</b>	<b>Accrued expenses</b>	7,700	22,000
	Audit fee	11,339	21,278
	Fees and subscriptions	31,114	39,284
	NAICOM levy	120,062	128,014
	Shared cost due to related party (Note 37.3)	14,362	17,313
	Corporate branding expenses	152,002	151,589
	Performance bonus	35,520	46,066
	General welfare and entertainment	1,790	13,034
	Other accruals	<u>373,889</u>	<u>438,578</u>
<b>13.3</b>	<b>Statutory payables</b>	48,439	48,698
	Withholding tax due to Federal government	98,695	83,305
	Nigerian content development levy	1,533	2,237
	Withholding tax due to State government	<u>148,667</u>	<u>134,240</u>

**13.4** Other payables relates to amounts due suppliers and service providers in respect of survey fees and other services rendered.

## Notes To The Financial Statements Contd

### 14 Deferred Income

	Rent N'000	Deferred commission N'000	Total N'000
<b>At 1 January 2018</b>	103,161	279,888	383,049
Additions during the year	33,750	1,173,299	1,207,049
Credit to profit or loss (Note 25 and 21)	(69,911)	(1,077,707)	(1,147,618)
<b>At 31 December 2018</b>	67,000	375,480	442,480
Additions during the year	66,500	1,320,377	1,386,877
Credit to profit or loss (Note 25 and 21)	(77,750)	(1,369,440)	(1,447,190)
<b>At 31 December 2019</b>	<b>55,750</b>	<b>326,417</b>	<b>382,167</b>

Deferred income consists of rental income received in advance on investment properties leased by the Company to third parties, and commissions received in advance. These are released to income in-line with the terms of the individual contract that it relates to.

## Notes To The Financial Statements Contd

<b>15</b>	<b>Income taxes</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
	<b>Per Statement of profit or loss and other comprehensive income:</b>	<b>₦'000</b>	<b>₦'000</b>
	- Recognised in profit or loss:		
	Minimum tax	420,000	630,000
	Education tax	21,449	40,675
	Information technology development levy (NITDA)	34,595	46,079
	Capital gains tax	26	24,680
	Current tax charge for the year	476,070	741,434
	Deferred tax (credit)/charge	(14,830)	103,302
	<b>Income tax expense</b>	<b>461,240</b>	<b>844,736</b>
	<b>Current income tax payable as per statement of financial</b>		
	At 1 January	847,743	720,642
	Charge for the year	476,070	741,434
	Withholding tax credit	(11,201)	(59,790)
	Payment during the year	(414,589)	(554,543)
	<b>At 31 December</b>	<b>898,023</b>	<b>847,743</b>

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004 as amended and Education Tax Act, CAP E4 LFN 2004.



## Notes To The Financial Statements Contd

### Reconciliation of income tax expense

The income tax expense of the Company for the year can be reconciled to the accounting profits as follows:

	31-Dec-2019 N'000	31-Dec-2018 N'000
Profit before income tax expense	3,440,531	4,669,492
Income tax expense calculated at 30%	1,032,159	1,400,848
Effect of income that is exempt from taxation	(1,247,596)	(1,324,531)
Effect of expenses not tax deductible	200,652	125,765
Effect of minimum tax	420,000	630,000
Education tax	21,449	40,675
Information technology development levy (NITDA)	34,595	46,079
Capital gains tax	26	24,680
Tax rate differential on fair value gains on investment properties	(46)	(98,780)
Company income tax	461,240	844,736
Effective tax rate	13%	18%

The tax rate applied for the 2019 and 2018 reconciliations above is the corporate tax rate of 30% and payable by the Company. The 2% education tax is applied on the assessable profits.

## Notes To The Financial Statements Contd

### 16. Deferred tax Liabilities

	31-Dec-2019 N'000	31-Dec-2018 N'000
Fair value gains on investment properties	135,906	135,884
Unrealised exchange gains on financial assets at amortised costs	349,900	356,799
Accelerated depreciation for tax purposes	36,289	31,789
Impairment of financial assets:		
Impairment of cash and cash equivalents	(23,069)	(25,019)
Impairment of debt instruments at amortised cost	(66,246)	(54,158)
Impairment of other receivables	(3,757)	(1,441)
Total impairment of financial assets	(93,071)	(80,618)
<b>Deferred tax liabilities</b>	<b>429,024</b>	<b>443,854</b>

Reconciliation of deferred tax liabilities is as shown below:

At the beginning of the year	443,854	340,552
Amounts recorded in profit or loss (Note 15)	(14,830)	103,302
At end of the year	<b>429,024</b>	<b>443,854</b>

### 16.2 Deferred tax

Per Statement of profit or loss and other comprehensive income:

Fair value gains on investment properties	22	16,720
On unrealised exchange (loss)/gains	(6,899)	55,294
Accelerated depreciation for tax purposes	4,500	(3,164)
Write-back/impairment of financial assets	(12,453)	34,452
	<b>(14,830)</b>	<b>103,302</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Notes To The Financial Statements Contd

17	<b>Share capital and premium</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
		<b>N'000</b>	<b>N'000</b>

### Authorised share capital

24,000,000,000 (2018: 7,000,000,000)ordinary shares at 50 kobo each	12,000,000	3,500,000
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The Company increased its authorised share capital from N3.5billion to N12 billion. This was filed with and certified by the Corporate Affairs Commission on 17 September 2019.

Issued and paid up capital comprises:

7,000,000,000 (2018: 7,000,000,000) fully paid ordinary shares at 50 Kobo each

	2019		2018	
	Share Capital N'000	Share Premium N'000	Share Capital N'000	Share Premium N'000
Balance at 1 January	3,500,000	84,607	3,500,000	84,607
Balance at 31 December	3,500,000	84,607	3,500,000	84,607

At the Extraordinary General Meeting of the shareholders with resolution dated August 28, 2019, it was resolved that the Authorised Share Capital of the company be increased from 7 billion ordinary shares of 50 kobo each to 24 billion ordinary shares of 50 kobo each by the creation of additional 17 billion ordinary shares of 50 kobo each. The directors of the company were further authorized to do all that is necessary to give effect to the resolution. Consequently, the additional authorized shares were duly created and appropriately filed with the registry of companies records.

Furthermore, the shareholders authorized the directors to allot ordinary shares of 50 kobo per share by way of rights, subscription, bonus or any combination thereof to existing shareholders and to register same with the registry of companies' records. However, the Company's attorneys erroneously filed the allotment with the registry of companies' records in 2019. The erroneous filing was reversed and necessary corrective filing made subsequent to the year end.

## Notes To The Financial Statements Contd

### 18. Reserves

The nature and purpose of the reserves in equity are as follows:

#### 18.1 Retained earnings:

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

	31-Dec-2019 ₹'000	31-Dec-2018 ₹'000
As at 1 January	6,218,660	5,427,802
Profit for the year	2,979,291	3,824,756
Distributions made and proposed	(2,100,000)	(2,100,000)
Transfer to contingency reserves (Note 18.3)	(769,531)	(933,898)
Transfer to fair value reserves (Note 18.2)	314,295	-
As at 31 December	<u>6,642,715</u>	<u>6,218,660</u>

#### 18.2 Fair value reserve:

The fair value reserve comprise the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income.

	31-Dec-2019 ₹'000	31-Dec-2018 ₹'000
As at 1 January	467,142	316,280
Net gain on equity instruments designated at fair value through other comprehensive income	39,669	150,862
Transfer to retained earnings (Note 18.1)	(314,295)	-
As at 31 December	<u>192,516</u>	<u>467,142</u>

## Notes To The Financial Statements Contd

### Reconciliation of fair value gain reclassified to retained earnings

Based on the listing of MTNN shares on the floor on the Nigerian Stock Exchange in May 2019, the shares became available for the Company to trade on an ongoing basis. The shares were therefore derecognised as Fair value through OCI(FVOCI) and now carried at Fair value through profit or loss(FVTPL).

	<b>Amount N'000</b>
Cost at initial recognition of Financial assets at FVOCI	866,244
Accumulated fair value gain prior to derecognition	314,295
Carrying amount of financial assets at FVOCI at derecognition date	<u>1,180,539</u>
Profit on disposal of financial asset at FVOCI	-
Proceeds from disposal of financial assets at FVOCI	<u><u>1,180,539</u></u>
Accumulated fair value gain prior to derecognition	314,295
Profit on disposal of financial asset at FVOCI	-
Fair value gains reclassified to retained earnings	<u><u>314,295</u></u>

## Notes To The Financial Statements Contd

### 18.3 Statutory contingency reserve:

The solvency regulations in Nigeria require the Company to establish a contingency reserve to be utilised against abnormal future losses arising in certain classes of business. The regulations prescribe that the reserve is increased every year by an amount that is calculated as a percentage of higher of: 3% of the total premium and 20% of net profits for the year in accordance with Section 21(2) of the Insurance Act of Nigeria.

	31-Dec-2019 N'000	31-Dec-2018 N'000
Total premium	25,651,020	23,811,985
Net profit	3,440,531	4,669,492
The higher of the below:		
3% of total gross premium	769,531	714,360
20% of net profit	688,106	933,898
Transfer to contingency reserves	<u>769,531</u>	<u>933,898</u>
As at 1 January	7,677,566	6,743,668
Transfer from retained earnings	<u>769,531</u>	<u>933,898</u>
As at 31 December	<u>8,447,097</u>	<u>7,677,566</u>

## Notes To The Financial Statements Contd

Revenue account	Motor N'000	Accident N'000	Bond N'000	Marine N'000	Aviation N'000	Fire N'000	Engineering N'000	Oil & Energy N'000	2019 Total N'000
Gross premium written	2,823,566	1,833,072	5,709	1,017,324	217,785	5,240,930	452,515	14,060,119	25,651,020
<b>Premium written:</b>									
Insurance premium revenue	2,733,523	1,837,363	5,835	982,526	172,952	4,989,617	568,333	13,893,338	25,183,487
<b>Reinsurance cost</b>									
Local reinsurance cost	189,385	627,465	1,198	318,754	28,594	3,917,343	380,654	11,001,193	16,464,586
Foreign reinsurance cost	-	-	-	-	-	-	-	1,341,283	1,341,283
Total reinsurance cost	189,385	627,465	1,198	318,754	28,594	3,917,343	380,654	12,342,476	17,805,869
<b>Net insurance premium revenue</b>	2,544,138	1,209,898	4,637	663,772	144,358	1,072,274	187,679	1,550,862	7,377,618
Fee and commission income	21,237	89,765	338	59,840	2,871	377,257	88,667	729,465	1,369,440
<b>Net Underwriting Income</b>	<b>2,565,375</b>	<b>1,299,663</b>	<b>4,975</b>	<b>723,612</b>	<b>147,229</b>	<b>1,449,531</b>	<b>276,346</b>	<b>2,280,327</b>	<b>8,747,058</b>
Insurance claims and claims expenses	1,235,661	527,877	846	223,528	12,483	2,781,785	197,513	(661,688)	4,318,005
Insurance claims and claims expenses recovered and recoverable from reinsurers	(60,503)	10,490	(41)	(197,242)	10,958	(1,682,314)	(69,052)	(60,286)	(2,047,990)
<b>Net insurance benefits and claims</b>	<b>1,175,158</b>	<b>538,367</b>	<b>805</b>	<b>26,286</b>	<b>23,441</b>	<b>1,099,471</b>	<b>128,461</b>	<b>(721,974)</b>	<b>2,270,015</b>
<b>Underwriting Expenses:</b>									
Acquisition	279,909	301,515	795	179,715	21,248	559,461	106,633	550,652	1,999,928
Maintenance	62,804	14,997	43	21,009	374	49,528	6,771	121,443	276,969
<b>Total underwriting expenses</b>	<b>1,517,871</b>	<b>854,879</b>	<b>1,643</b>	<b>227,010</b>	<b>45,063</b>	<b>1,708,460</b>	<b>241,865</b>	<b>(49,879)</b>	<b>4,546,912</b>
<b>Underwriting Profit/(loss)</b>	<b>1,047,504</b>	<b>444,784</b>	<b>3,332</b>	<b>496,602</b>	<b>102,166</b>	<b>(258,929)</b>	<b>34,481</b>	<b>2,330,206</b>	<b>4,200,146</b>

## Notes To The Financial Statements Contd

Revenue account	Motor N'000	Accident N'000	Bond N'000	Marine N'000	Aviation N'000	Fire N'000	Engineering N'000	Oil & Energy N'000	2018 Total N'000
Gross Premiums written	2,470,217	1,412,467	5,436	825,343	368,885	4,789,145	343,830	13,596,662	23,811,985
<b>Premium Written:</b>									
Insurance Premium Revenue	2,453,988	1,362,041	6,016	793,735	349,344	4,713,643	520,181	12,547,899	22,746,847
<b>Reinsurance costs</b>									
Local reinsurance cost	137,092	248,365	2,028	315,871	281,474	3,426,951	293,908	9,325,704	14,031,393
Foreign reinsurance cost	-	-	-	-	-	-	-	1,144,430	1,144,430
Total reinsurance cost	137,092	248,365	2,028	315,871	281,474	3,426,951	293,908	10,470,134	15,175,823
<b>Net insurance premium revenue</b>	2,316,896	1,113,676	3,988	477,864	67,870	1,286,692	226,273	2,077,765	7,571,024
Fee and commission income	15,493	22,516	596	61,303	2,099	372,568	70,821	532,311	1,077,707
<b>Net Underwriting Income</b>	<b>2,332,389</b>	<b>1,136,192</b>	<b>4,584</b>	<b>539,167</b>	<b>69,969</b>	<b>1,659,260</b>	<b>297,094</b>	<b>2,610,076</b>	<b>8,648,731</b>
Insurance claims and claims expenses	909,886	255,603	238	147,586	70,865	992,863	332,255	3,425,146	6,134,442
Insurance claims and claims expenses recovered and recoverable from reinsurers	(20,106)	54,088	(278)	(123,009)	(12,653)	(740,623)	(198,789)	(2,353,119)	(3,394,489)
<b>Net insurance benefits and claims</b>	<b>889,780</b>	<b>309,691</b>	<b>(40)</b>	<b>24,577</b>	<b>58,212</b>	<b>252,240</b>	<b>133,466</b>	<b>1,072,027</b>	<b>2,739,953</b>
<b>Underwriting Expenses:</b>									
Acquisition	239,217	216,059	581	129,821	9,128	413,410	99,985	745,014	1,853,215
Maintenance	52,159	12,522	69	23,954	779	57,969	3,214	24,758	175,424
<b>Total underwriting expenses</b>	<b>1,181,156</b>	<b>538,272</b>	<b>610</b>	<b>178,352</b>	<b>68,119</b>	<b>723,619</b>	<b>236,665</b>	<b>1,841,799</b>	<b>4,768,592</b>
<b>Underwriting Profit</b>	<b>1,151,233</b>	<b>597,920</b>	<b>3,974</b>	<b>360,815</b>	<b>1,850</b>	<b>935,641</b>	<b>60,429</b>	<b>768,277</b>	<b>3,880,139</b>



## Notes To The Financial Statements Contd

19.	Net insurance premium income	31-Dec-2019 N'000	31-Dec-2018 N'000
	Insurance premium Income		
	Gross written premiums	25,651,020	23,811,985
	Change in unearned premiums (Note 11.2)	(467,533)	(1,065,138)
	<b>Gross earned premiums</b>	<b>25,183,487</b>	<b>22,746,847</b>
20.	Reinsurance expenses		
	Gross written reinsurance premiums (Note 4.1)	18,005,241	15,952,979
	Change in reinsurance unearned premiums (Note 11.2)	(199,372)	(777,156)
	<b>Reinsurers' share of gross earned premiums</b>	<b>17,805,869</b>	<b>15,175,823</b>
	<b>Net insurance premium income</b>	<b>7,377,618</b>	<b>7,571,024</b>
21.	Fees and commission income		
	Reinsurance commissions and profit commissions		
	Fire	377,257	372,568
	Accident	89,765	22,516
	Engineering	88,667	70,821
	Marine	59,840	61,303
	Oil & Energy	729,465	532,311
	Motor	21,237	15,493
	Aviation	2,871	2,099
	Bond	338	596
		<b>1,369,440</b>	<b>1,077,707</b>

## Notes To The Financial Statements Contd

### 22 Insurance claims and benefit paid

#### Analysis of Net Claims Expenses

	2019			2018		
	Gross ₹'000	Reinsurance ₹'000	Net ₹'000	Gross ₹'000	Reinsurance ₹'000	Net ₹'000
Motor	1,235,661	(60,503)	1,175,158	909,886	(20,106)	889,780
Accident	527,877	10,490	538,367	255,603	54,088	309,691
Bond	846	(41)	805	238	(278)	(40)
Fire	2,781,785	(197,242)	2,584,543	992,863	(123,009)	869,854
Marine	223,528	10,958	234,486	147,586	(12,653)	134,933
Aviation	12,483	(1,682,314)	(1,669,831)	70,865	(740,623)	(669,758)
Engineering	197,513	(69,052)	128,461	332,255	(198,789)	133,466
Oil & Energy	(661,688)	(60,286)	(721,974)	3,425,146	(2,353,119)	1,072,027
	4,318,005	(2,047,990)	2,270,015	6,134,442	(3,394,489)	2,739,953

The insurance claims comprise of claims paid, claims expenses paid including loss adjuster fees and the movement in the insurance fund liability. The insurance fund liability is adjusted to reflect the movement in the estimated claims liabilities as determined by the actuary. The effect of the adjustment is reflected in the profit or loss. The effect of the movement in the insurance fund on the claims expenses is stated in the following Note 22.1.

## Notes To The Financial Statements Contd

### 22.1 Analysis of gross benefit and claims expenses

The effect of the movement in the insurance fund on the claims expenses is stated below:

	2019			2018		
	Gross N'000	N'000	Net N'000	N'000	N'000	Net N'000
	Actual Claims Incurred	Changes in outstanding claims and IBNR	Total claims incurred	Actual Claims Incurred	Changes in outstanding claims and IBNR	Total claims incurred
Motor	1,148,803	86,858	1,235,661	1,083,521	(173,635)	909,886
Accident	462,367	65,510	527,877	454,935	(199,332)	255,603
Bond	256	590	846	557	(319)	238
Fire	2,742,006	39,779	2,781,785	1,184,240	(191,377)	992,863
Marine	215,744	7,784	223,528	265,606	(118,020)	147,586
Aviation	97,427	(84,944)	12,483	-	70,865	70,865
Engineering	169,452	28,061	197,513	95,705	236,550	332,255
Oil & Energy	818,019	(1,479,707)	(661,688)	2,197,250	1,227,896	3,425,146
	5,654,074	(1,336,069)	4,318,005	5,281,814	852,628	6,134,442

Insurance recovered and recoverable consists of actual amount recovered from the reinsurers and also the effect of the movement in the reinsurance assets. The reinsurance asset is adjusted to reflect the movement in the estimated amount recoverable from the reinsurers based on the estimate computed by the actuary.

## Notes To The Financial Statements Contd

### 22.2 Analysis of claims expenses ceded to reinsurers

The effect of the movement in the reinsurance assets on the amount insurance claims and claims expenses recovered and recoverable from reinsurers.

	2019			2018		
	Gross N'000	Changes in reinsurance share of claims and IBNR	Net N'000	Recoveries N'000	Changes in reinsurance share of claims and IBNR N'000	Net N'000
Motor	(58,071)	(2,432)	(60,503)	(102,580)	82,474	(20,106)
Accident	(2,332)	12,822	10,490	(1,558)	55,646	54,088
Bond	(58)	17	(41)	(261)	(17)	(278)
Fire	(1,707,008)	1,509,766	(197,242)	(711,040)	588,031	(123,009)
Marine	(185,371)	196,329	10,958	(91,908)	79,255	(12,653)
Aviation	-	(1,682,314)	(1,682,314)	-	(740,623)	(740,623)
Engineering	(89,566)	20,514	(69,052)	(55,345)	(143,444)	(198,789)
Oil & Energy	(426,509)	366,223	(60,286)	(1,309,542)	(1,043,577)	(2,353,119)
	(2,468,915)	420,925	(2,047,990)	(2,272,234)	(1,122,255)	(3,394,489)

## Notes To The Financial Statements Contd

### 23 Underwriting expense

This is made up of both acquisition and maintenance costs incurred in the normal course of the insurance contracts.

	2019 N'000	2018 N'000
<b>Acquisition cost</b>		
Marine	179,715	129,821
Aviation	21,248	9,128
Fire	559,461	413,410
Motor	279,909	239,217
General accident	301,515	216,059
Bond	795	581
Oil & Energy	550,652	745,014
Engineering	106,633	99,985
	<u>1,999,928</u>	<u>1,853,215</u>
<b>Maintenance cost</b>		
Marine	21,009	23,954
Aviation	374	779
Fire	49,528	57,969
Motor	62,804	52,159
General accident	14,997	12,522
Bond	43	69
Oil & Energy	121,443	24,758
Engineering	6,771	3,214
	<u>276,969</u>	<u>175,424</u>
<b>Total</b>	<u><u>2,276,897</u></u>	<u><u>2,028,639</u></u>

## Notes To The Financial Statements Contd

### 24 Interest income

	Notes	2019 N'000	2018 N'000
Interest income based on effective interest rate		1,365,196	1,255,408
Interest income on bonds		411,479	540,153
Interest income on call and deposit accounts		34,938	65,062
Interest income on statutory deposits		1,530	1,400
Interest income on staff loans	a	<u>1,813,143</u>	<u>1,862,023</u>

### 25. Other investment and sundry income

Rental income	Note 14	77,750	69,911
Dividend income		126,321	79,582
Sundry income	Note 25.1	<u>4,859</u>	<u>3,972</u>
	b	<u>208,930</u>	<u>153,465</u>

#### 25.1 Sundry income

Gain on disposal of property, plant and equipment	4,754	-
Other sundry income	105	472
Recovery on investment (Cashlink)	-	3,500
	<u>4,859</u>	<u>3,972</u>

Recovery on investment relates to amount received during the year on investments fully impaired in prior years.

#### Investment and sundry income is attributable to:

Policy holders' funds	497,491	495,871
Shareholders' funds	<u>1,524,582</u>	<u>1,519,617</u>
a+b	<u>2,022,073</u>	<u>2,015,488</u>

## Notes To The Financial Statements Contd

### 26 Net realized gain

	Notes	2019 N'000	2018 N'000
Realised on:			
Net realised gain/(loss) on equities at fair value through profit or loss		396,328	(70,756)
Net realised gain on foreign exchange		33,101	70,304
Net realised gain on disposal of investment properties	7.2	-	29,000
		<u>429,429</u>	<u>28,548</u>

Net realised gain on foreign exchange is based on the sale of foreign currency.

### 27 Foreign exchange/Net fair value (loss)/ gain

Unrealised gain/ (loss) on fair value of equities	2	9,522	(26,416)
Net unrealised (loss)/gain on foreign exchange	27.1	(22,593)	1,190,721
Net fair value gains on investment properties	7	223	385,000
		<u>(12,848)</u>	<u>1,549,305</u>

#### 27.1 Net unrealised (loss)/gain on foreign exchange

Net unrealised (loss)/gain on foreign bank balances and deposits	(8,899)	49,432
Net unrealised (loss)/gain on financial asset in foreign currency	(8,170)	136,262
Net unrealised (loss)/gain on insurance receivables	(5,525)	1,005,027
	<u>(22,593)</u>	<u>1,190,721</u>

### 28 Impairment loss (charge)/ write back

Write back on cash and cash equivalents	6,239	9,665
(Charge)/write back on financial assets at amortised costs	(40,434)	103,098
(Charge)/write back on other receivables	(7,720)	694
	<u>(41,915)</u>	<u>113,457</u>

## Notes To The Financial Statements Contd

### Analysis of Impairment loss (charge)/ write back

	Cash and cash equivalent	Financial asset at amortised cost	Other receivables	Total
At 1 January 2019	83,398	180,526	94,661	358,585
Increase/(write-back) during the year	(6,239)	40,434	7,720	41,915
Foreign exchange adjustments	(264)	(142)	-	(407)
At 31 December 2019	<u>76,895</u>	<u>220,818</u>	<u>102,381</u>	<u>400,094</u>
At 1 January 2018	93,431	284,638	95,355	473,424
Increase/(write-back) during the year	(9,665)	(103,098)	(694)	(113,457)
Foreign exchange adjustments	(368)	(1,014)	-	(1,382)
At 31 December 2019	<u>83,398</u>	<u>180,526</u>	<u>94,661</u>	<u>358,585</u>



## Notes To The Financial Statements Contd

### 29. Management expenses

	Notes	2019 N'000	2018 N'000
Employee benefit expenses	29.2	716,788	703,652
Adverts and publicity		600,726	649,957
Shared costs	37.2	583,292	484,523
Administrative expenses	29.1	531,548	551,067
Repairs and maintenance		147,919	157,869
NAICOM insurance levy		134,543	70,012
Recapitalisation expenses	29.3	129,513	-
Professional fees		108,644	96,197
Depreciation on property, plant and equipment	8	95,277	78,914
Rent and rates		34,164	32,771
Directors' fees		27,884	26,468
Audit fees		22,000	22,000
Subscriptions		18,598	18,529
Amortization of intangible assets - software	9	4,100	12,923
AGM expenses		858	1,829
Penalties and fines	40	500	10,550
Loss on disposal of property, plant and equipment		-	184
		<u>3,156,354</u>	<u>2,917,445</u>

The auditors did not provide any non-audit service to the Company during the year (2018: Nil).

## Notes To The Financial Statements Contd

### 29.1 Administrative expenses

	2019 N'000	2018 N'000
Printing and stationary	29,774	28,285
General entertainment	23,609	30,126
General welfare	298,203	281,565
Business promotion expenses	131,175	175,366
Other general expenses	48,787	35,725
	<u>531,548</u>	<u>551,067</u>

### 29.2 Employee benefit expenses

Wages and salaries	329,143	324,201
Defined contribution pension costs	33,421	32,671
Other staff allowances	354,223	346,780
	<u>716,788</u>	<u>703,652</u>

Other staff allowances includes dressing allowance, furniture allowance and bonuses to employee.

### 29.3 Recapitalisation expenses

This relates to expenses incurred to increase the Company's authorised share capital.

### 30. Net gain on equity instruments designated at fair value through OCI

Gain during the year	39,669	150,862
Net gain on equity instruments designated at fair value through OCI*	<u>39,669</u>	<u>150,862</u>

\*Income from these instruments is exempted from tax. Hence no tax is recognised in the financial statements.

## Notes To The Financial Statements Contd

### 31. Profit for the year

Profit for the year has been arrived at after:

	2019 N'000	2018 N'000
Net foreign exchange gain	10,508	1,261,025
Depreciation of property and equipment	(95,277)	(78,914)
Amortisation of intangible assets	(4,100)	(12,923)
Staff costs and other expenses	(716,788)	(703,652)
Auditors' remuneration	(22,000)	(22,000)
Gain/(loss) on disposal of property plant and equipment	4,754	(184)
(Credit loss) write back on financial assets	(41,915)	113,457
Change in fair value of investment properties	223	385,000

### 32. Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share is the same as the basic earnings per share because there are no potential ordinary shares outstanding during the year.

	Notes	2019 N'000	2018 N'000
Profit for the year attributable to owners of the Company		2,979,291	3,824,756
Weighted average number of ordinary shares		7,000,000	7,000,000
Basic and diluted earnings per share (kobo)		43	55

### 33. Dividends paid and declared

Final dividend 2018:20kobo (2017:15kobo)	13.1	1,400,000	1,050,000
Interim dividend 2019:10kobo (2018:15kobo)	13.1	700,000	1,050,000
		2,100,000	2,100,000

During the year, the Board of Directors declared an interim dividend of N700 million (2018:N1.05billion). This was yet to be paid during the year. 2018 amount was paid during 2018.

## Notes To The Financial Statements Contd

### 34. Hypothecation of Investment

	Notes	Insurance Funds N'000	Shareholder's Funds N'000	Total N'000
<b>Assets 2019</b>				
Cash and cash equivalents	1	1,802,924	2,714,636	4,517,560
Financial assets	2			
-Fair Value through Profit or Loss (FVTPL)		85,405	589,582	674,987
-Fair Value through OCI (FVOCI)		-	703,179	703,179
-Amortised Cost- FGN and State Government Bonds		3,208,534	665,532	3,874,066
-Amortised Cost- Corporate Bonds & other debt instruments		492,137	12,429,938	12,922,075
Statutory deposits	10	1,513,600	2,123,578	3,637,178
Investment properties	7	-	107,318	107,318
Trade receivables	3	-	268,397	268,397
Other receivables and prepayments	6	7,657,883	634,086	8,291,969
Reinsurance assets	4	-	543,304	543,304
Deferred acquisition costs	5	-	9,265	9,265
Intangible assets	9	-	194,005	194,005
Property, plant and equipment	8	14,760,483	21,282,820	36,043,303
<b>Total Assets</b>				
<b>The Funds</b>		11,957,745	-	11,957,745
Insurance funds	11	-	24,085,558	24,085,558
Shareholders' and other Funds		11,957,745	24,085,558	36,043,303
<b>Total Funds</b>				
		2,802,738	(2,802,738)	-
<b>Surplus/(Deficit)</b>				

## Notes To The Financial Statements Contd

### 34. Hypothecation of Investment contd

		Insurance Funds N'000	Shareholder's Funds N'000	Total N'000
<b>Assets 2018</b>	<b>Notes</b>			
Cash and cash equivalents	1	2,433,669	6,636,743	9,070,412
Financial assets	2			
-Fair Value through Profit or Loss (FVTPL)		102,581	398,431	501,012
-Fair Value through OCI (FVOCI)		-	1,937,977	1,937,977
-Amortised Cost- FGN and State Government Bonds		2,315,950	168,780	2,484,730
-Amortised Cost- Corporate Bonds & other debt instruments		202,160	10,692,716	10,894,876
		-	300,000	300,000
Statutory deposits	10	1,513,600	2,041,400	3,555,000
Investment properties	7	-	350,091	350,091
Trade receivables	3	-	267,986	267,986
Other receivables and prepayments	6	7,879,436	534,082	8,413,518
Reinsurance assets	4	-	666,147	666,147
Deferred acquisition costs	5	-	8,467	8,467
Intangible assets	9	-	167,564	167,564
Property, plant and equipment	8	14,447,396	24,170,384	38,617,780
Total Assets				
<b>The Funds</b>		12,826,281	-	12,826,281
Insurance funds	11	-	25,791,499	25,791,499
Shareholders' and other Funds		12,826,281	25,791,499	38,617,780
<b>Total Funds</b>				
		1,621,115	(1,621,115)	-
<b>Surplus/(Deficit)</b>				

Investments representing insurance funds are not co-mingled with shareholders' investments. All assets representing policyholders' fund (excluding reinsurance assets) have been transferred to a Custodian, Stanbic Nominees Limited. Notations of proprietary and preferential interests of the policyholders have been made in the mandate given to the Custodian of the assets.

## Notes To The Financial Statements Contd

### 35. Notes to the statement of cash flows

	Notes	2019 N'000	2018 N'000
Profit before income tax expense		3,440,531	4,669,492
Fair value (gains)/losses on financial assets at fair value through profit or loss	27	(9,522)	26,416
Gain on disposal of investment properties	26	-	(29,000)
Depreciation	8	95,277	78,914
(Gain)/loss on disposal of investments	9	(396,328)	70,756
Amortisation of intangible assets	7.1, 7.2	4,100	12,923
Fair value gain on investment property		(223)	(385,000)
(Gain)/loss on disposal of property, plant and equipment	28	(4,754)	184
Impairment loss charge/(write back)		41,915	(113,457)
Net foreign currency exchange gain		(752,598)	(309,987)
Interest income	24	(1,813,143)	(1,862,023)
Other investment and sundry income	25	(208,930)	(153,465)
<b>Operating cash flows before movements in working capital</b>		<b>396,325</b>	<b>2,005,753</b>
Decrease/(increase) in reinsurance assets		121,549	(1,960,813)
Decrease/(increase) in deferred acquisition costs		122,843	(123,830)
(Decrease)/increase in insurance contract liabilities		(868,536)	1,917,766
Decrease/(increase) in trade receivables		242,773	(264,873)
Increase in other receivables		(8,130)	(33,872)
(Decrease)/increase in trade payables		(3,347,678)	4,161,639
(Decrease)/increase in deferred income		(60,313)	59,431
Increase in other payables		747,640	97,256
Cash generated by operations		(2,653,527)	5,858,457
Income tax paid	15	(414,589)	(554,543)
Net cash (used in)/ from operating activities		(3,068,116)	5,303,914

## Notes To The Financial Statements Contd

### 36 Contingencies and commitments

The Company, in its ordinary course of business, is presently involved in 2 cases as a defendant (31 December 2018: 4).

The Company has been advised by its legal counsel of total legal claims of N137.7million (2018:N117.4million). However, the Management is of the opinion that the claims are only possible but not probable to materialise. Accordingly, no provision was made for this liability in the financial statements for the year ended 31 December 2019.

The litigations indicating defendants, status of each case and the contingent liability are listed below:

#### **Suit 1**

Nigerian Breweries V Mr. Chinyere Gerald Onwuachu (Adeboye Badejo & Co.)

#### **Facts and contingent liability**

The Product Liability case is being held at the High Court of the Federal Capital Territory, Abuja Judicial Division.

Claim is for the sum of :N110,000,000 as damages, purportedly caused by the claimant ingesting the contents of a contaminated Heineken beer bottle.

#### **Update/status**

The matter was adjourned to February 26, 2020 for continuation of trial.

## Notes To The Financial Statements Contd

### **Suit 2**

Gray and Savoy V Custodian and Allied Insurance Plc (Sofunde, Osakwe, Ogundipe & Belgore)

### **Facts and contingent liability**

Purported theft case reported prior to payment of premium and inspection of vehicle. The case commenced in 2011 and has been through mediation with no settlement.

Claim is for the value of the Jeep – :N6.8m and interest at 28% from 2008 until final settlement by court. Presently this amounts to :N20,944,000.

### **Update/status**

The suit came up on March 6, 2019 for Case Management Conference (CMC). In view of the inability of the parties to achieve amicable resolution of the ensuing disputes, CMC was closed by the Judge and the matter was duly set down for reassignment to another court for trial. The matter is still awaiting to be reassigned to another Judge for trial.

There was no capital commitment as at 31st December 2019 (2018: Nil).

## **37. Related parties**

Details of transactions and balances between the Company and other related parties are disclosed below.

### **37.1 Transactions with related parties**

The Company enters into transactions with parent, affiliates and its key management personnel in the normal course of business. The transactions with related parties are made at normal market prices and conducted at arm's length.



## Notes To The Financial Statements Contd

Companies	Status of relationship	Interest (%)
Interstate Securities Limited	Associate of the parent company	Nil
Custodian Investments Plc	Parent Company	Nil
Custodian Life Assurance Limited	Fellow subsidiary of the parent company	Nil
Custodian Trustees Limited	Fellow subsidiary of the parent company	Nil
Crusader Sterling Limited	Fellow subsidiary of the parent company	Nil

### 37.2 Transactions with related parties

Detail of transactions carried out during the year with related parties are as follows:

	Nature of transaction	2019 N'000	2018 N'000
Interstate Securities Limited	Investment	300,000	100,000
Key management personnel	Loan	7,906	11,656
Custodian Investment Plc	Shared cost	583,292	484,523
	Dividend	2,100,000	2,100,000

## Notes To The Financial Statements Contd

### 37.3 Balances with related parties

The following balances were outstanding at the end of the reporting period

Receivables from and payables to related parties are as follows:

<b>Receivables from related parties:</b>	<b>Nature of transaction</b>	<b>2019 ₦'000</b>	<b>2018 ₦'000</b>
Interstate Securities Limited	Investment	318,269	100,000
Key management personnel	Loan	7,906	11,656
		<u>326,175</u>	<u>111,656</u>
<b>Payables to related parties:</b>	<b>Shared cost</b>		
Custodian Investment Plc	Dividend	120,062	128,014
		<u>700,000</u>	<u>-</u>
		<u>820,062</u>	<u>128,014</u>

Shared cost relates to expenses incurred by the parent Company on behalf the Company which includes rents and salaries of management staffs.

The Company considered the outstanding balances at the reporting date as unsecured and non-interest bearing. The settlements will involve physical delivery of cash.

In relation to the balances with related parties, the expected credit loss on receivables rounds to zero at the end of the reporting period and no impairment charge in the year (2018: Nil).

## Notes To The Financial Statements Contd

### 38. Directors and employees

#### 38.1 Chairman and Directors' emoluments

	2019 N'000	2018 N'000
<b>Emoluments:</b>		
Chairman	8,281	7,298
Other Directors	19,603	19,170
	<u>27,884</u>	<u>26,468</u>
 As Directors' fees	 4,156	 4,587
Other emoluments	23,728	21,881
	<u>27,884</u>	<u>26,468</u>

#### 38.2 Employees remuneration

a. The number of employees whose emoluments, excluding allowances within the following ranges were:

N	N	2019 Number	2018 Number
60,000	- 999,999	12	15
1,000,000	- 1,999,999	25	24
2,000,000	- 2,999,999	22	19
3,000,000	- 3,999,999	22	28
4,000,000	- 4,999,999	14	7
5,000,000	- 5,999,999	3	4
6,000,000	and above	30	28
		<u>128</u>	<u>125</u>

## Notes To The Financial Statements Contd

<b>b. Staff</b>	<b>2019 Number</b>	<b>2018 Number</b>
Average number of persons employed during the year were:	12	11
Management staff	116	114
Non-management staff	128	125
Staff cost excluding the Directors relating to the above	<b>N'000</b>	<b>N'000</b>
Wages and salaries	329,143	324,201
Defined contribution pension costs	33,421	32,671
Other staff allowances	354,223	346,780
	<u>716,788</u>	<u>703,652</u>

### 38.3. Compensation of key management personnel

Key management personnel of the Company includes all directors, executive and non- executive, and senior management. The summary of compensation of key management personnel for the year is as follows:

	<b>2019 N'000</b>	<b>2018 N'000</b>
Short-term employee benefits	170,792	167,595
Post employment benefit	17,163	17,263
	<u>187,955</u>	<u>184,858</u>
Fees and other emolument disclosed above includes amount paid to:		
Chairman	<u>7,298</u>	<u>7,298</u>
Highest paid director	<u>7,298</u>	<u>7,298</u>

### Events after the reporting period

## Notes To The Financial Statements Contd

### 39. Events after the reporting period

Other than the disclosure on issued and paid-up share capital on Note 17, there were no events after the reporting period which could have had a material effect on the financial condition of the Company as at 31 December 2019 and its profit and other comprehensive income for the year then ended, which have not been adequately provided for or disclosed in the financial statements.

	2019 N'000	2018 N'000
<b>40. Contraventions</b>	250	-
The following penalties were paid to NAICOM and FRC during the year:		
Changes in gross premium after Approval-In-Principle (AIP) was secured from NAICOM	250	
Failure to render returns on an aviation policy in line with the provisions of S5.5 of the NAICOM Prudential Guidelines 2015	-	500
Breach of S2.19(d) of NAICOM Prudential Guidelines 2015 for re-filing of returns	-	50
Re-issuance of certificate of solvency margin		10,000
Financial Reporting Council charge for inadequate disclosures in 2016 Audited Financial Statements	-	
	500	10,550

# Notes To The Financial Statements Contd

41. **Capital management**

The Company manages its capital to ensure that the Company will be able to continue as going concern and comply with the regulators’ capital requirements of the markets in which the Company operates while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders of the company, comprising issued capital, reserves and retained earnings. Reinsurance is also used as part of capital management.

**The solvency margin requirement**

The regulatory capital (as required under Section 24 of the Insurance Act 2003 and NAICOM Guideline) within the Company have been maintained and preserved over the reporting periods. The Section defines Solvency Margin of a Non-Life Insurer as the difference between the admissible assets and liabilities and this shall not be less than 15% of Net Premium Income (Gross Premium Income less Re-insurance premium paid) or the minimum capital base (N3 billion), whichever is higher. The regulatory capital within the Insurance Industry in Nigeria, in which the entity has its major operations is as follows:

**Minimum capital requirement**

** Non-life business	N3,000,000
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There were no changes made neither to the capital base nor to the objectives, policies and processes for managing capital.

## Notes To The Financial Statements Contd

### 41. Capital management - continued

The Solvency Margin for the Company as at 31 December 2019 is as follows:

	Total ₹'000	Admissible ₹'000	Inadmissible ₹'000
<b>Assets:</b>			
Cash and cash equivalents	4,517,560	4,209,095	308,465
Financial assets:			
-Fair Value through Profit or Loss (FVTPL)	674,987	674,987	-
-Fair Value through OCI (FVOCI)	703,179	604,157	99,022.00
-Amortised Cost	16,796,141	16,796,141	-
Trade receivables	107,318	107,318	-
Reinsurance assets	8,291,969	7,657,883	634,086
Deferred acquisition costs	543,304	543,304	-
Other receivables and prepayments	268,397	25,088	243,309
Investment properties	3,637,178	2,513,600	1,123,578
Intangible assets	9,265	-	9,265
Property, plant and equipment	194,005	194,005	-
Statutory deposits	300,000	300,000	-
<b>Total assets</b>	<b>36,043,303</b>	<b>33,625,578</b>	<b>2,417,725</b>
<b>Liabilities:</b>			
Insurance contract liabilities	11,957,745	11,957,745	-
Trade payables	2,035,944	2,035,944	-
Other payables and accruals	1,473,465	1,473,465	-
Deferred income	382,167	382,167	-
Current income tax payable	898,023	898,023	-
Deferred tax liabilities	429,024	-	429,024
<b>Total liabilities</b>	<b>17,176,368</b>	<b>16,747,344</b>	<b>429,024</b>
<b>Solvency margin</b>		<b>16,878,234</b>	
<b>Subject to the higher of:</b>			
A. Minimum capital requirement	<u>3,000,000</u>		
B. 15% of net premium (Premium less reinsurance)	<u>1,106,643</u>		
C. Higher of A and B		<u>(3,000,000)</u>	
D. Surplus achieved		<u>13,878,234</u>	

## Notes To The Financial Statements Contd

### 41. Capital management - continued

The Solvency Margin for the Company as at 31 December 2018 is as follows:

	Total ₹'000	Admissible ₹'000	Inadmissible ₹'000
<b>Assets:</b>			
Cash and cash equivalents	9,070,412	8,764,598	305,814
Financial assets:			
-Fair Value through Profit or Loss (FVTPL)	501,012	501,012	
-Fair Value through OCI (FVOCI)	1,937,977	1,834,202	103,775
-Amortised Cost	13,379,606	13,379,606	
Trade receivables	350,091	350,091	-
Reinsurance assets	8,413,518	7,879,436	534,082
Deferred acquisition costs	666,147	666,147	-
Other receivables and prepayments	267,986	37,258	230,728
Investment properties	3,555,000	1,000,000	2,555,000
Intangible assets	8,467	-	8,467
Property, plant and equipment	167,564	167,564.00	-
Statutory deposits	300,000	300,000	-
<b>Total assets</b>	<b>38,617,780</b>	<b>34,879,914</b>	<b>3,737,866</b>
<b>Liabilities:</b>			
Insurance contract liabilities	12,826,281	12,826,281	-
Trade payables	5,383,622	5,383,622	-
Other payables and accruals	725,825	725,825	-
Deferred income	442,480	442,480	-
Current income tax payable	847,743	847,743	-
Deferred tax liabilities	443,854	-	443,854
<b>Total liabilities</b>	<b>20,669,805</b>	<b>20,225,951</b>	<b>443,854</b>
<b>Solvency margin</b>		<b>14,653,963</b>	
<b>Subject to the higher of:</b>			
A. Minimum capital requirement	<u>3,000,000</u>		
B. 15% of net premium (Premium less reinsurance)	<u>1,135,654</u>		
C. Higher of A and B		<u>(3,000,000)</u>	
D. Surplus achieved		<u>11,653,963</u>	



## Notes To The Financial Statements Contd

### 42. Financial risk management framework

The Company monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Company may seek to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### 42.1. Valuation bases

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are determined at prices quoted in active markets. In the current environment, such price information is typically not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. These inputs and outputs are reviewed and approved by a valuation committee. The Company has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

## Notes To The Financial Statements Contd

The table below shows financial assets carried at fair value.

	Notes	Fair value through profit or loss ₱'000	Fair value through OCI ₱'000	Fair value ₱'000
<b>31 December 2019</b>				
Quoted equities at FVTPL	2	674,987	-	674,987
Fair value through OCI - quoted		-	16,759	16,759
Fair value through OCI - unquoted	2	-	686,420	686,420
		<u>674,987</u>	<u>703,179</u>	<u>1,378,166</u>
<b>31 December 2018</b>				
Quoted equities at FVTPL	2	501,012	-	501,012
Fair value through OCI - quoted		-	18,775	18,775
Fair value through OCI - unquoted	2	-	1,919,202	1,919,202
		<u>501,012</u>	<u>1,937,977</u>	<u>2,438,989</u>

The management assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair value of unquoted equity measured at fair value and other debt securities whose fair values are disclosed.

### i. Unquoted equity

The fair values of the unquoted ordinary shares have been estimated using either of Income approach or Market approach.

Under the income approach, the valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

## Notes To The Financial Statements Contd

- i. Under the market approach, the Company determines comparable public companies (Peers) based on industry, size, leverage and strategy and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value.

The Company classifies the fair value of these investments as Level 3.

- ii. **Unlisted managed funds**

The Company invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The Company's investment manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Company classifies these funds as Level 3.

- iii. **Listed debt securities - bonds**

Fair values of publicly traded debt securities are based on quoted market prices in an active market for identical assets with adjustments for accrued interest on the instrument after the last interest/coupon payment date. The Company values these investments at closing bid price.

- iv. **Money market funds and similar securities (treasury bills)**

The estimated fair value of money market funds is based on discounted cash flows using prevailing quoted Money-market interest rates for debts with similar credit risk and maturity.

## Notes To The Financial Statements Contd

### 42. Financial risk management framework - continued

#### Quantitative information of significant observable inputs - unquoted equity instruments

Investment	Valuation technique (Significant unobservable valuation input)	Range* (weighted average)	Sensitivity used*	Effect on fair value (N'000)
African Reinsurance Corporation	Market Approach	Average EBITDA multiple of peers	2019: 5% 2018: 5%	2019: N205 2018: N8,583
		Discount to average multiple (10%)	2019: 1% 2018: 1%	2019: N762 2018: N3,325
Mainstreet Technologies incorporation	Market Approach	Average EBITDA multiple of peers	2019: 5% 2018: 5%	2019: N1,900 2018: N8,583
		Discount to average multiple (10%)	2019: 1% 2018: 1%	2019: N1,900 2018: N3,325
WSTC Financial Services Limited	Income approach	Cost of capital (16.78%)	2019: 5% 2018: 5%	2019: N1,022 2018: N800
		Dividend growth rate (7.62)	2019: 5% 2018: 5%	2019: N1,919 2018: N1,426
Energy and Allied Insurance Pool of Nigeria	Adjusted NAV	Discount for lack of liquidity -	Unappropri- ated reserves	2019: N6,740 2018: N5,702
Nigerian Liability Insurance Pool	Adjusted NAV	Discount for lack of liquidity -	Unappropri- ated reserves	2019: N9,555 2018: N5,508

## Notes To The Financial Statements Contd

	2019 N'000	2018 N'000
<b>Financial Assets measured at Fair Value</b>		
Quoted prices in active markets (level 1)	691,746	519,787
Valuation technique:		
Market observable data (level 2)	-	-
Other than observable market data (level 3)	686,420	1,919,202
	<u>1,378,166</u>	<u>2,438,989</u>
<b>Financial Assets measured at Amortised Cost:</b>		
Amortised cost		
	16,796,141	13,379,606
	<u>16,796,141</u>	<u>13,379,606</u>

### 42.1.1. Fair value and fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, into Levels 1 to 3 based on the degree to which the fair value is observable. The categorisation also includes items not measured at fair value but whose fair value is disclosed.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Nigerian Stock Exchange equity investments classified as trading securities.

## Notes To The Financial Statements Contd

### 42.1.1 Fair value and fair value hierarchy - continued

Financial instruments in level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Financial instruments in level 3

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	2019			
Items measured at fair value	Level 1	Level 2	Level 3	Total
Financial assets	N'000	N'000	N'000	N'000
Financial assets at FVTPL:	674,987	-	-	674,987
Equity shares	674,987	-	-	674,987
Financial assets at FVOCI:	16,759	-	686,420	703,179
Equity shares	691,746	-	686,420	1,378,166
Items whose fair values are disclosed				
Debt instruments	-	-	17,406,020	17,406,020
	-	-	17,406,020	17,406,020
<b>Total financial assets</b>	<b>691,746</b>	<b>-</b>	<b>18,092,440</b>	<b>18,784,186</b>

## Notes To The Financial Statements Contd

### 42.1.1 Fair value and fair value hierarchy - continued

	2018			
Items measured at fair value	Level 1	Level 2	Level 3	Total
Financial assets	₹'000	₹'000	₹'000	₹'000
Financial assets at FVTPL:	501,012	-	-	501,012
Equity shares	501,012	-	-	501,012
Financial assets at FVOCI:				
Equity shares	18,775	-	1,919,202	1,937,977
	519,787	-	1,919,202	2,438,989
Items whose fair values are disclosed				
Debt instruments	-	-	13,471,144	13,471,144
	-	-	13,471,144	13,471,144
<b>Total financial assets</b>	<b>519,787</b>	<b>-</b>	<b>15,390,346</b>	<b>15,910,133</b>

There were no transfers between level 1 and 2 or in and out of level 3 in 2019 and 2018.

#### Fair value of financial assets and liabilities

	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets	₹'000	₹'000	₹'000	₹'000
Cash and cash equivalents:				
Cash and bank balances	692,014	692,014	4,573,387	4,573,387
Short-term deposits	3,825,546	3,825,546	4,497,025	4,497,025
Debt instruments:				
Federal Government bonds	3,159,506	3,240,047	1,894,702	1,855,347
State Government bonds	718,783	719,773	252,212	232,140
Corporate bonds	12,205,947	12,512,638	10,681,450	10,828,607
Short term deposits	932,723	933,563	551,241	555,050

## Notes To The Financial Statements Contd

### 42.2 Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The Company's market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Investment committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains for policyholders which are in line with all stakeholder's expectations.

#### **Foreign currency risk management**

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance contract liabilities.



## Notes To The Financial Statements Contd

### 42.2. Market risk - continued

Carrying amounts of the Company's foreign currency denominated assets and liabilities:

	2019			
<b>Assets</b>	<b>Pounds Sterling ₦'000</b>	<b>Euro ₦'000</b>	<b>US dollars ₦'000</b>	<b>Total ₦'000</b>
Cash and cash equivalents	726	2,338	3,334,761	3,337,825
Financial assets	-	124,734	12,083,262	12,207,996
Reinsurance assets	-	-	677,998	677,998
	726	127,072	16,096,021	16,223,819
<b>Liabilities</b>				
Insurance contract liabilities	-	-	1,163,887	
	-	-	1,163,887	1,163,887
Net assets				1,163,887
	726	127,072	14,932,134	15,059,932

	2018			
<b>Assets</b>	<b>Pounds Sterling ₦'000</b>	<b>Euro ₦'000</b>	<b>US dollars ₦'000</b>	<b>Total ₦'000</b>
Cash and cash equivalents	72	127,392	1,056,802	1,184,266
Financial assets	-	-	10,378,135	10,378,135
Reinsurance assets	-	-	9,547	9,547
	72	127,392	11,444,484	11,571,948
<b>Liabilities</b>				
Insurance contract liabilities	-	-	2,589,369	2,589,369
	-	-	2,589,369	2,589,369
Net assets/(liabilities)	72	127,392	8,855,115	8,982,579

## Notes To The Financial Statements Contd

### 42.2. Market risk - continued

		31-Dec-19		31-Dec-18	
	Changes in variables ₹'000	Impact on Profit before tax ₹'000	Impact on Equity ₹'000	Impact on Profit before tax ₹'000	Impact on Equity ₹'000
Cash and cash equivalents					
Sterling	+10%	73	-	7	-
	-10%	(73)	-	(7)	-
Euro	+10%	12,707	-	1,274	-
	-10%	(12,707)	-	(1,274)	-
USD	+10%	1,493,213	6,229	114,445	987
	-10%	(1,493,213)	(6,229)	(114,445)	(987)

### 42.3. Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant concentration of interest rate risk because:

- It invests in fixed income securities carried at fixed and not floating rates
- Its fixed income securities are measured at amortised cost and not at fair value.

#### Price risk management

The Company is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed and unlisted securities that present the Company with opportunity for return through dividend income and capital appreciation. Equity investments designated as fair value through OCI are held for strategic rather than trading purposes.

## Notes To The Financial Statements Contd

### 42.3. Interest rate risk management - continued

The analysis below is performed for reasonably possible movements in market indices with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose fair values are recorded in the statement of profit or loss).

		31-Dec-19		31-Dec-18	
	Changes in variables N'000	Impact on Profit before tax N'000	Impact on Equity N'000	Impact on Profit before tax N'000	Impact on Equity N'000
Cash and cash equivalents					
Fair value through profit or loss	+1%	6,750	-	5,010	-
	-1%	(6,750)	-	(5,010)	-
Fair value through OCI	+1%	-	7,032	-	19,380
	-1%	-	(7,032)	-	(19,380)

### 42.4. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, loan receivables, cash and cash equivalents reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent to investment grade and above.

## Notes To The Financial Statements Contd

### 42.4. Credit risk - continued

This information is supplied by independent rating agencies where available and if not available the Company uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

## Notes To The Financial Statements Contd

### 42.4. Credit risk - continued

Industry analysis	Financial services N'000	Government N'000	Consumers N'000	Retail and Wholesale N'000	Construction and Materials N'000	Manufacturing and Petroleum N'000	Others N'000	Total N'000
<b>31 December 2019</b>								
Cash and cash equivalents	4,517,497	-	-	-	-	-	-	4,517,497
Debt instruments at amortised costs	11,393,925	3,844,609	-	-	-	1,263,371	294,236	16,796,141
Staff loans and advances	-	-	-	-	-	-	63,039	63,039
Sundry debtors	-	-	-	-	-	-	149,022	149,022
Claims debtors	60,442	-	-	-	-	-	-	60,442
Deposit for properties	-	-	-	-	-	-	33,120	33,120
Trade receivables	7,807	7,733	7,223	10,498	3,603	67,633	2,821	107,318
Reinsurance assets	-	-	-	-	-	-	586,129	586,129
Statutory deposits	-	300,000	-	-	-	-	-	300,000
	<u>15,979,671</u>	<u>4,152,342</u>	<u>7,223</u>	<u>10,498</u>	<u>3,603</u>	<u>1,331,004</u>	<u>1,128,367</u>	<u>22,612,708</u>
<b>31 December 2018</b>								
Cash and cash equivalents	9,070,354	-	-	-	-	-	-	9,070,354
Debt instruments at amortised costs	10,681,445	2,473,579	-	-	-	115,502	109,080	13,379,606
Staff loans and advances	-	-	-	-	-	-	37,258	37,258
Sundry debtors	-	-	-	-	-	-	41,746	41,746
Claims debtors	96,049	-	-	-	-	-	-	96,049
Deposit for properties	-	-	-	-	-	-	42,412	42,412
Trade receivables	308,619	-	3,186	1,432	958	35,432	464	350,091
Reinsurance assets	-	-	-	-	-	-	486,125	486,125
Statutory deposits	-	300,000	-	-	-	-	-	300,000
	<u>20,156,467</u>	<u>2,773,579</u>	<u>3,186</u>	<u>1,432</u>	<u>958</u>	<u>150,934</u>	<u>717,085</u>	<u>23,803,641</u>

## Notes To The Financial Statements Contd

### 42.4. Credit risk - continued

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counter parties:

	Investment Grade N'000	Non Investment Grade: Satisfactory N'000	Unrated N'000	Total N'000
<b>31 December 2019</b>				
Debt instruments at amortised costs	-	16,796,141	-	16,796,141
	-	4,594,392	-	4,594,392
Cash and cash equivalents	-	-	63,039	63,039
Staff loans and advances	-	-	149,022	149,022
Sundry debtors	-	-	60,442	60,442
Claims debtors	-	-	33,120	33,120
Deposit for properties	-	-	107,318	107,318
Trade receivables	-	21,390,533	412,941	21,803,474
<b>31 December 2018</b>				
Debt instruments at amortised costs	-	13,379,606	-	13,379,606
	-	9,070,354	-	9,070,354
Cash and cash equivalents	-	-	37,258	37,258
Staff loans and advances	-	-	41,746	41,746
Sundry debtors	-	-	96,049	96,049
Claims debtors	-	-	42,412	42,412
Deposit for properties	-	-	350,091	350,091
Trade receivables	-	22,449,960	567,556	23,017,516

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

## Notes To The Financial Statements Contd

### 42.4. Credit risk - continued

#### **Impairment assessment**

The Company's ECL assessment and measurement method is set out below.

#### **Significant increase in credit risk, default and cure**

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- The counterparty having past due liabilities to public creditors or employees
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties"

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

There has been no significant increase in credit risk or default for financial assets during the year.

#### **Expected credit loss**

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio varies for different instruments. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

## Notes To The Financial Statements Contd

### Impairment losses on financial investments subject to impairment assessment

#### Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on Moody's credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's internal grading system are also provided.

	2019			2018
Moody's rating				
Performing	12mECL	LTECL	Total	Total
Cash and cash equivalents	₹'000	₹'000	₹'000	₹'000
AAA-A+	-	-	-	-
BBB-B+	4,594,392	-	4,594,392	9,153,752
C-CCC	-	-	-	-
Total Gross Amount	4,594,392	-	4,594,392	9,153,752
ECL	(76,895)		(76,895)	(83,398)
Total Net Amount	4,517,497	-	4,517,497	9,070,354
Financial assets - amortised cost				
AAA-A+	-	-	-	-
BBB-B+	17,016,959	-	17,016,959	13,560,132
C-CCC	-	-	-	-
Total Gross Amount	17,016,959	-	17,016,959	13,560,132
ECL	(220,818)		(220,818)	(180,526)
Total Net Amount	16,796,141	-	16,796,141	13,379,606



## Notes To The Financial Statements Contd

### Debt instruments measured at amortised cost

	2019			2018
Unrated	12mECL N'000	LTECL N'000	Total N'000	Total N'000
Other receivables	151,643	93,538	245,181	189,736
<b>Total Gross Amount</b>	151,643	93,538	245,181	189,736
ECL	(8,842)	(93,538)	(102,380)	(94,661)
<b>Total Net Amount</b>	142,801	-	142,801	95,075

### Collateral for other receivables

Some of the Company's receivables (e.g. mortgage loans and car loans) are collateralised with assets ranging from properties and cars. As at 31 December 2019, the value of assets accepted as collateral that the Company is permitted to repossess or sell in the absence of default in respect of the staff loans was N53million (2018: N62million) against the receivables balances of N37,359,201 (2018: N28,928,561).

As at 31 December 2019, the Company had no asset repossessed as security against asset. The group policy is to pursue timely realisation of collateral in an orderly manner in the case of default. The Company does not generally use the non cash collateral for its own operations.

As at 31 December 2019, the Company has not pledged any of its assets as collateral for any liability or payable balance (2018: nil)

## Notes To The Financial Statements Contd

### **Amounts arising from ECL**

#### **Inputs, assumptions and techniques used for estimating impairment**

When determining whether the credit risk(i.e. Risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available with out undue cost of effort, This includes both qualitative and quantitative information analysis based on the Company's experience, expert credit assessment and forward looking information. The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by using days past due and assessing other information obtained externally.

Whenever available, the Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published rating, the group also reviews changes in Bond yields together with available press and regulatory information about issuers.

Where external credit ratings are not available, the Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of default(including but not limited to the audited financial statement, management accounts and cashflow projections, available regulatory and press information about the borrowers and apply experienced credit judgement. Credit risk grades are defined by using qualitative and quantitative factors that are indicative of the risk of default and are aligned with the external credit rating definition from Moody's and standards and Poor.

The Company has assumed that the credit risk of a financial asset has not increased significantly since the initial recognition if the financial asset has low credit risk at reporting date. The company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Company considers this to be Baa3 or higher based on the Moody rating.

As a back stop, the Company considers that a significant increase in credit risk occurs no later than when the asset is more than 30 days past due. Days past due are determined by counting the numbers of days since the earliest elapsed due date in respect of which full payments has not been received.

## Notes To The Financial Statements Contd

Due dates are determined without considering any grace period that might be available to the borrower. The Company monitors the effectiveness of the criteria used to identify significant increase in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increase in credit risk before an exposure is in default;
- The criteria do not align with the point in time when the asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable
- Exposures are not generally transferred from 12-month ECL measurement to credit impaired and
- There is no unwarranted volatility in loss allowance from transfers between 12-month ECL and Lifetime ECL measurement.

### **Modified financial assets**

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the accounting policies. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- Its risk of default occurring at the reporting date based on the modified term; with
- The risk of default occurring estimated based on data on initial recognition and the original contractual terms.

### **Definition of default**

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or the financial asset is more than 90 days past due.

In assessing whether a borrower is in default, the Company considers indicators that are:

## Notes To The Financial Statements Contd

- qualitative: e.g. breaches of covenant and the other indicators of financial distress;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

### **Incorporation of forward looking information**

The Company incorporates forward-looking information into its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Company's Investment and Risk committee, economic experts and consideration of a variety of external actual and forecast information. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Nigeria, supranational organizations such as the Organisation for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a best estimate and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes."

### **Measurement of ECL**

The calculation of the expected credit loss is based on the key risk parameters of Probability of default(PD), Loss given default(LGD) and Exposure at default (EAD)

To determine the Lifetime and 12-month PDs, the Company uses the PD tables supplied by Moodys based on the default history of sovereign and corporate obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs are recalibrated and adjusted to reflect forward looking information as described below. changes in the rating for counterparties and exposure lead to a change in estimate of the associated PD.

## Notes To The Financial Statements Contd

Loss Given Default is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against the defaulted counterparties. The LGD for sovereign fixed income exposures are based on publications by Moody's and the models consider the structure, collateral, seniority of claims and recovery of any collateral that is integral to the financial asset. For loans secured with properties or asset, loan to value ratios are key parameter in determining LGD. LGDs are calculated on discounted cash flow basis using effective interest rate as the discounting factor."

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount. As described in the accounting policy, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The modelling of parameter is carried out on an individual basis.

An overview of the approach to estimating ECLs is set out in Note 2 Summary of significant accounting policies and in Note 3 critical accounting judgements and key sources of estimation uncertainty. To ensure completeness and accuracy, the Company obtains the data used from third party sources (Moody's, Standards and Poor, Economist associate etc.) and its investment team verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios for Nigeria, as at 31 December 2019 and 31 December 2018.

The Company has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro economic variables and credit risk and credit losses. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

## Notes To The Financial Statements Contd

### 42.4. Credit risk - continued

#### Analysis of inputs to the ECL model under multiple economic scenarios 31 December 2019

Key drivers	ECL Scenario	Assigned Probabilities	2020	2021	2022	2023	2024
Macroeconomic variable							
GDP Growth rate (%)							
	Upside	11%	2.56	2.56	2.77	2.65	2.68
	Base case	81%	2.52	2.52	2.73	2.61	2.64
	Downside	8%	2.48	2.48	2.69	2.57	2.60
Inflation rates (%)							
	Upside	11%	11.69	11.27	11.36	11.10	10.96
	Base case	81%	11.73	11.31	11.4	11.14	11.00
	Downside	8%	11.78	11.36	11.45	11.19	11.05
Oil Prices "USD"(price per barrel)							
	Upside	11%	92.98	94.44	95.97	97.41	98.85
	Base case	81%	53.50	54.96	56.49	57.93	59.38
	Downside	8%	27.20	28.66	30.19	31.63	33.07
Unemployment rates (%)							
	Upside	11%	29.95	32.45	34.45	36.57	38.82
	Base case	81%	30.00	32.50	34.50	36.62	38.88
	Downside	8%	30.10	32.60	34.60	36.72	38.98

Since the beginning of the year, as the Company has reassessed the key economic indicators used in its ECL models, the expected GDP growth rate over the next few years has been revised downwards, given the slowdown of Nigeria's economy which is majorly due to the unstable political outlook of the country. Unemployment and oil price assumptions follow a similar trend. Central Bank base rates have been stable while inflation rate is on the rise with the expected minimum wage legislation. Long-term expectations remain unchanged.

## Notes To The Financial Statements Contd

### 42.4. Credit risk - continued

#### Analysis of inputs to the ECL model under multiple economic scenarios 31 December 2018

Key drivers	ECL Scenario	Assigned Probabilities	2019	2020	2021	2022	2023
Macroeconomic variable							
GDP Growth rate (%)							
	Upside	35%	1.83	2.53	3.53	1.74	1.83
	Base case	35%	1.8	2.5	3.5	1.71	1.8
	Downside	30%	1.76	2.46	3.46	1.67	1.76
Inflation rates (%)							
	Upside	35%	14.81	14.34	14.56	14.56	14.56
	Base case	35%	14.75	14.28	14.5	14.5	14.5
	Downside	30%	14.71	14.24	14.46	14.46	14.46
Oil Prices "USD"(price per barrel)							
	Upside	35%	105	107	102	102	103
	Base case	35%	72	74	69	69.1	70
	Downside	30%	36	38	33	33	34
Unemployment rates (%)							
	Upside	35%	18.87	17.47	15.07	16.27	16.57
	Base case	35%	18.80	17.40	15.00	16.20	16.50
	Downside	30%	18.76	17.36	14.96	16.16	16.46

Since the beginning of the year, as the Company has reassessed the key economic indicators used in its ECL models, the expected GDP growth rate over the next few years has been revised downwards, given the slowdown of Nigeria's economy which is majorly due to the unstable political outlook of the country. Unemployment and oil price assumptions follow a similar trend. Central Bank base rates have been stable while inflation rate is on the rise with the expected minimum wage legislation. Long-term expectations remain unchanged.

## Notes To The Financial Statements Contd

### 42.4. Credit risk - continued

The following tables outline the impact of multiple scenarios on the allowance

31 December 2019		Cash and cash equivalents	Financial assets - amortised cost	Other receivables	Total
Upside	11%	8,330	23,922	11,091	43,343
Base case	81%	62,157	178,495	82,757	323,409
Downside	8%	6,408	18,402	8,532	33,341
		<u>76,895</u>	<u>220,818</u>	<u>102,380</u>	<u>400,093</u>
<b>31 December 2018</b>					
Upside	35%	28,359	61,386	33,131	122,875
Base case	35%	28,645	62,006	33,131	123,782
Downside	30%	26,395	57,134	28,398	111,926
		<u>83,398</u>	<u>180,526</u>	<u>94,659</u>	<u>358,584</u>

### 42.5. Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due.

The Company has adopted an appropriate liquidity risk management framework for the management of the Company's liquidity requirements. The Company manages liquidity risk by maintaining banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Company is exposed to liquidity risk arising from clients on its insurance contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers.

Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims. In practice, most of the Company's assets are marketable securities which could be converted in to cash when required.



## Notes To The Financial Statements Contd

### 42.5. Liquid risk - continued

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance contract liabilities. Unearned premiums are excluded from this analysis. The table includes both interest and principal cash flows. Cash and cash equivalents including insurance receivables which are used to manage liquidity risk are included in this table.

	< 1 month N'000	1 - 3 months N'000	3 - 12 months N'000	1 - 5 years N'000	> 5 years N'000	Total N'000
<b>31 December 2019</b>						
Cash and cash equivalents	4,182,143	412,312	-	-	-	4,594,455
Financial assets (debt securities at amortised cost)	-	1,496,236	2,780,984	10,500,631	5,250,315	20,028,167
Trade receivables	107,318	-	-	-	-	107,318
	<u>4,289,461</u>	<u>1,908,549</u>	<u>2,780,984</u>	<u>10,500,631</u>	<u>5,250,315</u>	<u>24,729,940</u>
Insurance contract liabilities	156,931	203,935	772,885	1,711,406	2,098	2,847,255
Trade payables	1,483,032	668,639	793,419	-	-	2,035,944
Other payables	1,030,753	7,882	804	-	-	1,039,440
	<u>2,670,717</u>	<u>880,456</u>	<u>1,567,108</u>	<u>1,711,406</u>	<u>2,098</u>	<u>5,922,639</u>
Liquidity Gap	<u>1,618,744</u>	<u>1,028,092</u>	<u>1,213,876</u>	<u>8,789,225</u>	<u>5,248,217</u>	<u>18,807,301</u>
<b>31 December 2018</b>						
Cash and cash equivalents	4,586,858	4,566,952	-	-	-	9,153,810
Financial assets (debt securities at amortised cost)	-	1,996,039	2,410,839	10,867,950	1,480,956	16,755,784
Trade receivables	350,091	-	-	-	-	350,091
	<u>4,936,949</u>	<u>6,562,991</u>	<u>2,410,839</u>	<u>10,867,950</u>	<u>1,480,956</u>	<u>26,259,685</u>
Insurance contract liabilities	84,201	139,265	205,322	450,341	3,563,260	4,442,389
Trade payables	3,921,564	668,639	793,419	-	-	5,383,622
Other payables	174,285	22,000	9,607	-	-	205,892
	<u>4,180,050</u>	<u>829,904</u>	<u>1,008,348</u>	<u>450,341</u>	<u>3,563,260</u>	<u>10,031,903</u>
Liquidity Gap	<u>756,899</u>	<u>5,733,087</u>	<u>1,402,491</u>	<u>10,417,609</u>	<u>(2,082,304)</u>	<u>16,227,782</u>

## Notes To The Financial Statements Contd

### 42.6. Maturity analysis of the amounts in the statement of financial position

#### Maturity analysis on expected maturity bases

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

31 December 2019

Asset	Current N'000	Non- current N'000	Total N'000
Cash and cash equivalents	4,517,560	-	4,517,560
Financial assets	2,193,611	15,980,696	18,174,307
Trade receivables	107,318	-	107,318
Reinsurance assets	8,291,969	-	8,291,969
Deferred acquisition costs	543,304	-	543,304
Other receivables and prepayments	268,397	-	268,397
Investment properties	-	3,637,178	3,637,178
Property, plant and equipment	-	194,005	194,005
Intangible assets	-	9,265	9,265
Statutory deposit	-	300,000	300,000
<b>Total assets</b>	<b>15,922,159</b>	<b>20,121,144</b>	<b>36,043,303</b>
<b>Liabilities</b>			
Insurance contracts liabilities	8,758,012	3,199,733	11,957,745
Trade payables	2,035,944	-	2,035,944
Other liabilities	1,473,465	-	1,473,465
Deferred income	382,167	-	382,167
Current income tax payable	898,023	-	898,023
Deferred tax liabilities	-	429,024	429,024
<b>Total liabilities</b>	<b>13,547,611</b>	<b>3,628,757</b>	<b>17,176,368</b>

## Notes To The Financial Statements Contd

### 42.6. Maturity analysis of the amounts in the statement of financial position

#### Maturity analysis on expected maturity bases - continues

31 December 2018

Asset	Current N'000	Non- current N'000	Total N'000
Cash and cash equivalents	9,070,412	-	9,070,412
Financial assets	922,931	14,895,664	15,818,595
Trade receivables	350,091	-	350,091
Reinsurance assets	8,413,518	-	8,413,518
Deferred acquisition costs	666,147	-	666,147
Other receivables and prepayments	267,986	-	267,986
Investment properties	-	3,555,000	3,555,000
Property, plant and equipment	-	167,564	167,564
Intangible assets	-	8,467	8,467
Statutory deposit	-	300,000	300,000
<b>Total assets</b>	<b>19,691,085</b>	<b>18,926,695</b>	<b>38,617,780</b>
<b>Liabilities</b>			
Insurance contracts liabilities	8,084,321	4,741,960	12,826,281
Trade payables	5,383,622	-	5,383,622
Other liabilities	725,825	-	725,825
Deferred income	442,480	-	442,480
Current income tax	847,743	-	847,743
Deferred tax liabilities	-	443,854	443,854
<b>Total liabilities</b>	<b>15,483,991</b>	<b>5,185,814</b>	<b>20,669,805</b>

## Notes To The Financial Statements Contd

### 43. Insurance risk management

The Company accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework.

Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria.

Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Company is exposed.

The Company writes property, liability and motor risks primarily over a twelve month duration. The most significant risks arise from natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

	Gross premium		Reinsurance premium		Net	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Within Nigeria	25,183,487	22,746,847	16,464,586	14,031,393	8,718,901	8,715,454
Outside Nigeria	-	-	1,341,283	1,144,430	(1,341,283)	(1,144,430)
	25,183,487	22,746,847	17,805,869	15,175,823	7,377,618	7,571,024

## Notes To The Financial Statements Contd

### 43. Insurance risk management - continues

The concentration of non-life insurance by type of contract is summarised below by reference gross premium and premium ceded to reinsurers.

	Gross premium		Reinsurance premium		Net	
	2019 ₦'000	2018 ₦'000	2019 ₦'000	2018 ₦'000	2019 ₦'000	2018 ₦'000
Accident	1,837,363	1,362,041	627,465	248,365	1,209,898	1,113,676
Aviation	172,952	349,344	28,594	281,474	144,358	67,870
Bond	5,835	6,016	1,198	2,028	4,637	3,988
Engineering	568,333	520,181	380,654	293,908	187,679	226,273
Fire	4,989,617	4,713,643	3,917,343	3,426,951	1,072,274	1,286,692
Marine	982,526	793,735	318,754	315,871	663,772	477,864
Motor	2,733,523	2,453,988	189,385	137,092	2,544,138	2,316,896
Oil and Energy	13,893,338	12,547,899	12,342,476	10,470,134	1,550,862	2,077,765
	25,183,487	22,746,847	17,805,869	15,175,823	7,377,618	7,571,024

## Notes To The Financial Statements Contd

### 43.1 Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for non-life insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

Some results of sensitivity testing are set out below:

2019 Discounted IABCL Class of business	N'000 Base	N'000 5% Loss ratio	N'000 (-5%) Loss ratio	N'000 1% Inflation rate	N'000 (-1) %Inflation rate	N'000 1% Discount rate	N'000 (-1)% Discount rate
Accident	111,484	21,806	18,708	1,797	(1,797)	(1,797)	(1,797)
Engineering	176,691	-	-	-	-	-	-
Fire	551,289	124,228	(83,098)	6,307	(6,307)	(6,307)	6,307
Marine	80,629	28,501	(12,114)	795	(795)	(795)	795
Motor	145,399	77,149	(26,239)	1,681	(1,681)	(1,681)	1,681
Oil & Gas	538,246	51,524	(51,524)	-	-	-	-
Bond	582	-	-	-	-	-	-
Aviation	14,124	860	(860)	-	-	-	-
Total IBNR	1,618,444						
Effect of changes on IBNR		304,069	(155,127)	10,580	(10,580)	(10,580)	6,986

## Notes To The Financial Statements Contd

### 43.1 Assumptions and sensitivities - continues

2018 Discounted IABCL Class of business	N'000 Base	N'000 5% Loss ratio	N'000 (-5%) Loss ratio	N'000 1% Inflation rate	N'000 (-1) %Inflation rate	N'000 1% Discount rate	N'000 (-1)% Discount rate
Accident	67,927	13,286	(11,399)	1,095	(1,095)	(1,095)	1,095
Engineering	224,614	-	-	-	-	-	-
Fire	307,248	69,236	(46,313)	3,515	(3,515)	(3,515)	3,515
Marine	67,145	23,735	(10,088)	662	(662)	(662)	662
Motor	96,765	51,344	(17,462)	1,119	(1,119)	(1,119)	1,119
Oil & Gas	490,230	46,928	(46,928)	-	-	-	-
Bond	4	-	-	-	-	-	-
Aviation	105,447	6,424	(6,422)	-	-	-	-
Total IBNR	1,359,380						
Effect of changes on IBNR		210,952	(138,611)	6,391	(6,391)	(6,391)	6,391

The Company's method for sensitivity testing has not changed significantly from the prior year.

## Notes To The Financial Statements Contd

### 43.2 Claims development tables

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. In 2012, in the year of adoption of IFRS, only 5 years were required to be disclosed. This will be increased in each succeeding year, until 8 - 10 years of information is presented. The top half of the table shows how the estimates of total claims for each accident year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the Statement of Financial Position.

Analysis of claims development - Gross

	Before 2013	2013	2014	2015	2016	2017	2018	2019	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Estimate of ultimates:									
End of accident year	-	1,524,255	1,844,216	2,785,178	2,257,150	3,448,359	2,478,834	3,641,427	-
1 year later	-	3,105,505	3,200,095	3,377,010	3,233,541	5,124,868	3,301,692	-	-
2 years later	-	3,208,370	3,594,841	3,311,769	3,298,238	7,487,174	-	-	-
3 years later	-	3,882,475	3,599,845	3,481,731	3,479,857	-	-	-	-
4 years later	-	3,715,487	3,508,298	3,271,062	-	-	-	-	-
5 years later	-	3,772,635	3,470,554	-	-	-	-	-	-
6 years later		3,146,442	-	-	-	-	-	-	-
Current estimate of ultimate claims	115,817								
		3,146,442	3,470,554	3,271,062	3,479,857	7,487,174	3,301,692	3,641,427	24,272,598
Cummulative payments	(35,676)	(3,137,876)	(3,420,937)	(3,235,414)	(3,193,596)	(6,470,797)	(2,759,418)	(2,813,056)	(25,066,770)
<b>Outstanding claims provision at 31 December 2019</b>	<b>80,141</b>	<b>8,567</b>	<b>49,616</b>	<b>35,648</b>	<b>286,261</b>	<b>1,016,377</b>	<b>542,274</b>	<b>828,371</b>	<b>2,847,255</b>



# Statement Of Value Added

For The Year Ended 31 December 2019

	2019 N'000	%	2018 N'000	%
Net premium income	7,377,618		7,571,024	
Fees and commission income	1,369,440		1,077,707	
Interest income	1,813,143		1,862,023	
Other investment and sundry income	208,930		153,465	
	10,769,131		10,664,219	
Claims incurred, commission paid and other operating expenses - Local	(6,512,435)		(5,199,238)	
Value added	4,256,696	100	5,464,981	100

## Applied as follows:

### To pay employees:

Salaries, wages and benefits	716,788	16.8	703,652	12.9
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### To pay Government:

Taxes	476,070	11.2	741,434	13.6
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### Retained for asset replacement and future expansion of business:

- Deferred taxation	(14,830)	(0.3)	103,302	1.9
- Depreciation and amortization	99,377	2.3	91,837	1.7
- Profit for the year	2,979,291	70.0	3,824,756	70.0
	4,256,696	100	5,464,981	100

Value added is the wealth created by the efforts of the Company and its employees and the allocation between employees, shareholders, government and that retained in the future for the creation of more wealth.

# Five-Year Financial Summary

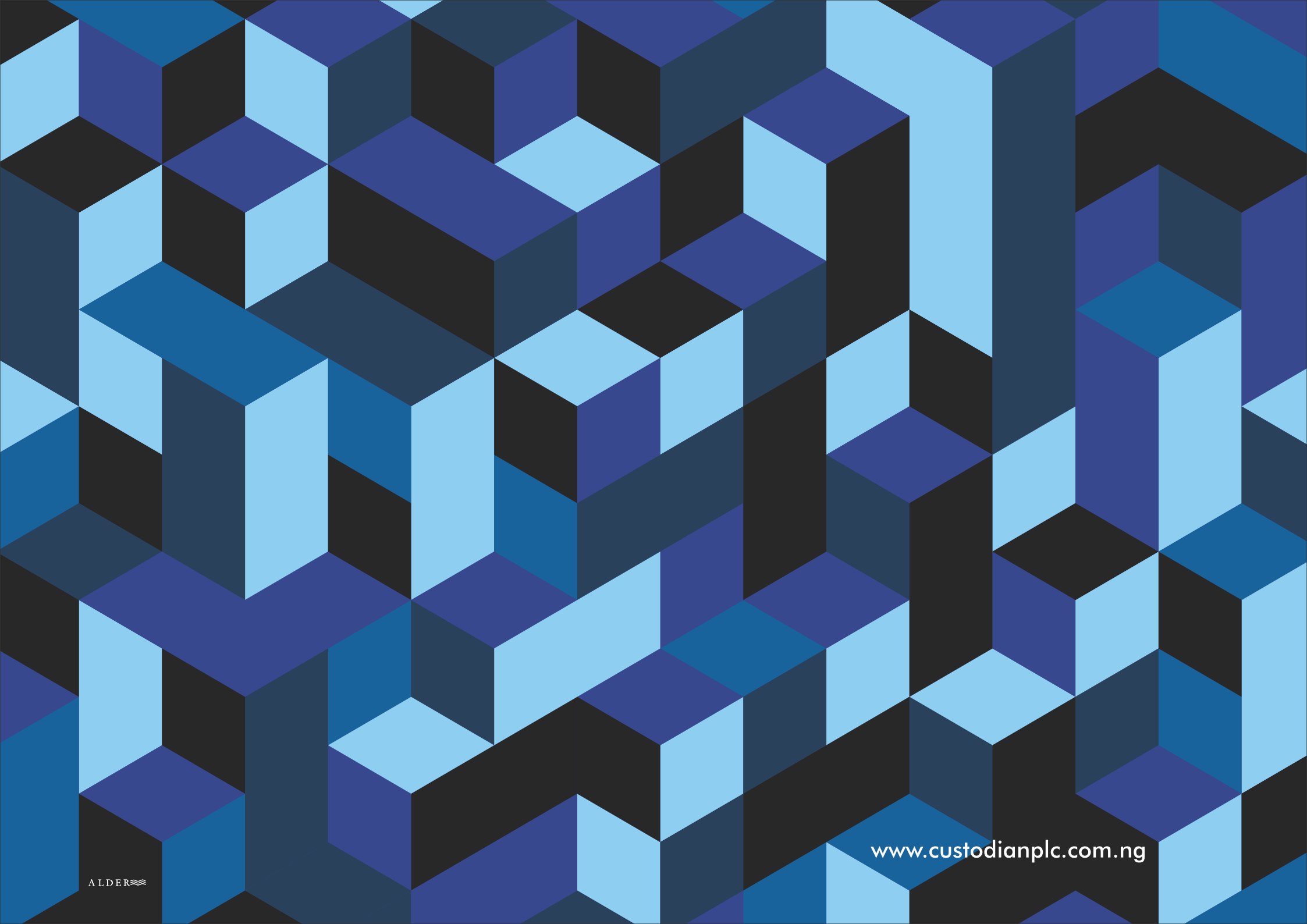
As at 31 December 2019

	31 December				
	2019	2018	2017	2016	2015
	N'000	N'000	N'000	N'000	N'000
<b>Assets</b>					
Cash and cash equivalents	4,517,560	9,070,412	3,909,124	4,625,910	10,172,137
Financial assets	18,174,307	15,818,595	15,263,802	14,532,494	8,135,846
Trade receivables	107,318	350,091	85,218	49,078	85,515
Reinsurance assets	8,291,969	8,413,518	6,452,705	6,020,651	5,340,384
Deferred acquisition costs	543,304	666,147	542,317	388,100	377,467
Other receivables and prepayments	268,397	267,986	238,917	196,221	410,258
Investment properties	3,637,178	3,555,000	3,541,000	3,081,500	2,592,500
Property, plant and equipment	194,005	167,564	170,032	161,009	118,689
Intangible assets	9,265	8,467	14,566	27,671	39,461
Statutory deposits	300,000	300,000	300,000	602,000	602,000
<b>Total assets</b>	<b>36,043,303</b>	<b>38,617,780</b>	<b>30,517,681</b>	<b>29,684,634</b>	<b>27,874,257</b>
<b>Liabilities and equity</b>					
Insurance contract liabilities	11,957,745	12,826,281	10,908,515	10,808,884	10,054,068
Trade payables	2,035,944	5,383,622	1,221,983	2,659,580	1,681,353
Other payables and accruals	1,473,465	725,825	628,569	548,404	478,167
Deferred income	382,167	442,480	383,049	213,656	236,809
Current income tax payable	898,023	847,743	720,642	1,001,590	919,799
Deferred tax liabilities	429,024	443,854	455,622	634,260	37,339
Redeemable convertible loan	-	-	-	-	2,498,286
<b>Total liabilities</b>	<b>17,176,368</b>	<b>20,669,805</b>	<b>14,318,380</b>	<b>15,866,374</b>	<b>15,905,821</b>
<b>Equity</b>					
Issued and paid-up share capital	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Share premium	84,607	84,607	84,607	84,607	84,607
Statutory contingency reserve	8,447,097	7,677,566	6,743,668	5,736,621	4,824,384
Retained earnings	6,642,715	6,218,660	5,696,298	4,490,969	3,699,681
Fair value reserve	192,516	467,142	-	-	-
Available for sale reserve	-	-	174,728	6,063	(140,236)
<b>Total equity</b>	<b>18,866,935</b>	<b>17,947,975</b>	<b>16,199,301</b>	<b>13,818,260</b>	<b>11,968,436</b>
<b>Total liabilities and equity</b>	<b>36,043,303</b>	<b>38,617,780</b>	<b>30,517,681</b>	<b>29,684,634</b>	<b>27,874,257</b>

## Five-Year Financial Summary Contd

For the year ended 31 December 2019

	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Gross premium written	25,651,020	23,811,985	20,064,233	17,207,056	14,356,339
Net premium income	7,377,618	7,571,024	7,341,916	6,694,698	7,912,820
Profit before income tax expense	3,440,531	4,669,492	5,035,234	4,561,184	3,543,724
Income tax expense	(461,240)	(844,736)	(582,858)	(1,177,659)	(742,053)
Profit for the year	2,979,291	3,824,756	4,452,376	3,383,525	2,801,671
Transfer to retained earnings	2,979,291	3,824,756	4,452,376	3,383,525	2,801,671
<b>Basic earnings:</b>					
per share (kobo)	43	55	64	48	40
<b>Diluted earnings:</b>					
per share (kobo)	43	55	64	48	40



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