Great Nigeria Insurance Plc

Consolidated and Separate Financial Statements
31 December 2018

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Corporation Information

Certificate of incorporation number:	RC 2107
NAICOM license number:	RIC 014

Directors, Officers and Advisors

Mr. Bade Aluko	Chairman
Mrs. Cecilia O. Osipitan	Managing Director/CEO
Mrs. Roselyn Ulaeto	Executive Director
Archbishop Felix Alaba Job	Non-Executive Director
Mr. Olugbenga Awosode	Non-Executive Director
Mr. Akintola O. Ajayi	Non-Executive Director
Mr. Shamusideen Kareem	Non-Executive Director
Col Ali Sule Yakasai	Independent Director

Company secretary:	First Almond Attorneys Marine View Plaza 4th Floor, 60 Marina Lagos
Corporate head office :	Great Nigeria Insurance PLC GNI Complex 8, Omo-Osagie Street Off Awolowo Road Ikoyi, Lagos Telephone: +234 01 2670423, 01 7300015 Email: info@gniplc.com, info@greatnigeriaplc.com Website: www.gniplc.com, www.greatnigeriaplc.com
Independent Auditors:	Deloitte & Touche Civic Towers, Plot GA 1, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria Telephone: +234 1 2717800 Website: www.deloitte.com.ng
Registrars:	Greenwich Registrars & Data Solutions 274, Murtala Muhammed Way Yaba PMB 12717, Lagos Telephone: +234 01 2917747 Website: www.gtlregistrars.com

Bankers	Wema Bank PLC First Bank Nigeria Limited Polaris Bank Limited Sterling Bank PLC Ecobank Limited Zenith Bank PLC United Bank for Africa PLC First City Monument Bank PLC Access Bank PLC Diamond Bank PLC Union Bank of Nigeria PLC Unity Bank PLC Heritage Bank Limited Barclays Bank Group, London Keystone Bank Limited
Re-insurers	Nigeria Reinsurance Company Africa Reinsurance Corporation Continental Reinsurance PLC
Consulting actuaries	Ernst & Young UBA House, 10th floor, 57 Marina, Lagos Nigeria Telephone: +234 1 6314 543, Fax: +234 1 4630 481 FRC/NAS/00000000738
Estate surveyor and valuer:	Ubosi Eleh & Co. FRC/2013/NISEV/00000001493

Directors' Report

The directors have pleasure in presenting their annual report and financial statements on the affairs of Great Nigeria Insurance Plc ("the Company" or "GNI Plc") and subsidiary (the Group) together with the audited consolidated and separate financial statements and the auditor's report for the year ended 31 December 2018.

Legal form and principal activity

The Company was incorporated in Nigeria as a private limited liability company on 28th February 1960 as a wholly owned subsidiary of Odu'a Investment Company Limited, to transact insurance business as a composite insurer, until September 2005 when the Global Fleet Group bought the majority shares. With the divestment of the shares held by the Global Fleet Group and sale of substantial part of the holdings of Odu'a Investment Company Limited to Wema Assets Management Limited in September 2006, it became a member of the Wema Bank Plc Group. In line with the Central Bank of Nigeria (CBN) guidelines to banks in Nigeria, Wema Bank Plc divested from the Company effective November 2013 and sold its controlling shares to a consortium of investors.

On 4 July, 2013, the Company acquired 97.5% ordinary shares of GNI Healthcare Limited formally known as GAMMA Health Limited. GNI Healthcare Limited was incorporated as a private limited liability company on 24 July, 2012, and its principal activity involves the provision of basic and supplemental health maintenance and treatment services. In 2017 GNI Healthcare Limited raised additional capital through private placement, the outcome of which reduced the shareholding proportion of GNI Plc to 79.43%.

The financial results of the subsidiary have been consolidated in these financial statements from the date that the Company started exercising control.

Operating results:

The highlights of the Group's and Company's operating results for the year ended 31 December 2018 were as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
	N' 000	N' 000	N' 000	N' 000
Gross premium written	3,492,393	3,017,021	3,288,502	2,876,620
(Loss)/profit before taxation	(3,530)	449,679	(9,893)	450,494
Income tax	(158,256)	(46,977)	(164,623)	(43,870)
(Loss)/Profit after taxation	(161,786)	402,702	(174,516)	406,624
Transfer to statutory contingency reserve	(107,849)	(61,954)	(107,849)	(61,954)
Transfer to retained earnings	(269,635)	340,748	(282,366)	344,670
Shareholders' funds	5,900,601	5,897,326	5,853,421	5,845,680
Basic (loss)/basic earnings per share (k)	(4.23)	10.52	(4.56)	10.62

Directors' Report

Directors and their interests:
The directors who served during the year were as follows:

Name	**Designation**
Mr. Bade Aluko	Chairman
Mrs. Cecilia O. Osipitan	Managing Director/CEO
Mrs. Roselyn Ulaeto	Executive Director
Arch Bishop Felix Alaba Job	Non-Executive Director
Mr. Olugbenga Awosode	Non-Executive Director
Mr. Akin Ajayi	Non-Executive Director
Col. Sule Yakasi	Independent Director
Mr. Shamusideen Kareem	Non-Executive Director

According to the register of members as at 31 December 2018, the following shareholders held 5% or more of the issued share capital of the Company during the year:

Shareholders	**No of shares**	**% shareholding**
Insurance Resourcery and Consultancy Limited	2,870,614,035	75
Odu'a Investment Company Limited	348,138,124	9
Others	608,733,221	16
Total	**3,827,485,380**	**100**

2018

Share range		**No of shareholders**	**Percentage of shareholders**	**No of holdings**	**Percentage of holdings**
1	1,000	1,886	33.45%	1,562,078	0.04%
1,001	5,000	2,130	37.77%	6,449,415	0.17%
5,001	10,000	640	11.35%	5,954,636	0.16%
10,001	50,000	534	9.47%	15,242,158	0.40%
50,001	100,000	143	2.54%	12,815,538	0.33%
100,001	500,000	195	3.46%	53,270,393	1.39%
500,001		48	0.85%	43,422,856	1.13%
1,000,001		40	0.71%	104,677,430	2.73%
5,000,001		10	0.18%	78,263,102	2.04%
		9	0.16%	221,265,680	5.78%
		2	0.04%	165,809,935	4.33%
100,000,001-and above		2	0.04%	3,118,752,159	81.48%
Total		5,639	100%	3,827,485,380	100%

2017

Share range			No of shareholders	Percentage of shareholders	No of holdings	Percentage of holdings
1	-	1,000	1,886	33.45%	1,562,078	0.04%
1,001	-	5,000	2,130	37.77%	6,449,415	0.17%
5,001	-	10,000	640	11.35%	5,954,636	0.16%
10,001	-	50,000	534	9.47%	15,242,158	0.40%
50,001	-	100,000	143	2.54%	12,815,538	0.33%
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500,001	-	1,000,000	48	0.85%	43,422,856	1.13%
1,000,001	-	5,000,000	40	0.71%	104,677,430	2.73%
5,000,001	-	10,000,000	10	0.18%	78,263,102	2.04%
10,000,001	-	50,000,000	9	0.16%	221,265,680	5.78%
50,000,001	-	100,000,000	2	0.04%	165,809,935	4.33%
100,000,001-and above			2	0.04%	3,118,752,159	81.48%
Total			5,639	100%	3,827,485,380	100%

Acquisition of own shares:
The Company did not acquire any of its own shares during the year ended 31 December 2018 (2017: Nil).

Directors' interests in contracts:
In accordance with section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors have notified the Company of any declarable interest in contracts deliberated by the Company during the year.

Property, plant and equipment:
Information relating to changes in property, plant and equipment is given in Note 14 to the financial statements.

Donations and charitable gifts:
Donation was made to non-political and charitable organisations during the year as follows:

Non-political and charitable organisations:

	₦
Investiture of 49th President of chartered Insurance Institute of Nigeria	500,000
Investiture of 12th President of Professional Ins. Ladies Association	250,000
Investiture of new Chairman of Nigerian Insurers Association.	500,000
	1,250,000

Employment of disabled persons:
The Group operates a non-discriminatory policy in the consideration of applications for employment, including those received from disabled persons. The Group’s policy is that the most qualified and experienced persons are recruited for appropriate job levels irrespective of an applicant’s state of origin, ethnicity, religion or physical condition.

In the event of any employee becoming disabled in the course of employment, the Group is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. Currently, the Group has no persons on its staff list with physical disability.

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

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

Securities Trading Policy:
The Company has a Securities Trading Policy applicable to all employees and Directors in line with Rule 17.15 of the Disclosure of Dealings in Issuers' Shares Rulebook of the Exchange. Within this reporting period no violation of the Policy occurred.

Complaints Management Policy:
The Company has a Complaint Management Policy Framework in compliance with Securities and Exchange Commission rule and same is available on the Company's website.

Events after year end:
There are no events after the reporting year which could have a material effect on the state of affairs of the Group as at 31 December, 2018 and the profit for the year ended on that have not been adequately provided for and/or disclosed.

Auditors:
In accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria, Deloitte & Touche tenure will lapse this year end and new set of auditors would be appointed.

BY ORDER OF THE BOARD

OBakare

Mrs Olajumoke Bakare
Attorneys Marine View, Plaza
FRC/2013/NBA/00000001439
Company Secretary
Marina View Plaza
4th Floor, 60 Marina
Lagos

12 December 2019

Corporate Governance Report

The Company

The company was incorporated in Nigeria as a private limited liability company on February 28, 1960 as a wholly owned subsidiary of Odu'a Investment Company Limited, until September, 2005 when the Global Fleet Group bought the majority shares. With the divestment of the Global Fleet Group and sale of substantial part of the holdings of Odu'a Investment Company Limited to Wema Asset Management Limited in September, 2006 it became a member of Wema Bank Plc Group. Wema Asset Management Limited divested from the company in 2013 through Management Buy Out.

The principal business activities of the company include the provision of risk underwriting and related financial services in life and non-life insurance services to both corporate and individual customers

Vision

"To be the insurance company of choice for keeping promises to stakeholders"

Mission

"Giving you peace of mind by keeping our promises"

Business Philosophy

The company's business philosophy includes:

- Professionalism
- Passion for Customers
- Team Spirit
- Precision
- Empathy
- Innovation

Background of the assignment

In February 2009, the National Insurance Commission (NAICOM) and the Securities & Exchange Commission in January 2011 respectively issued a code of Good Corporate Governance for the Insurance Industry in Nigeria ("the NAICOM Code") and all public companies in Nigeria ("the SEC Code"), mandating them to perform an annual review/appraisal of their Boards of Directors by an external consultants to ensure excellent performance. In its commitment to good corporate governance best practices and the NAICOM and SEC Codes, the Board of Directors of GNI ('the Board') commissioned PROSEC Corporate & Business Services Limited ("PROSEC") to carry out Board Appraisal for the financial year ended 31 December, 2018.

Our assignment of evaluating the performance of the Board of Directors of the Company was based on Global Best Practices and in accordance with the provisions of the Codes of Corporate Governance. The assignment also involves evaluation of the structure and composition, responsibilities, processes and relationships of the Board of Directors for the financial year ended December 31, 2018 as well as compliance with regulatory requirements. Our report on the assignment is based on the spot assessment, examination, analysis and review of relevant documents. The report is also based on the quantitative analysis of self-assessment questionnaires and interviews with the Directors and key management staff.

The Board of Directors

The Board of Directors is responsible to the shareholders for creating and delivering sustainable shareholders' value through its oversight functions. The Board has a formal charter as required which covers policies regarding Board memberships and composition, Board procedures, conduct of directors, risk management, remuneration, Board evaluation and induction.

The Board of Directors at the time of this report is made up of seven (7) members comprising five (5) Non-Executive and two (2) Executive Directors including the Managing Director/CEO. This is in line with international best practice, which stipulates the number of non-executive directors should be more than that of executive directors. The Chairman of the Board who is a non-executive Director and Managing Director/CEO are separate individuals and the Chairman has no executive responsibilities in the Company in compliance with the Codes of Corporate Governance.

The Chairman leads the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. Non-Executive Directors have been operating in such a way that their executive independence has not been impaired. Non-executive Directors based on their breadth and depth of knowledge and experience are able to challenge, monitor and approve the strategic policies recommended by management.

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of the company. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer (CEO).

The Chairman acts as the communicator for Board decisions, where appropriate. The concept of separation of the role of the Chairman from that of the CEO implies that the Chairman should be independent from management and free from any interest and any business or other relationship that could interfere with the Chairman's independent judgement other than interests resulting from Company shareholdings and remuneration.

The Managing Director/CEO, ably assisted by the Executive Directors and other top management constitute the Executive Management Committee. The Committee is saddled with the responsibilities of the day to day management of the affairs of the Company in accordance with agreed laid down guidelines. The Executive Management Committee is responsible and accountable to the Board of Directors for the implementation of the resolutions of the Board including but not limited to the approved strategies and policies.

The Managing Director/CEO is responsible for leading the development and execution of the Company's long-term strategy with a view to creating sustainable shareholder value. The mandate of the CEO is to manage the day-to-day operations of the company and ensure that operations are consistent with the life policies developed by the Board of Directors and are carried out effectively. The CEO's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company's long- and short-term plans. The CEO acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of the management. The CEO also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public.

The current composition of the Board of Directors is as follows:

Directors	**Designation**
Bade Aluko	Chairman
Felix Alaba Job	Non-Exec. Director
Akintola O. Ajayi	Non-Exec. Director
Shamusideen Kareem	Non-Exec. Director
Olugbenga Awosode	Non-Exec. Director
Cecilia Osipitan	Managing Director/CEO
Roselyn Ulaeto	Executive Director
Col Ali Sule Yakasai	Independent Non Exec. Director

Corporate Governance Report

The Board committees were reconstituted during the year and the names of the Directors and their committee membership are presented below:

Name of Director	Role	Committees			
		ERM & Governance	Finance, Investment & General Purpose	Board Audit & Compliance	Statutory Audit
Bade Aluko	Chairman				
Felix Alaba Job	Non-Executive Director				
Olugbenga Awosode	Non-Executive Director				
Shamusideen Kareem	Non-Executive Director				
Akintola O. Ajayi	Non-Executive Director				
Cecilia Osipitan	Managing Director				
Roselyn Ulaeto	Executive Director				
Col. Ali S. Yakasai (Rtd)	Independent Director				

Key

	Members
	Chairman
	Not a Member

Board of Directors Meetings' Attendance

Meetings held	1	2	3	4	5
Names	**27/03/2018**	**30/04/2018**	**24/07/2018**	**31/10/2018**	**23/11/2018**
Bade Aluko	Y	Y	Y	Y	Y
Felix Alaba Job	Y	Y	Y	Y	Y
Olugbenga Awosode	Y	N	Y	Y	Y
Cecilia Osipitan	Y	Y	Y	Y	x
Roselyn Ulaeto	Y	Y	Y	Y	Y
Akintola Olusola Ajayi	Y	Y	Y	Y	Y
Shamusideen Kareem	Y	Y	Y	x	x
Col Ali Sule Yakasia	x	Y	x	Y	Y

Key:	Y-Present	X - Absent	N/A-Not a Director

BOARD COMMITTEES

FINANCE, INVESTMENT & GENERAL PURPOSE COMMITTEE
This Committee formerly Finance & Investment Committee was re-named in the later part of the year following NAICOM's amendment of its Code of Governance wherein General Purpose was merged with the Committee.

The Committee The committee's responsibilities as stated in the Charter amongst others are:

- Review policies and strategies for financing of the Company's capital, including issuance and management of debt, common and preferred stock, and such other capital instruments as the Company shall consider or utilize
- Develop and recommend to the Board, polices and plans for employees' selection, recruitment, evaluation and succession.
- Develop and oversee policies and program for talent acquisition, deployment and development.
- Develop an investment strategy for the Company and each subsidiary.
- Recommend to the Board salary and compensation levels including fringe benefits for all levels of staff, review the company's operating performance relative to the bonus and incentive programmes and assess the effectiveness of the Company's Remuneration Policy, including remuneration structure, retention and termination policies for staff.
- Provide oversight of the Company's financial condition, including their assets, capital, surplus and liabilities, to ensure that the Company's assets, capital, surplus and liabilities are within the limits prescribed by the Board and the applicable law.
- Review policies and strategies for investing the Company's assets for investment return, including the purchase, sale and management of Bonds, Mortgages, investments in real estate, and such other investment instruments as the Company shall consider or utilize.
- Review and make recommendations to the Board on the structure of remuneration paid by the Company to third parties.

- Review and analyse possible investments opportunities for the Company and periodically to recommend potentially advantageous investments to the Board for approval in accordance with applicable law
- Maintain a full record of each investment recommended to the Board and the rationale behind such recommendation, and to provide such record to the Board as applicable, for inclusion in the minutes and proceedings of the Board and also act and advise the Board on all matters of estate acquisition, development or disposal and the efficient utilisation of estate and other physical resources, in the delivery of the Company's strategies and mission.
- Have oversight of the Company's major external operations including the administration of the Company's wholly-owned companies and the governance oversight of the Company's participation in associated major ventures.
- Consult with and support the Audit Committee with respect to the establishment of (a) procedures for receipt , retention and treatment of complaints regarding the Company's accounting , internal controls and auditing matters; and (b) procedures for the confidential , anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Committee Meetings' attendance

Meetings held		1	2	3	4
	23/01/2018	**24/04/2018**	**23/07/2018**	**29/10/2018**	**22/11/2018**
Akintola O. Ajayi	**Y**	**Y**	**Y**	**Y**	**Y**
Olugbenga Awosode	**Y**	**X**	**Y**	**Y**	**Y**
Arch. Felix Alaba Job	**Y**	**Y**	**Y**	**Y**	**Y**
Shamsideen Kareem	**Y**	**Y**	**Y**	**Y**	**X**
Cecilia O. Osipitan	**Y**	**X**	**Y**	**Y**	**X**
Roselyn Ulaeto	**Y**	**Y**	**Y**	**Y**	**Y**

Key:	**Y-Present**	**X - Absent**	**N/A: Not Applicable**

ENTERPRISE RISK MANAGEMENT AND GOVERNACE COMMITTEE

This Committee formerly Risk Management & Compliance was re-named in the later part of the year following NAICOM's amendment of its Code of Governance wherein the Board Governance Committee was merged with the Committee.

The Committee met four (4) times during the year. The responsibilities of the Committee as provided in the committee charter are as follows:

- Review the adequacy and effectiveness of the Company's risk management and controls.
- Oversight of Management's process for the identification of significant risks across the company and adequacy of prevention, detection and reporting mechanisms
- Review of the company's risk management system and internal control environment including the performance of the internal audit function.
- Oversee the company's risk policy, appetite and risk limits as approved by the Board.
- Undertake at least annually a thorough risk assessment covering all aspects of the Company's businesses.
- Review the adequacy of the size and composition of the Board to ensure the on-going effectiveness of the company's risks management framework.
- Evaluate and make recommendation to the Board concerning the nature and composition of the Board Committees, including designation of Committee chairs, Board Committees structure and operations.
- Identify individuals qualified to become directors consistent with membership criteria, shall coordinate and assist the Board in the recruitment of new directors and shall select or recommend to the Board candidates for election as directors, including directors nominees for AGM.
- Recommend to the Board the allocation of Directors to each of the Board committees the committee shall recommend a particular director to the Board to fill such vacancy
- Review any proposed changes to the company's Memorandum and Articles of Association and other documents affecting the Company's corporate governance and shall make recommendation to the Board with respect to any such changes.
- Periodically assess the Company's governance
- Develop, review and recommend to the Board, as appropriate, other principles and policies relating to corporate governance; and monitor compliance with and the effectiveness of such principles and policies, as appropriate.
- Evaluate and make recommendation to the Board concerning the process for distribution of information to the Board and its committees including the content and timing of delivery of materials relating to meeting of the Board and Board Committees as well as general information about the Company and its operations.

Committee Meetings' attendance

Meetings held		**1**	**2**	**3**
Names		**24/01/2018**	**23/07/2018**	**30/10/2018**
Felix Alaba Job		**Y**	**Y**	**Y**
Olugbenga Awosode		**Y**	**Y**	**Y**
Akintola O. Ajayi		**Y**	**Y**	**Y**
Cecilia O. Osipitan		**X**	**X**	**X**
Roselyn Ulaeto		**Y**	**Y**	**Y**
Col Ali Sule Yakasai		**N/A**	**N/A**	**N/A**

Key:	**Y-Present**	**X - Absent**	**N/A: Not Applicable**

BOARD AUDIT & COMPLIANCE COMMITTEE
Following NAICOM's amendment of its Corporate Governance Code, this Committee was established.

The Committee met four (4) times during the year. The committee is vested with the following duties amongst others:

- Assist in the oversight of the integrity of the Company's financial statements, compliance with legal and other regulatory requirements, assessment of qualifications and independence of external auditors and performance of the company's internal audit functions as well as that of external auditors
- Review and pre-approve both audit and non-audit services (if any) to be provided by the external auditors
- The Committee shall keep under review the effectiveness of the Company's financial reporting and the statements to be made in the annual report concerning internal control policies and procedures for the identification, assessment and reporting of risks.
- Review with Management any significant changes to the audit plan, if any, and any serious disputes or difficulties with Management encountered during the audit, including Management's response.
- Ensure the development of comprehensive internal control framework for the Company, obtain assurance and report annually in the financial statements on the operating effectiveness of the Company's internal control framework.
- Discuss the internal auditor's review of quarterly financial statements.
- Discuss the annual audited financial statements and half yearly unaudited financial statements
- Review and discuss with Management and external auditor the Company's annual audited financial statements, forecast and financial information, and the external auditors' report thereon including disclosure made in Management 's discussion and analysis.
- Review and discuss with Management and the internal auditors the Company's quarterly unaudited financial statements, related notes and financial information, including disclosures made in the Management's discussion and analysis
- Provide guidelines and standards for administering the acceptance of key operational, reputational, financial, market, technology and compliance risks.
- Review the Company's compliance with legal and regulatory requirements that may impact the company's risk profile.

Committee Meetings' attendance

Meetings held	**1**	**2**	**3**	**4**
	23/01/2018	**24/04/2018**	**23/07/2018**	**29/10/2018**
Shamsideen Kareem	Y	Y	Y	Y
Col Ali Sule Yakasai	N/A	X	Y	Y
Roselyne Ulaeto	Y	Y	X	Y
Olugbenga Awosode	Y	X	Y	Y
Felix Alaba Job	Y	Y	Y	Y

Key:	**Y-Present**	**X - Absent**

STATUTORY AUDIT COMMITTEE
The Companies and Allied Matters Act requires the establishment of an Audit Committee on the Boards of Companies. There are three shareholders representative on the committee, Two Non-Executive directors and One Independent director. The Committees' duties are stated as follows in accordance with CAMA:

- Assist in the oversight of the integrity of the Company's financial statements, compliance with legal and other regulatory requirements, assessment of qualifications and independence of external auditors and performance of the company's internal audit functions as well as that of external auditors
- The Committee shall keep under review the effectiveness of the Company's financial reporting and the statements to be made in the annual report concerning internal control policies and procedures for the identification, assessment and reporting of risks.
- Review of the terms of engagement and recommend the appointment or re-appointment and compensation of external auditors to the Board. Review and pre-approve both audit and non-audit services (if any) to be provided by the external auditors.
- Ensure the development of comprehensive internal control framework for the Company, obtain assurance and report annually in the financial statements on the operating effectiveness of the Company's internal control framework.
- Oversees management's process for identification of significant fraud risks across the Company and ensure that adequate prevention, detection and reporting mechanisms are in place.

Committee Meetings' attendance

Meetings held	1	2	3	4	5
Names	**24/01/2018**	**15/03/2018**	**25/04/2018**	**23/07/2018**	**30/10/2018**
Christie O. Vincent	Y	Y	Y	Y	Y
Bisi Bakare	Y	Y	Y	Y	Y
Adio Olaoluwa Simeon	Y	Y	Y	Y	Y
Akintola O Ajayi	Y	Y	X	Y	Y
Shamsideen Kareem	Y	Y	Y	Y	Y
Olugbenga Awosode	Y	Y	X	N/A	N/A
Col Ali Sule Yakasai	N/A	N/A	N/A	X	Y

Key:	Y-Present	X - Absent	N/A-Not Applicable

The company continues to improve on its corporate governance best practices. The transparency and the commitment of the Board and Management are very encouraging. The establishment of the Internal Control and Compliance which is now separated from the Internal Audit will strengthen the risk management and ensure good corporate governance of the company. The Staff has also been exposed to both internal and external training programme for effective performance.

The Board should endeavour to appoint an Independent Non-Executive Director in compliance with the Codes and as recommended in the previous report. The late filing of returns to regulatory authorities with significant penalties continued to be a major challenge and the Board and Management should address it. The annual General Meeting which provides a unique opportunity to communicate with members and other stakeholders of the Company should be held as when due.

We have no doubt that the company will continue to perform well and sustain the continuing improvement in its corporate governance practices.

Mrs Olajumoke Bakare
FRC/2013/NBA/00000001439
First Almond Attorney

Report of the Audit Committee

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters, Act CAP, Law of the Federation of Nigeria 2004, the members of the Audit Committee of Great Nigeria Insurance Plc hereby report as follows:

We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

We are of the opinion that the accounting and reporting policies of the Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2018 were satisfactory and reinforce the Group and Company's internal control system.

We are satisfied that the company has complied with the provisions of National Insurance Commission Circulars and Guidelines.

We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses to their recommendation for improvement and with the effectiveness of the Group and Company's system of accounting and internal control.

SIGNED ON BEHALF OF THE COMMITTEE BY:

Mrs. Christie. O Vincent-Uwalaka
FRC/2013/ICAN/00000002666
11 December 2019

Members of the Audit Committee are:

Mrs. Christie .O. Vincent-Uwalaka	Chairperson	
Col. Sule Yakasai	Member	(Effective 2018)
Mr. Akintola O. Ajayi	Member	
Mr. Shamusideen Kareem	Member	
Mrs Bisi Bakare	Member	
Mr Adio Oluwa Simeon	Member	
Mr Olugbenga Awosode	Member	

Statement of Directors' Responsibilities
For the preparation and approval of the Consolidated and Separate Financial Statements

The Directors of Great Nigeria Insurance Plc are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view of the financial position of the Group and Company as at 31 December 2018, and the results of its operations, statements of cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, the Insurance Act CAP I17 LFN 2004, relevant guidelines and circulars issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act.

In preparing the consolidated and separate financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group and Company;
- maintaining adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and which enable them to ensure that the financial statements of the Group and Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group and Company; and
- preventing and detecting fraud and other irregularities.

Going Concern:
The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and have no reason to believe the Group and Company will not remain a going concern in the year ahead.

The consolidated and separate financial statements of the Group and Company for the year ended 31 December 2018 were approved by the board of directors on 12 December 2019

Bade Aluko
Chairman
FRC/2016/IODN/00000015579

Mrs. Cecilia O. Osipitan
Managing Director/CEO
FRC/2012/CIIN/00000000596

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Great Nigeria Insurance Plc
Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the accompanying consolidated and separate financial statements of **Great Nigeria Insurance Plc** ("the Company") and its subsidiary (together referred to as "the Group") which comprise the consolidated and separate statements of financial position as at 31 December 2018, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity**,** consolidated and separate statements of cash flows for the year then ended and the notes to the consolidated and separate financial statements including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of **Great Nigeria Insurance Plc** as at 31 December 2018 and the consolidated and separate financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004, the Insurance Act CAP I17 LFN 2004, circulars and guidelines issued by the National Insurance Commission (NAICOM), National Health Insurance Scheme Act, 2011 and the Financial Reporting Council of Nigeria Act, 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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 48 in the financial statements which indicates that the company had a solvency margin of ₦2.8 billion which was below the minimum requirement of N5billion for composite (life and general) business by ₦2.2 billion for the current year.

Also, we draw attention to note 46b regarding uncertainty around going concern. The Group has accumulated deficit of ₦954 million (2017 - ₦656 million) and a negative operating cash flows of ₦771 million (2017 - ₦416 million).

These conditions as set forth in the notes above, indicate the existence of a material uncertainty that may cast doubt on the Group and Company's ability to continue as a going concern.

Our opinion is not modified in respect of these matters.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated and separate financial statements of the current year. This matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter	How the matter was addressed in the audit
Insurance and Investment contract liabilities	
Under IFRS 4, the Group is required to perform liability adequacy test on its insurance liabilities to ensure the carrying value of the liabilities is adequate.	Our procedures included the following among others:
Liability Adequacy test are carried out separately for the Life and Non-Life business of the Group, as well as the subsidiary.	· We reviewed the methodology and processes adopted by management for making reserves in the books of the company. · Tested entity's control around reserving process and maintenance of data for valuation of insurance contract liabilities.

As disclosed in notes 16 and 17 to the consolidated and separate financial statements, the insurance and investment contract liabilities for the Group amounted to N2.68 billion and N454.94 million (Company: N2.57 billion and N454.94 million) [2017: Group – N2.92 billion and N619.39 million Company – N2.85 billion and N619.39 million].

The Company usually involves an actuary in the determination of its insurance liability on a yearly basis after considering the accuracy and integrity of data used in the valuation. Necessary adjustments are made in the financial statements to reflect the liabilities determined by the actuary.

The insurance and investment contract liabilities were significant to our audit because the balances are material to the financial statements. Also, the valuation of Insurance and investment contract liabilities entails the use of assumptions and estimates which may be subject to management bias in the considerations of data used for the actuarial valuation of the insurance contract liabilities.

- We reviewed and benchmarked the valuation method of the insurance contract liabilities with the recommended approach by NAICOM and industry best practice
- We validated the data used in the valuation of the insurance contract liabilities.
- We involved Deloitte Actuary in the review of the assumptions and estimates used by management and assessment of the adequacy of the insurance liabilities in line with Liability Adequacy Test ("LAT") based on requirement of IFRS 4.
- We ensured the appropriateness of the journals posted, footed and agreed the figures disclosed in the financial statements to the figures stated in the actuarial valuation after thorough review of the basis and assumptions.
- effort on the insurance contract liabilities valuation in relation to the assumptions and estimates made by management.
- For the purposes of our audit, we focused our audit

We concluded that the actuarial valuation of the insurance contract liabilities appeared appropriate based on our review of the data, assumptions and basis of estimates.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Audit Committee's Report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Insurance Act CAP I17 LFN 2004, circulars and guidance issued by the National Insurance Commission (NAICOM), National Health Insurance Scheme Act, 2011, Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group and 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.
- 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 relating to events or conditions that may cast significant doubt on the Group and 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 consolidated and separate 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 Group and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the Group and Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of the Companies and Allied Matters Act CAP C20 LFN 2004 and Section 28(2) of Insurance Act 117 LFN 2004, we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Group has kept proper books of account, so far as appears from our examination of those books.

iii) The Group and Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

The Company contravened certain sections of Insurance Act I17 LFN 2004, NAICOM circulars and regulatory guidelines with respect to its activities in 2018. The particulars thereof and penalties paid are as disclosed in note 45 to the financial statements.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
10 July 2020

Engagement partner: Michael Daudu
FRC/2013/ICAN/00000000845

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 Reporting Entity

Great Nigeria Insurance PLC ("the Company") underwrites life and non-life insurance risks, such as those associated with death, disability, health, property and liability. The Company also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs. All these products are offered to both domestic and foreign markets. The Company does business in Nigeria. The Company is a limited liability company incorporated and domiciled in Nigeria. The address of its registered office is No 8 Omo Osagie Street, Ikoyi. Lagos. The Company is listed on the Nigerian Stock Exchange.

1.2 Principal Activity

These consolidated ad separate financial statements comprise the Company and its subsidiary (together referred to as "the Group"). The Group is primarily involved in the business of providing risk underwriting and related financial services to its customers. Such services include provision of life and non-life insurance services to both corporate and individual customers.

1.3 Going concern

The Consolidated and separate financial statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The directors have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Group has adequate resources to continue as going concern for the foreseeable future.

2 Summary of significant accounting policies

1.1 Introduction to summary of accounting policies

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

1.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

the Company has applied the following standards and amendments for the first time for annual reporting period commencing 1 January 2018:

IFRSs and effective date	*Subject of amendment*
IFRS 9	The Company has adopted IFRS 9 Financial Instruments as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and financial liabilities at the date of the transition were recognised in the opening retained earnings and other reserves of the current period. The adoption of IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instrument Disclosures. Consequently for notes disclosure, the consequential amendments to IFRS 7 disclosures are subsumed in the notes to the financial statements.

(b) New standards, interpretations and amendments to existing standards and effective date

A number of new standards, interpretations and amendments are effective for annual period beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements:

(i) Amendments to IFRS 10 and IAS 28 (Sept 2014)Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The IAS 28 was amended so that;

a. The current requirements regarding the partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations
b. The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognised in full.

It was also recommended to amend IFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 to an associate or joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture.
Implementation of this amendment has been postponed

(ii) IFRS 17 Insurance Contracts
The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of the Standard is likely to bring significant changes to a Company's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT. The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the Company first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Group's consolidated financial statements.

(iii) IFRIC 23

Uncertainty over Income Tax Treatments
IFRIC 23 clarifies the accounting for uncertainties in income taxes.
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.
IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

(iv) IFRS 16 Leases
IFRS 16 replaces IAS 17 and provides a single lessee accounting model to be applied to all leases, whilst retaining a two-model approach for lessors. Lessees recognise a right-of-use asset and a lease liability on the commencement of a lease.

Under this new standard, the asset is initially recognised at the amount of the lease liability plus initial direct costs; it is subsequently measured using the cost model unless the underlying asset is investment property measured at fair value or PPE measured under the revaluation model. While the lease liability is initially measured at the present value of the lease payments over the lease term, discounted at the rate implicit in the lease.

IFRS 16 permits an election being made on a lease-by-lease basis to apply alternative accounting treatment to leases with a term of less than 12 months and leases for low value assets. In this case lease payments are recognised as an expense on a straight-line basis, or another systematic basis, over the lease term.

Lessees will also be required to re-measure the lease liability upon the occurrence of certain events such as change in the lease term, change in future lease payments resulting from a change in an index or rate used to determine those payments etc. The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

The Company does not currently have any lease contract as construed in IFRS 16.
The Company does not have any leased vehicle, machinery, IT equipment or any sale and leaseback transaction as at the date of the impact assessment.

Effective date of this standard is 1 January 2019

(v) Amendments to IAS 28 (Oct 2017)

Long-term Interests in Associates and Joint Ventures
The amendments in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) are:

- Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

The amendments are accompanied by an illustrative example.

- The amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted

(vi) Annual Improvements to IFRS Standards 2015–2017 Cycle (Dec 2017)

IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(vii) Amendments to IAS 19) (February 2018)
Plan Amendment, Curtailment or Settlement
On 7 February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments 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.

(viii) Amendments to References to the Conceptual Framework in IFRS Standards
The Conceptual Framework for Financial Reporting (Conceptual Framework) describes the objective of and concepts for general purpose financial reporting. It is a practical tool that helps the IASB to develop requirements in IFRS® Standards based on consistent concepts. Consideration of these concepts, in turn, should result in the IASB developing IFRS Standards that require entities to provide financial information that is useful to investors, lenders and other creditors.

The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Initial recognition and measurement
Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instrument.
All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost are expensed in the income statement.
The Company classifies financial instruments or their components parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Classification depends on the purpose for which the financial instruments were obtained or incurred and takes place at initial recognition. Classification is re-assessed on annual basis.

Regular-way purchases and sales of financial assets are recognised on settlement date which is the date on which the Company commits to purchase or sell the asset. Financial instruments are initially measured at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. These transaction costs are expensed in the income statement.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position

Derecognition of financial instruments
Previously recognised financial assets are derecognised when either the contractual rights to receive the cash flows from these assets have ceased to exist or the assets expire or the Company transfers the assets such that the transfer qualifies for derecognition. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks, rewards and control tests.

Collateral (shares and bonds) furnished by the Company under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Company retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as pledged assets, if the transferee has the right to sell or repledge them.
Derecognition of a financial liability occurs only when the obligation is extinguished. A financial liability is said to be extinguished when the obligation is discharged, cancelled or expired.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Hedge Accounting
The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about a Company's risk management activities have also been introduced.

Financial assets

a) Classification and subsequent measurement

For the purpose of measuring a financial asset after initial recognition, IFRS 9 classifies financial assets into the following categories: at fair value through profit or loss; at fair value through other comprehensive income and at amortised cost. The classification is based on the results of the Company's business model test and the contractual cashflow characteristics of the financial assets. The category relevant to the Company as at 31 December 2018 are fair value through profit or loss; at fair value through other comprehensive income and at amortised cost. At initial recognition all assets are measured at Fair Value.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and those designated by the Company as at fair value through profit or loss upon initial recognition. Financial assets classified as held through profit or loss are those that have been acquired principally for the purpose of selling in the short term or repurchasing in the near term, or held as part of a portfolio that is managed together for short-term profit.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss and are reported as 'Net gains/ (losses) on financial assets classified as held for trading'. Interest income and expense and dividend income on financial assets held for trading are included in 'Discount and similar income' or 'Other operating income', respectively. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains from financial assets held for trading'.

ii) Amortised Cost

Except for financial assets that are designated at initial recognition as at fair value through profit or loss a financial asset is measured at amortised cost only if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (the business model test) and

b. 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 (the contractual cash flows characteristics test).

If a financial asset satisfies both of these conditions, it is required to be measured at amortised cost unless it is designated as at fair value through profit or loss (FVTPL) on initial recognition

iii) Fair Value through other comprehensive income (FVTOCI)

Except for financial assets that are designated at initial recognition as at fair value through profit or loss, a financial asset is measured at fair value through other comprehensive income (FVTOCI) if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the business model test); and
b. 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 (the contractual cash flows characteristics test).

b) Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, a Company always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

the Company recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

Financial assets that are debt instruments, Lease receivables, Loan and advances to customers, Other Loans and receivables, Financial guarantee contracts issued; and Loan commitments issued. the Company measures expected credit losses and recognizes interest income on risk assets based on the following stages:

Stage 1: Assets that are performing. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition, the Company recognize a loss allowance at an amount equal to 12-month expected credit losses. This amount of credit losses is intended to represent lifetime expected credit losses that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

Stage 2: Assets that have significant increases in credit risk. In instances where credit risk has increased significantly since initial recognition, the Company measures a loss allowance at an amount equal to full lifetime expected credit losses. That is, the expected credit losses that result from all possible default events over the life of the financial instrument. For these debt instruments, interest income recognition will be based on the EIR multiplied by the gross carrying amount.

Stage 3: Credit impaired. For debt instruments that have both a significant increase in credit risk plus observable evidence of impairment the Company's process to assess changes in credit risk is multi-factor and has three main elements;

I. Quantitative element , a quantitative comparison of PD at the reporting date and PD at initial recognition
II. Qualitative elements
III. Backstop indicators

For individually significant exposures such as corporate and commercial risk assets, the assessment is driven by the internal credit rating of the exposure and a combination of forward-looking information that is specific to the individual borrower and forward-looking information on the macro economy, commercial sector (to the extent such information has not been already reflected in the rating process).

For other exposures, significant increases in credit risk is made on a collective basis that incorporates all relevant credit information, including forward-looking macroeconomic information. For this purpose, the Company groups its exposures on the basis of shared credit risk characteristics.

Significant increase in credit risk
the Company decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. The forms the basis of stage 1, 2 and 3 classification and subsequent migration the Company applies qualitative and quantitative criteria for stage classification and for its forward and backward migration

i) Assets carried at amortised cost

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from disposal less costs for obtaining and selling the collateral, whether or not disposal is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to Groups and loans and advances to customers are classified in 'impairment charge for credit losses' whilst impairment charges relating to investment securities (loans and receivables categories) are classified in 'Net gains/ (losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

ii) Assets classified as fair value through other comprehensive income

The Company can choose to make an irrevocable election at initial recognition for investments in equity instruments that do not meet the definition of held for trading, which would otherwise be measured at fair value through profit or loss, to present changes in fair value in other comprehensive income.

Reclassification of amounts recognised in other comprehensive income and accumulated in equity to profit or loss is not done. This applies throughout the life of the instrument and also at derecognition; such investments will not be subject to the impairment requirements.

Dividends on investments in equity instruments with gains and losses irrevocably presented in other comprehensive income are recognised in profit or loss if the dividend is not a return on investment (like dividends on any other holdings of equity instrument) when:

a. the Company's right to receive payment of the dividend is established;
b. it is probable that the economic benefits associated with the dividend will flow to the Company; and
c. the amount of the dividend can be measured reliably.

For debt instruments measured at FVTOCI, changes in fair value is recognised in other comprehensive income, except for: interest calculated using the effective interest rate method, foreign exchange gains or losses and; impairment gains or losses until the financial asset is derecognised or reclassified.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Also, when a debt instrument asset is measured at fair value through other comprehensive income, the amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if the financial asset had been measured at amortised cost.

c) Reclassification of financial assets

Reclassification of financial assets is determined by the Company's senior management, and is done as a result of external or internal changes which are significant to the Company's operations and demonstrable to external parties. Reclassification of financial assets occurs when the Company changes its business model for managing financial assets.

Investments in equity instruments that are designated as at FVTOCI at initial recognition cannot be reclassified because the election to designate as at FVTOCI is irrevocable.

Financial liabilities

Classification and subsequent measurement

The Company's holding in financial liabilities represents mainly 'due to Groups', 'deposit from customers' and 'other liabilities'. These are all classified as financial liabilities measured at amortised cost. These financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

Fees paid on the establishment of the liabilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The classification of the Company's financial instruments have been summarised in the table below:

Category		**Classes as determined by the Company**	
Financial assets	Financial assets at fair value through profit or loss	Financial assets held for trading	Debt securities
		Pledged assets	Debt securities
	Amortized cost	Cash and balances	
		Premium Receivables	
		Loans and advances to customers	
		Investment securities	Listed debt
		Other assets	
	Fair value through other comprehensive income	Investment securities	Listed debt
			Unlisted equity
		Pledged assets	Listed debt
Financial liabilities	Financial liabilities at amortised cost	Due to Groups	
		Deposit from customers	
		Other liabilities	

Measurement

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction cost are expensed in the income statement.

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement
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

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, Nigerian Stock Exchange (NSE) and Financial Markets Dealers Quotation (FMDQ)).

A financial instrument is regarded as quoted in an active market 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. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Forward-Looking Information
In the context of IFRS 9, is an enhanced information set that includes credit information pertaining to future developments (including for example macroeconomic developments). The inclusion of forward-looking information along with traditional past due (realized, historical) information is considered to produce comprehensive credit risk information.

The inclusion of forward-looking information is a distinctive feature of an IFRS 9 ECL model. Incorporating economically stressed states of the world and their potential impact on credit performance is critical for the timely recognition of credit losses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 1 January 2018

Financial assets						
Measurement category	(i) IAS 39 Carrying Amount 1/1/2018	(ii) Re-classifications	(iii) Remeasurements	(iv) = (i)+(ii)+(iii) IFRS 9 Carrying amount 1/1/2018	Retained earnings effect on 1/1/2018	OCI effect on 1/1/2018
Fair Value through profit or loss						
Balance of Fair value through profit or loss	(481,852)	-	-	481,852	-	-
FVTOCI						
From Available for sale (IAS 39)	(169,401)					
To Fair value through OCI	-	-	-	169,401	-	-
Total Change to FVTOCI						
FVTOCI balances, reclassifications and remeasurements at 1/1/2018	**(169,401)**		**-**	**169,401**	**-**	
AMORTSED COST						
Additions:						
From loans and receivables (IAS 39) (a)	102,029		19,542	121,571	19,542	-
From Held to Maturity (IAS 39): *Investment Securities*	366,435		(4,285)	362,150	(4,285)	-
Cash and cash equivalent	1,656,765	1,656,765	(5,040)	1,651,725	(5,040)	-
Amortised cost balances, reclassifications and remeasurements at 1/1/2018	**2,125,229**	**1,656,765**	**10,217**	**2,135,446**	**10,217**	-
Total financial asset balances, reclassifications and remeasurements at 1/1/2018	**1,955,828**	**1,656,765**	**10,217**	**2,304,847**	**10,217**	-

Impact of initial application of IFRS 9 on financial performance

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 9 for the prior year.

The reconciliation between the ending allowance for impairment in accordance with IAS 39 and the opening loss allowance determined in accordance with IFRS 9 for the below financial instruments on 1 January 2018 is disclosed below:

	₦'000
Loss allowance on as at 31 December, 2017	(9,141)
Additional Impairment allowance based on Expected Credit Loss (ECL)	
Trade receivables	12,142
Loan receivables	805
Investment Securities	4,286
Cash and cash equivalents	5,040
Loss allowance under IFRS 9	**13,132**
Retained earnings	
Impact of IFRS 9 on Statement of Changes in Equity	
At 31 December 2017 - under IAS 39	(604,979)
Impact of Expected Credit Loss Adjustment	13,132
As at 1 January, 2018	(591,847)

d IFRS 15 Revenue from Contracts with Customers

(Effective for annual periods beginning on or after 1 January 2018)
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

As suggested by the title of the new revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

As mentioned above, the new revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new revenue Standard introduces a 5-step approach to revenue recognition and measurement:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Far more prescriptive guidance has been introduced by the new revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.
- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.
- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of compliance*

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Council of Nigeria for the financial year starting from 1 January, 2015.

The consolidated and separate financial statements comply with the requirement of the Companies and Allied Matters Act CAP C20 LFN 2004, Insurance Act CAP I17 LFN 2004, the Financial Reporting Council Act, 2011 and the Guidelines issued by the National Insurance Commission to the extent that they are not in conflict with the International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for certain properties and 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 transactions except for certain investments whose valuation was based on observable input from asset managers.

These consolidated and separate financial statements are prepared on the historical cost basis except for the following material items in the statement of financial position:

(i) Financial instruments designated at fair value through profit or loss are measured at fair value;
(ii) Available for sale financial instruments are measured at fair value;
(iii) Loans and receivables, held to maturity financial assets and financial liabilities are measured at amortised cost;
(iv) Land and building are carried at revalued amounts;
(v) Investment properties are carried at fair value;

These financial statements have being prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors on 11 December 2019

(c) *Functional and presentation currency*

These consolidated and separate financial statements are presented in Nigerian Naira, which is the Group and Group's functional and presentation currency. Except as indicated, financial information presented in Naira has been rounded to the nearest thousand.

(d) *Use of estimates and judgement*

The preparation of consolidated and separate financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4 to the financial statements.

(e) *Regulatory authority and financial reporting*

The Group is regulated by the National Insurance Commission of Nigeria (NAICOM) under the Insurance Act and NAICOM circulars and guidelines. The Act specifies certain provisions which have impact on financial reporting as follows:

i) Section 20 (1a) provides that provisions for unexpired risks shall be calculated on a time apportionment basis of the risks accepted in the year;
ii) Section 20 (1b) requires provision for outstanding claims to be credited with an amount equal to the total estimated amount of all outstanding claims with a further amount representing 10 percent of the estimated figure for outstanding claims in respect of claims incurred but not reported at the end of the year under review;

iii) Sections 21 (1a) and 22 (1b) require maintenance of contingency reserves for general and life businesses respectively at specified rates as set out under Note 3.30 to cover fluctuations in securities and variation in statistical estimates;

iv) Section 22 (1a) requires the maintenance of a general reserve fund which shall be credited with an amount equal to the net liabilities on policies in force at the time of the actuarial valuation and an additional 25 percent of net premium for every year between valuation date;

v) Section 24 requires the maintenance of a margin of solvency to be calculated in accordance with the Act;

(vi) Section 10(3) requires insurance companies in Nigeria to deposit 10 percent of the minimum paid up share capital with the Central Bank of Nigeria;

(vii) Section 25 (1) requires an insurance Group operating in Nigeria to invest and hold invested in Nigeria assets equivalent to not less than the amount of policy holders' funds in such accounts of the insurer.

See Note 55 for assets allocation that covers policy holders' funds.

However, section 59 of the Financial Reporting Council Act, 2011 (FRC Act) provides that in matters of financial reporting, if there is any inconsistency between the FRC Act and other Acts which are listed in section 59(1) of the FRC Act, the FRC Act shall prevail. The Financial Reporting Council of Nigeria acting under the provisions of the FRC Act has promulgated IFRS as the national financial reporting framework for Nigeria. Consequently, the following provision of the Insurance Act CAP I17 LFN 2004 which conflict with the provisions of IFRS have not been adopted:

i) Section 20 (1b) which requires the provision of 10 percent for outstanding claims in respect of claims incurred but not reported at the end of the year under review. See note 3.22(1) (b) on accounting policy for outstanding claims.

ii) Section 22(1a) which requires additional 25 percent of net premium to general reserve fund. See note 3.14(b) on accounting policy for unexpired risk and unearned premium.

Except for the changes explained in Note 2(f) above, the Group has consistently applied the following accounting policies to all periods presented in the financial statement.

3.1 Basis of Consolidation

(i) ***Business combination***

Business combination are accounted for using the acquisition method as at the acquisition date-i.e. when control is transferred to the Group (see 3.1(iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 3.14(a)) Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent are recognised in profit or loss.

(ii) ***Non-controlling interest***

Non-controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) ***Subsidiaries***

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee. The Group financial statements incorporates the assets liabilities and result of GNI healthcare Limited. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) ***Loss of Control***

When the Group loses control over a subsidiary, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) *Transaction eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

(a) *Foreign currency translation*

Transactions in foreign currencies are translated into the respective functional currency of the Group at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated using the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available for sale equity instruments are recognised in Other Comprehensive Income.

3.3 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. When calculating the effective interest rate, the group estimates future cash flow considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to that acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of total comprehensive income include:

- Interest on financial asset and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on available-for-sale investment securities calculated on an effective interest basis;

Interest income and expense on all trading assets and liabilities are considered to be incidental to the group's trading operation and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

3.4 Commission

Commissions are recognized on ceding business to the re-insurer, and are credited to income statement over the period the service is provided.

3.5 Investment and other operating income

Investment income comprises interest income earned on short-term deposits, rental income and income earned on trading of securities including all realised and unrealised fair value changes, interest, dividends and foreign exchange differences. Investment income is accounted for on an accrual basis.

Interest income and expenses for all interest-bearing financial instruments including financial instruments measured at fair value through profit or loss, are recognised within 'investment income' and 'finance costs' in the income statement using the effective interest rate method. Fees and commissions that form part of an integral part of the effective yield of a financial instrument are recognised as an adjustment to the effective interest rate of the instrument. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument.

3.6 Dividend

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for quoted securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

3.7 Leases

(a) *Lease payments-lessee*

Payments made under operating leases are charged against income on a straight-line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(b) *Lease assets - lessee*

Assets held by the group under leases that are transfer to the Group substantially all of the risk and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the assets.

Assets held under leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(c) *Lease assets - lessor*

If the Group is the lessor in agreement that transfers substantially all of the risks and rewards incidental to ownership of the assets to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

3.8 Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit and loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(a) *Current tax*

"Current tax" comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividend.

(b) *Deferred taxation*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries to the extent that is probable that they will not reverse in the foreseeable future; and
- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that its probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment properties measured at fair value presumed to be recovered through sale, and the Group has not been rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.9 Financial assets and liabilities

(a) *Recognition*

The Group initially recognises loans and advances issued on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial assets or financial liability is measured at fair value plus, for an item not at fair value through profit or loss, transaction cost that are directly attributable to its acquisition or issue.

(b) *Classification*

(i) *Financial assets*

The group classifies its financial assets into the following categories

- loans and receivables;
- held to maturity;
- available-for-sale; and
- at fair value through profit or loss, and within this category as:
- held for trading; or
- designated at fair value through profit or loss.

(ii) *Financial liabilities*

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

(c) *Derecognition*

(i) *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lended and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(ii) *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(d) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by under IFRS, or for gains and losses arising from a group of similar transactions.

(e) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(f) Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(g) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- restructuring of a loan or advance by the Group on terms that the Group would not otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security, or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment. In respect of equity securities that are quoted, the Group is guided by the following:

- a decline in excess of 20% is generally regarded as significant and
- a decline in quoted price that persists for nine months is considered to be prolonged

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through Other Comprehensive Income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security in Other Comprehensive Income.

The Group writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Group determines that there is no realistic prospect of recovery.

(h) ***Trade receivables***

Trade receivables arising from insurance contracts represent premium receivable with determinable payments that are not quoted in an active market and the Group has no intention to sell. Premium receivables are those for which credit notes issued by brokers are within 31days, in conformity with the "NO PREMIUM NO COVER" policy.

3.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central bank and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.11 Financial assets (Investment securities)

Financial assets are classified into the following categories: fair value through profit or loss, fair value through comprehensive income and amortised cost. The classification by the Group is fair value through other comprehensive income.

Classification of financial assets

For the purpose of measuring a financial asset after initial recognition, IFRS 9 classifies financial assets into the following categories: at fair value through profit or loss; at fair value through other comprehensive income and at amortised cost. The classification is based on the results of the group's business model test and the contractual cashflow characteristics of the financial assets. The category relevant to the Group as at 31 December 2018 are fair value through profit or loss; at fair value through other comprehensive income and at amortised cost. At initial recognition all assets are measured at Fair Value.

(a) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading and those designated by The Group as at fair value through profit or loss upon initial recognition. Financial assets classified as held through profit or loss are those that have been acquired principally for the purpose of selling in the short term or repurchasing in the near term, or held as part of a portfolio that is managed together for short-term profit.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss and are reported as 'Net gains/(losses) on financial assets classified as held for trading'. Interest income and expense and dividend income on financial assets held for trading are included in 'Discount and similar income' or 'Other operating income', respectively. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains from financial assets held for trading'.

(b) ***Amortised Cost***

Except for financial assets that are designated at initial recognition as at fair value through profit or loss a financial asset is measured at amortised cost only if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (the business model test) and
b 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 (the contractual cash flows characteristics test).

If a financial asset satisfies both of these conditions, it is required to be measured at amortised cost unless it is designated as at fair value through profit or loss (FVTPL) on initial recognition

(c) ***Fair Value through other comprehensive income (FVTOCI)***

Except for financial assets that are designated at initial recognition as at fair value through profit or loss, a financial asset is measured at fair value through other comprehensive income (FVTOCI) if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the business model test); and
b. 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 (the contractual cash flows characteristics test).

Determination of fair value of financial assets

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on the market approach (transaction price paid for an identical or a similar instrument). This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market 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. If the above criteria are not met, the market is regarded as being inactive. For example, a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the reporting date.

For more complex instruments the Group uses internally developed models which are usually based on valuation models and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted debt securities for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and therefore estimated based on assumptions.

The impact of financial instruments valuation reflecting non-market observable inputs (Level 3 valuations) is disclosed in the note to the financial statements.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

• debt investment securities;
• loans and receivables;

ECLs are required to be measured through a loss allowance at an amount equal to:

12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Group measures ECL on an individual basis, or on a collective basis for debt instruments that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

Significant increase in credit risk

The Group decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date. When making the assessment, The Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. The forms the basis of stage 1, 2 and 3 classification and subsequent migration.

The Group applies qualitative and quantitative criteria for stage classification and for its forward and backward migration

i. Assets carried at amortised cost
The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in income statement. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from disposal less costs for obtaining and selling the collateral, whether or not disposal is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of The Entity's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by The Entity to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to Insurance entity's and loans and advances to customers are classified in 'impairment charge for credit losses' whilst impairment charges relating to investment securities (loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

ii) Assets classified as fair value through other comprehensive income

The Entity can choose to make an irrevocable election at initial recognition for investments in equity instruments that do not meet the definition of held for trading, which would otherwise be measured at fair value through profit or loss, to present changes in fair value in other comprehensive income.

Reclassification of amounts recognised in other comprehensive income and accumulated in equity to profit or loss is not done. This applies throughout the life of the instrument and also at de-recognition; such investments will not be subject to the impairment requirements.

Dividends on investments in equity instruments with gains and losses irrevocably presented in other comprehensive income are recognised in profit or loss if the dividend is not a return on investment (like dividends on any other holdings of equity instrument) when:

a. the entity's right to receive payment of the dividend is established;
b. it is probable that the economic benefits associated with the dividend will flow to the entity; and
c. the amount of the dividend can be measured reliably.

For debt instruments measured at FVTOCI, changes in fair value is recognised in other comprehensive income, except for: interest calculated using the effective interest rate method, foreign exchange gains or losses and; impairment gains or losses until the financial asset is derecognised or reclassified.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Also, when a debt instrument asset is measured at fair value through other comprehensive income, the amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if the financial asset had been measured at amortised cost.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with the remaining lifetime PD at the reporting date based on the modified terms.

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Financial liabilities and equity
Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

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 Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(i) Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

it has been incurred principally for the purpose of repurchasing it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if: such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

The Group does not have any financial liabilities at fair value through profit or loss at the reporting date.

(ii) Other financial liabilities
Other financial liabilities, including borrowings, is initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iii) Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability

3.12 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production of goods and services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in profit or loss. Fair values are determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location.

In an active market, an independent valuer, holding a recognized and relevant professional qualification and with recent experience in the location and category of investment property being valued, values the portfolio annually. Any gain and loss arising from a change in the fair value is recognized in the statement of profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.
When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent measurement.

3.13 Property, plant and equipment

(a) *Recognition & measurement*

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(b) *Subsequent costs*

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Ongoing repairs and maintenance are recognised in profit or loss as incurred.

(c) *Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment are as follows:

		Years
Buildings	-	40
Furniture and equipment	-	8
Computer equipment	-	3
Fixtures and fittings	-	8
Motor vehicles	-	4
Generating Set	-	3

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.
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. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell or the value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount. Gains and losses are included in the profit and loss account for the period.

(d) ***De-recognition***
An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

3.14 Intangible assets

(a) ***Goodwill***
Goodwill that arises on the acquisition of subsidiaries is presented with intangible asset. For the measurement of goodwill at initial recognition, see ((3.1)(i)). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

(b) ***Purchased software***
Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.
Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three years. This is reassessed annually.

3.15 Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

Impairment losses are recognised in profit or loss. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.16 Reinsurance assets
Reinsurance assets represent balances due from reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The details of recognition and measurement of reinsurance contracts have been set out under note 3.21 (b)(iii).

3.17 Deferred acquisition costs
Acquisition costs comprise all direct and indirect costs arising from the origination of insurance contracts. Deferred acquisition costs represent a portion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying the ratio of unearned premium to written premium.

3.18 Segment reporting
Segment results that are reported to the Group's Board of Directors (being the chief operating decision maker) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's reportable segments under IFRS 8 are therefore identified as follows:

- Non-life insurance;
- Life insurance;
- Healthcare

The other segment includes corporate expenses and other activities not related to the core business segments and which are not reportable segments due to their immateriality. Certain expenses, finance costs and taxes are not allocated across the segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central corporate expenses, certain finance costs and tax expense. This is the measure reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance.

3.19 Prepayments

Prepayments are carried at cost less accumulated impairment losses and are amortised on a straight line basis to the profit and loss account.

3.20 Statutory deposit

These deposits represent bank balances required by the insurance regulators of the Group to be placed with relevant central banks of Group's operating jurisdictions. Statutory deposit represents 10% of the paid up capital of the Group deposited with the Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act CAP I17 LFN 2004. Statutory deposit is measured at cost and interest income on it is measured using the effective interest rate method.

3.21 Classification of insurance contracts

The Group issues contracts that transfer insurance risk.

The Group enters into insurance contracts as its primary business activities. Insurance contracts are those that the Group accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder or other beneficiary, if a specified uncertain future event (the insured event) adversely affects the policy holder or the other beneficiary. The Group as a guide defines significant insurance risk as the possibility of having to pay benefit on the occurrence of an insured event that are at least 10% more than the benefit payable if the insured event did not occur.

The Group classifies financial guarantee contracts and account for these as insurance contracts in accordance with IFRS 4.

(a) Types of insurance contracts

The Group classify insurance contracts into life and non-life insurance contracts

(i) *Non life insurance contract*

These contracts are accident, casualty and property insurance contracts.
Accident and casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities.

Non-life insurance contracts protects the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the insured. There are no maturity or surrender benefits.

(ii) *Life insurance contract*

These contracts insure events associated with human life (for example, death or survival) over a long duration.

(b) Insurance contracts- Recognition and measurement

(i) *Premiums*

Gross premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. This is recognised gross of commission expense.

Premiums on reinsurance inward are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business.
Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.
The earned portion of premiums received is recognized as revenue. Premiums are earned from the date of attachment of risk, over the insurance period, based on the pattern of risk underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of risk reinsured.

(ii) *Unearned premiums*
Unearned premiums are those proportions of premiums written in the year that relate to periods of risks after the reporting date. It is computed separately for each insurance contract using a time apportionment basis, or another suitable basis for uneven risk contracts. Provision for unexpired risk is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired period of policies in force at the reporting date exceeds the unearned premium in relation to such policies after deduction of any deferred acquisition costs.

(iii) *Reinsurance*
The Group cedes out insurance risks in the normal course of business for the purpose of limiting its net loss on policies written. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the provision for the unearned premiums. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.
Premium ceded, claims reimbursed and commission recovered are presented in the income statement and balance sheet separately from the gross amounts.
Reinsurance assets represent balances due from reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts. Amounts payable are estimated in a manner consistent with the related reinsurance contract.
Reinsurance recoverable are estimated in manner consistent with the outstanding claims provision and claims incurred associated with the reinsurer's polices and are in accordance with the related insurance contract. They are measured at their carrying amount less any impairment charges. Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. If there is objective evidence of impairment, the Group reduces the carrying amount of its reinsurance assets to its recoverable amount and recognizes the impairment loss in the income statement as a result of an event that occurred after its initial recognition, for which the Group may not be able to recover all amounts due and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(iv) *Claims incurred*
Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. The provision for outstanding claims represent the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not. The provision includes an allowance for claims management and handling expenses.
The provision for outstanding claims for reported claims, is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected in the income statement in the financial period in which adjustments are made, and disclosed separately if material.
Reinsurance recoverable are recognized when the Group records the liability for the claims and are not netted off claims expense but are presented separately in the income statement.
Claims incurred in respect of long-term insurance contracts especially pure life business and annuity contracts consist of claims arising during the year including provision for policyholders' liabilities. Outstanding claims on long-term insurance contracts that have occurred at the balance sheet date and have been notified by the insured are carried at the claim amounts advised.

(v) *Deferred acquisition costs*
Acquisition costs comprise insurance commissions, brokerage and other related expenses arising from the generation and conclusion of insurance contracts. The proportion of acquisition costs that correspond to the unearned premiums are deferred as an asset and recognized in the subsequent period. They are recognised on a basis consistent with the related provisions for unearned premiums.

(vi) *Liabilities and related assets under liability adequacy test*

The net liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made and the Group recognizes the deficiency in the income statement for the year. The liability adequacy test is performed yearly by HR Nigeria Limited.

(vii) *Salvages*

Some non-life insurance contracts permit the Group to sell (usually damaged) property acquired in the process of settling a claim. The Group may also have the right to pursue third parties for payment of some or all costs of damages to its client's property (i.e. subrogation right).

Salvage recoveries are presented net of the claim expense.

(viii) *Subrogation*

Subrogation is the right for an insurer to pursue a third party that caused an insurance loss to the insured. This is done as a means of recovering the amount of the claim paid to the insured for the loss. A receivable for subrogation is recognized in other receivables when the liability is settled and the Group has the right to receive future cash flow from the third party.

3.22 Insurance contract liabilities

The recognition and measurement of insurance contracts have been set out under note 3.21b of the accounting policies. Insurance contract liabilities are determined as follows:

i ***Non-life business***

(a) *Reserves for unearned premium and unexpired risk*

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognised for an underwriting year where it is determined that the estimated cost of claims and expenses would exceed the unearned premium reserve.

(b) *Reserves for outstanding claims*

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred plus claims incurred but not reported ("IBNR") as at the reporting date. The IBNR is based on the liability adequacy test.

(i) *Reserving methodology and assumptions*

For non-life insurance risks, the Group uses different methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the Discounted Inflation-adjusted Basic Chain Ladder and the Expected Loss Ratio methods adjusted for assumed experience to date.

Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. The claims paid data was sub–divided into large and additional claims. Large claims were projected separately as they can significantly distort patterns. Where there was insufficient claim data, large and additional claims were projected together as removing large claims would reduce the volume of data in the triangles and compromise the credibility.

(ii) *Discounted inflation-adjusted basic chain ladder method*

Historical claims paid were grouped into 6 years cohorts – representing when they were paid after their underwriting year. These cohorts are called claim development years and the patterns for 6 years was studied. The historical paid losses are projected to their ultimate values for each underwriting year by calculating the loss development factors for each development year. The ultimate claims are then derived using the loss development factors and the latest paid historical claims.

The historical paid losses are inflated using the corresponding inflation index in each of the accident years to the year of valuation and then accumulated to their ultimate values for each accident year to obtain the projected outstanding claims. These projected outstanding claims are then further multiplied by the future inflation index from the year of valuation to the future year of payment of the outstanding claims.

The resulting claims estimated is discounted to the valuation date using a discount rate of 12% to allow for a margin of prudence.

The future claims (the ultimate claim amount less paid claims to date) are allocated to future payment periods in line with the development patterns. The outstanding claims reported to date are then subtracted from the total future claims to give the resulting IBNR figure per accident year or quarter. i.e. IBNR = Ultimate claim amount minus paid claims till date minus claims outstanding.

(iii) *Assumptions underlying the Discounted Inflation-adjusted Basic Chain Ladder method*

This method assumes the following:

- The future claims follows a trend pattern from the historical data
- Payment patterns will be broadly similar in each accident year. Thus the proportionate increases in the known cumulative payments from one development year to the next used to calculate the expected cumulative payments for the future development periods.
- The run off period is seven (7) years and hence the method assumes no more claims will be paid subsequently.
- That weighted past average inflation will remain unchanged into the future.

(iv) *Expected loss ratio method*
This method was adopted where the volume of data available is too small to be credible when using a statistical approach. Special Risk reserves were estimated based on this method. Under this method, the ultimate claims was obtained by assuming loss ratio of 30%, where loss ratio is defined as claims incurred divided by earned premiums. Outstanding claims is stated as amount estimated less paid claims.

(II) ***Life business***

(a) *General reserve fund*
This is made up of net liabilities in force as computed by the actuaries at the time of the actuarial valuation. Actuarial valuation of the life fund is conducted annually to determine the net liabilities on the existing policies and the adequacy of the assets representing the insurance funds as at the date of the valuation. All deficits arising therefrom are charged to the profit and loss account while the surplus is appropriated to the shareholders and credited to the income statement.

(b) *Reserves for outstanding claims*
See 3.22(I)(b)

3.23 Recognition and measurement of investment contracts
Investment contracts and the related receipts and payments are accounted in the balance sheet in line with the accounting policies for financial instruments stated in note 3.9 The deposit liability recognized in the balance sheet represents the amounts payable to the holders of the investment contracts gross of allocated investment income.

3.24 Trade and other payables
Trade and other 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 of the liability is less than one year discounting is omitted.

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

Provisions are determined by discounting the expected future cash flows a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.26 Borrowing and finance costs
Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred, except for those that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

3.27 Employee benefits

(a) ***Defined contribution plans***

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group operates a defined contribution pension scheme. This scheme was started post 2004. Employees are entitled to join the scheme on commencement of employment. Employee and the Group contributions are 12.5% each of the employee's annual basic salary, housing and transport allowance respectively. Employee contributions are funded through payroll deductions while the Group's contribution is expensed in profit or loss. Contributions under this scheme are remitted to the individual employee's pension fund administrator.

(b) ***Defined benefit plans***

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. to calculate the present value of economic benefits, consideration is given to any applicable minimum funding arrangements.
Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(c) ***Other long-term employee benefits***

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(d) ***Termination benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(e) ***Short-term employee benefits***

Short-term employee benefits expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably

3.28 Share capital and reserves

Share capital
The Group classifies ordinary shares and share premium as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to issue of shares are recognized as deductions from equity net of any tax effects.

Dividend on ordinary shares
Dividends on the Group's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Group's shareholders.

3.29 Asset revaluation reserve

Assets revaluation reserves represents the fair value differences on the revaluation of items of property, plant and equipment as at the balance sheet date.

3.30 Contingency reserves

The Group maintains contingency reserves in accordance with the provisions of the Insurance Act 2003 to cover fluctuations in securities and variations in statistical estimates at the rate equal to the higher of 3% of total premium or 20% of the total profit after taxation until the reserve reaches the greater of minimum paid up capital or 50% of net premium for general business. Contingency reserve for life business is credited with the higher of 1% of gross premiums and 10% of profit after taxation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3.31 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group by the number of shares outstanding during the year.

3.32 Underwriting expenses

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses, proportion of staff cost and insurance supervision levy.
Underwriting expenses for insurance contracts and investment contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

3.33 Management expenses

Management expenses are expenses other than claims and underwriting expenses. They are accounted for on an accrual basis.

3.34 Employee Benefit expenses

Employee benefit expenses are expenses that relate to staff costs. See note 3.19 for accounting policy on employee benefits.

3.35 Dividend

Dividend distribution to the Group's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements.

3.36 Actuarial valuation

Actuarial valuation of the life fund is conducted annually to determine the liabilities on the existing policies and the adequacy of the assets representing the insurance fund as at the date of valuation. All surpluses and deficits arising therefrom are charged to the income statements.

3.37 Operating segment

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance.

The Group's reportable segments under IFRS 8 are therefore identified as follows: fire, general accident, employer's liability, engineering, marine, bond, Oil & gas and Motors.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment result represents the result of each segment without allocation of certain expenses, finance costs and income tax. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4 Financial risk management

4.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

The Group's risk management is carried out by the risk management department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as policies covering specific financial risks: market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk.

4.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract held will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Group's market risk policy sets out the assessment of what constitutes market risk for it. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk committee. The policy is reviewed on a regular basis for relevance 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 needed to meet the Group's contractual requirements.

4.2.1 *Management of market risk*

Market risk is controlled primarily through a series of limits set in the context of the market environment and business strategy. In setting limits, the group takes into consideration factors such as market volatility, asset liquidity and accommodation of client business and management experience. Limits may also be allocated within the lines of business, as well at portfolio level. Limits are established by risk management. Limits are reviewed regularly and updated as appropriate, with any changes approved by appropriate governance committees and risk management

4.2.2 *Exposure to interest rate risks – trading and non-trading portfolios*

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and carrying out scenario analysis. The Board of Directors is the body charged with monitoring exposures to interest rate risks and is assisted by the Risk Management and Control Group.
the Group also performs regular stress tests on its trading and non-trading portfolios. In performing this, the Group ensures there are quantitative criteria in building the scenarios. the Group determines the effect of changes in interest rates on interest income; volatility in prices on trading income; and changes in funding sources and uses on the Group's liquidity. The key potential risks the Group was exposed to from these instruments were price risk, basis risk and risk to net margins. However, all potential risk exposures in the course of the year were successfully mitigated as mentioned above. Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from changes in the fair value of other comprehensive income financial instruments reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by the Finance team.

The tables below summarises the Group's interest rate gap position on all portfolios:

31 December 2018	**Carrying amount ₦,000**	**Variable interest-bearing**	**Fixed interest-bearing**	**Non-interest bearing**
Financial assets:				
Cash and cash equivalents	1,728,427	-		
Amortised cost - Loans and advances				125,479
Investment securities:				
- Fair value through OCI				
- Amortised cost	304,823			-
Other assets	-		-	-
Pledged assets	-	-		-
	1,881,840	-	-	125,479
Insurance contract assets:				
Life Insurance issued	-	-	-	-
Reinsurance issued	-	-	-	-
Reinsurance held	-	-	-	-
Insurance contract liabilities:				
Life Insurance issued	-	-	-	-
Reinsurance issued	-	-	-	-
Reinsurance held	-	-	-	-

31 December 2017	**Carrying amount**	**Variable interest-bearing**	**Fixed interest-bearing**	**Non-interest bearing**
Financial assets:				
Cash and cash equivalents	1,656,765	-		
Amortised cost - Loans and advances	102,029			102,029
FVTPL - Financial assets held for trading				
Investment securities:				
- Fair value through OCI	-			-
- Amortised cost	366,435		-	
Pledged assets				
Other assets				
	2,125,229	-	-	102,029
Financial liabilities:				
Due to banks				
Deposit from customers				
Derivative financial instrument				
Other liabilities				
	-	-	-	-

3.4 Credit Risk

The Group defines credit risk as the risk of counterparty's failure to meet the terms of any lending contracts with the Group or otherwise to perform as agreed. Credit risk arises anytime the Group's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The Group's specific credit risk objectives, as contained in the Risk Assets Acceptance Criteria (RAAC) and Credit Risk Policy, are:

- maintenance of an efficient risk assets portfolio;
- adequately diversify the Group's risk assets and minimise concentration risk;
- institutionalization of sound credit culture in the Group; and
- achieve consistent and continuous income stream for the Group.

The Group continues to focus attention on intrinsic and concentration risks inherent in its business to manage the Group's portfolio risk. It sets portfolio concentration limits that are measured under the following parameters: limits per obligor, industry/sector and maturity bucket. Sector and maturity limits reflect the risk appetite of the Group. Credit risks arising on trading securities is managed independently, but reported as a component of market risk exposure.

3.4.1 Management of credit risk

The Board of Directors is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies for the Group, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Board of Directors as appropriate.
- Reviewing and assessing credit risk in all credit exposures prior to making commitment to customers. Renewals and reviews of facilities are subject to the same review process.
- Developing and maintaining the Group's criteria for categorising exposures, and to focus management on the attendant risks. The responsibility for approving and reviewing the Risk Assets Acceptance Criteria and Credit Risk Policy lies with the Board of Directors
- Reviewing compliance of with exposure and concentration limits, and promotion of best practices throughout the Group in the management of credit risk.

Credit Risk Measurement
The Group undertakes lending activities after careful analysis of the borrowers' general character, capacity to repay, cash flow, credit history, organisational/management quality, financial condition, market position, business operations, industry and other factors. the Group acknowledges that there are diverse intrinsic risks inherent in the vagaries of its business segments and, as a result, applies different parameters to adequately dimension the risks in each business segments.

The credit risk exposure is usually due to loan to policy holders. These loans are usually secure with the surrender value of the policy's holder insurance cover. the Group ensures that the granted loan is not in excess of the policy surrender value.

The relationship between the Group's internal rating system and the external rating system is shown below:

External rating	Description	Characteristics
AAA	Highly Outstanding Investments	• Highest investment quality • Lowest expectation of default risk • Exceptionally strong capacity for timely payment of financial commitments • Capacity is highly unlikely to be adversely affected by unforeseeable events • Top multinationals / corporations • Strong equity and assets • Good track record • Strong cash flows
AA A	Above Average Investments	• Very high investment quality • Very low expectation of default risk • Very strong capacity for timely payment of financial commitments • Capacity is not significantly vulnerable to unforeseeable events. • Typically large corporates in stable industries and with significant market share • Very strong balance sheets with high liquid assets
BBB BB B	Average Investments	• Good investment quality • Low expectation of default risk. • Capacity for timely payment of financial commitments is considered adequate • Adverse changes in circumstances and in economic conditions is more likely to impair capacity for payment • Typically in stable industries • Strong debt repayment capacity and coverage • Good asset quality and liquidity position • Very good management
CCC CC	Acceptable Investments	• Average investment quality • Possibility of default risk developing, particularly as the result of adverse economic changes over time • Category is acceptable as business or financial alternatives may be available to allow financial commitments to be met • Good character of owner • Good management but depth may be an issue • Typically good companies in cyclical industries
C D	Unacceptable Investments	• High risk investment quality • High probability of partial loss • Financial condition is weak but obligations are still being met as and when they fall due • Adverse changes in the environment will increase risk significantly • Very weak credit fundamentals which make full debt repayment in serious doubt • Bleak economic prospects • Lack of capacity to repay unsecured debt

The Group's operational measurements for credit risk are in conformity with the impairment allowances required under the applicable reporting standard - IAS 39, and are based on losses that have been incurred at the date of the statement of financial position, that is the 'incurred loss model' rather than expected losses.

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Group considers three components: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'Exposure At Default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

For debt securities, external ratings such as GCR, Moody's Agusto & Co, Fitch, Standard & Poor's rating or their equivalents are used by Risk Management department for managing of the credit risk exposures as supplemented by the Group's own assessment through the use of internal ratings tools.

4.4.2 Maximum exposure to credit risk

The Group's credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
Classification	**31 December 2018**	**31 December 2017**
<u>Financial assets:</u>		
Amortised cost - Loans and advances	129,061	114,606
FVTPL - Financial assets held for trading	-	-
Investment securities:		
- Fair value through OCI	-	-
- Amortised cost	309,748	366,435
Cash and cash Equivalent	1,611,689	1,684,515
Trade Receivables	24,662	105,650
	2,075,160	2,271,206
Loans exposure to total exposure	6.22%	5.05%
Debt securities exposure to total exposure	14.93%	16.13%
Other exposures to total exposure	78.85%	78.82%

The Group did not have any exposure to off-balance sheet items as at 31 December 2018 (31 December 2017: Nil).

Balances included in other assets above are those subject to credit risks. Items not subject to credit risk have been excluded. The table above shows a worse-case scenario of credit risk exposures to the Group at 31 December 2018 and 31 December 2017, without taking into consideration any of the collateral held or other credit enhancements attached, if any. The exposures set out above are based on gross amounts as reported in the statement of financial position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4.5 FINANCIAL INSTRUMENTS BY CATEGORIES

The Company financial instruments are categorised as follows:

31 December 2018	**Financial assets**			**Financial liabilities**	
	At fair value through profit or loss	**Fair Value through Other Comprehensive Income**	**Amortised Cost**	**At fair value through profit or loss**	**At amortised cost**
<u>Financial assets:</u>					
Cash and Cash Equivalent	-	-		-	-
Amortised cost - Loans and advances	-	-	125,479	-	-
FVTPL - Financial assets held for trading		-	-	-	-
Investment securities:					
- Fair value through OCI	-		-	-	-
- Amortised cost	-		1,711,526	-	-
Pledged assets			-	-	-
Other assets	-	-		-	-
	-	-	1,837,005	-	-
<u>Financial liabilities:</u>					
Due to banks	-	-	-	-	
Deposit from customers	-	-	-	-	
Other liabilities	-	-	-	-	
	-	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 December 2017	**Financial assets**			**Financial liabilities**	
In thousands of Naira	**At fair value through profit or loss**	**Fair Value through Other Comprehensive Income**	**Amortised Cost**	**At fair value through profit or loss**	**At amortised cost**
Financial assets:					
Cash and balances	-	-		-	-
Amortised cost - Loans and advances	-	-	110,365	-	-
FVTPL - Financial assets held for trading	-	-	-	-	-
Investment securities:					
- FVTOCI	-	-	-	-	-
- Amortised cost	-	-	2,150,920	-	-
Other assets	-	-	-	-	-
	-	-	2,261,285	-	-
Financial liabilities:					
Due to banks	-	-	-	-	-
Due to customers	-	-	-	-	-
Derivative financial instrument	-	-	-	-	-
Other liabilities	-	-	-	-	
	-	-	-	-	-

Consolidated and Separate Statement of Financial Position
As at 31 December 2018

In thousands of Naira	Note	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Assets					
Cash and cash equivalents	5	1,728,427	1,765,531	1,577,085	1,656,765
Financial assets	6	1,212,209	1,119,717	1,212,209	1,119,717
Trade receivables	7	59,356	164,117	16,087	105,650
Reinsurance assets	8	490,148	478,023	490,148	478,023
Deferred acquisition cost	9	73,012	77,805	73,012	77,805
Other receivables and prepayments	10	267,704	287,656	291,003	294,652
Investment in subsidiary	11	-	-	182,404	204,813
Investment properties	12	4,863,492	4,791,817	4,863,492	4,791,817
Intangible assets	13	68,780	-	68,780	-
Property, plant and equipment	14	980,098	929,542	823,690	787,404
Deferred tax asset	23	6,033	6,033	6,033	6,033
Statutory deposit	15	500,000	500,000	500,000	500,000
Total assets		10,249,259	10,120,241	10,103,943	10,022,679
Liabilities					
Insurance contract liabilities	16	2,678,387	2,918,270	2,568,553	2,851,085
Investment contract liabilities	17	454,936	619,394	454,936	619,394
Trade payables	18	32,855	33,758	32,855	33,758
Retirement benefit obligation	19	2,406	2,406	2,406	2,406
Provisions and other payables	20	867,490	483,863	885,724	518,115
Deferred tax liabilities	21	122,261	15,029	121,480	6,371
Current income tax liabilities	22	190,323	150,196	184,568	145,870
Total liabilities		4,348,658	4,222,915	4,250,522	4,176,999
Net assets		**5,900,601**	**5,897,326**	**5,853,421**	**5,845,680**
Equity					
Issued and paid up capital	23	1,913,742	1,913,742	1,913,742	1,913,742
Share premium	24	3,110,664	3,110,664	3,110,664	3,110,664
Contingency reserve	25	965,952	858,103	965,952	858,103
Retained earnings	26	(953,680)	(656,287)	(900,477)	(604,979)
Fair value reserve	27	187,470	-	187,470	-
Assets revaluation reserve	28	627,089	614,600	576,070	568,150
Total equity attributable to owners of the Company		5,851,237	5,840,822	5,853,421	5,845,680
Non-controlling Interest		49,364	56,504	-	-
Shareholder's fund		**5,900,601**	**5,897,326**	**5,853,421**	**5,845,680**

These financial statements were approved by the Board of Directors on 12 December, 2019 and signed on its behalf by:

Mr Bade Aluko
Chairman
FRC/2016/IODN/00000015579

Cecilia .O. Osipitan
Managing Director/CEO
FRC/2012/CIIN/00000000596

Additional certification by:

Lekan Popoola
Chief Financial Officer
FRC/2014/ICAN/00000008933

Consolidated and Separate Statement of Profit or Loss

In thousands of Naira	Note	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Gross premium written	29	3,492,393	3,017,021	3,288,502	2,876,620
Change in unearned premium	30	357,433	(200,630)	359,963	(181,605)
Earned premium income	30(a)	3,849,826	2,816,391	3,648,465	2,695,015
Reinsurance expense	30(a)	(459,699)	(434,176)	(459,699)	(434,176)
Net insurance premium revenue		**3,390,127**	**2,382,215**	**3,188,766**	**2,260,839**
Commission income	31	133,641	108,486	133,641	108,486
Net underwriting Income		**3,523,768**	**2,490,701**	**3,322,407**	**2,369,325**
Net claims expense	32	1,769,235	1,119,442	1,632,365	1,062,203
Acquisition expenses	33	458,383	318,426	446,402	312,890
Maintenance costs	34	141,244	58,166	141,244	58,166
Underwriting expenses		**2,368,862**	**1,496,034**	**2,220,011**	**1,433,258**
Underwriting results		**1,154,906**	**994,667**	**1,102,396**	**936,066**
Investment income	35	325,871	401,284	310,536	380,877
Net fair value gains on assets measured at fair value through profit or loss:	36	(80,066)	271,297	(80,066)	271,296
Other operating income	37	99,562	214,497	99,562	214,497
Management expenses	38	(1,532,259)	(1,542,497)	(1,448,369)	(1,483,931)
Profit or loss on investment contract	17(d)	89,377	130,374	89,377	130,374
Results of operating activities		**57,391**	**469,621**	**73,437**	**449,180**
Impairment (losses)/gain	39	(60,921)	(19,942)	(83,330)	1,314
Profit before taxation		**(3,530)**	**449,679**	**(9,893)**	**450,494**
Income tax	22b	(158,256)	(46,977)	(164,623)	(43,870)
(Loss)/profit after taxation		**(161,786)**	**402,702**	**(174,516)**	**406,624**
Other comprehensive income, net of tax					
Items within OCI that will not be reclassified to the profit or loss:					
Gain on revaluation of property, plant and equipment	28	14,550	16,212	8,800	15,309
Tax on gain on revaluation of property, plant and equipment	28	(880)	(1,621)	(880)	(1,531)
		13,670	14,591	7,920	13,779
Fair value gain on unquoted equities	27	187,470	-	187,470	-
Other comprehensive income		**201,140**	**14,591**	**195,390**	**13,779**
Total comprehensive income for the year		**39,354**	**417,293**	**20,874**	**420,402**
(Loss)/ Profit attributable to:					
Shareholders		(158,181)	399,137	(174,516)	406,624
Non-controlling interest		(3,605)	3,565	-	-
		(161,786)	**402,702**	**(174,516)**	**406,624**
Total comprehensive income attributable to:					
Shareholders		41,778	417,126	20,874	420,402
Non-controlling interest		(2,424)	167	-	-
		39,354	**417,292**	**20,874**	**420,402**
(Loss)/earnings per share					
– Basic (loss)/earnings per share (k)	40	(4.23)	10.52	(4.56)	10.62
– Diluted (loss)/ earning per share (k)		(4.23)	10.52	(4.56)	10.62

Consolidated and Separate Statement of Changes in Equity

In thousands of Naira

Group

2018

	Share Capital	Share premium	Asset revaluation reserve	Fair value reserve	Contingency reserve	Retained earnings	Total equity attributable to parent's shareholder	Non-Controlling interest	Total equity
At 1 January 2018	1,913,742	3,110,664	614,600	-	858,103	(656,286)	5,840,823	56,503	5,897,326
Impact of Transition to IFRS 9				-		(31,364)	(31,364)	(4,716)	(36,080)
Total comprehensive income for the year									-
Profit or loss for the year	-	-	-		-	(158,181)	(158,181)	(3,605)	(161,786)
Other comprehensive income, net of tax:	-	-	-		-	-	-	-	-
Revaluation of property in use by the company	-	-	12,488	-	-	-	12,488	1,182	13,670
Fair value on unquoted equities classified through OCI	-	-	-	187,470	-	-	187,470	-	187,470
Total other comprehensive income for the year	-	-	12,488	187,470	-	-	199,958	1,182	201,140
Total comprehensive income for the year	-	-	12,488	187,470	-	(158,181)	41,778	(2,424)	39,354
Transaction with owners, recorded directly in equity:									
Transfer to contingency reserve	-	-	-		107,849	(107,849)	-	-	-
Additional Non-Controlling Interest on allotment of shares						-	-		-
Total contributions by and distributions to equity holders	-	-	-		107,849	(107,849)	-	-	-
At 31 December 2018	1,913,742	3,110,664	627,089		965,952	(953,680)	5,851,237	49,364	5,900,601

Group
2017

	Share Capital	Share premium	Asset revaluation reserve	Fair value reserve	Contingency reserve	Retained earnings	Total equity attributable to parent's shareholder	Non-Controlling interest	Total equity
At 1 January 2017	1,913,742	3,110,664	600,176		796,149	(993,469)	5,427,262	2,721	5,429,983
									-
Total comprehensive income for the year									-
Profit or loss for the year	-	-	-		-	399,137	399,137	3,565	402,702
Other comprehensive income, net of tax:	-	-	-		-	-	-	-	-
Revaluation of property in use by the company	-	-	14,424		-	-	14,424	167	14,591
Total other comprehensive income for the year	-	-	14,424		-	-	14,424	167	14,591
Total comprehensive income for the year	-	-	14,424		-	399,137	413,561	3,732	417,293
									-
									-
Transaction with owners, recorded directly in equity:									
Transfer to contingency reserve	-	-	-		61,954	(61,954)	-	-	-
Additional Non-Controlling Interest on allotment of shares								50,050	
Total contributions by and distributions to equity holders	-	-	-		61,954	(61,954)	-	50,050	-
At 31 December 2017	1,913,742	3,110,664	614,600		858,103	(656,286)	5,840,823	56,503	5,897,326

Company
2018

	Share Capital	Share premium	Asset revaluation reserve	Fair value reserve	Contingency reserve	Retained earnings	Total equity attributable to parent's shareholder	Total equity
At 1 January 2018	1,913,742	3,110,664	568,150	-	858,103	(604,969)	5,845,680	5,845,680
Retrospective recognition of ECL model	-	-	-	-	-	(13,132)	(13,132)	(13,132)
Total comprehensive income for the year								
Profit or loss for the year	-	-	-	-	-	(174,516)	(174,516)	(174,516)
Other comprehensive income, net of tax:								
Revaluation of property in use by Company	-	-	7,920	-	-	-	7,920	7,920
Fair value on unquoted equities classified through OCI	-	-	-	187,470	-	-	187,470	187,470
Total other comprehensive income for the year	-	-	7,920	187,470	-	-	195,390	195,390
Total comprehensive income for year	-	-	7,920	187,470	-	(174,516)	20,874	20,874
Transaction with owners, recorded directly in equity:								
Transfer to contingency reserve	-	-	-		107,849	(107,849)	-	-
Total contributions by and distributions to equity holders	-	-	-		107,849	(107,849)	-	-
At 31 December 2018	1,913,742	3,110,664	576,070	187,470	965,952	(900,477)	5,853,421	5,853,421

Company
2017

	Share Capital	Share premium	Asset revaluation reserve	Contingency reserve	Retained earnings	Total equity attributable to parent's shareholder	Total equity
At 1 January 2017	1,913,742	3,110,664	554,372	796,149	(949,649)	5,425,278	5,425,278
Total comprehensive income for the year							-
Profit or loss for the year	-	-	-	-	406,624	406,624	406,624
Other comprehensive income, net of tax:	-	-	-	-	-	-	-
Revaluation of property in use by Company	-	-	13,778	-	-	13,778	13,778
Total other comprehensive income for the year	-	-	13,778	-	-	13,778	13,778
Total comprehensive income for year	-	-	13,778	-	406,624	420,402	420,402
Transaction with owners, recorded directly in equity:							
Transfer to contingency reserve	-	-	-	61,954	(61,954)	-	-
Total contributions by and distributions to equity holders	-	-	-	61,954	(61,954)	-	-
At 31 December 2017	1,913,742	3,110,664	568,150	858,103	(604,979)	5,845,680	5,845,680

Consolidated and Separate Statement of Cash Flows

In thousands of Naira

	Note	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Cash flows from operating activities:					
Cash premium received		3,554,463	2,980,529	3,365,923	2,862,350
Reinsurance premium paid		(550,825)	(416,182)	(550,825)	(416,182)
Gross benefit and claims paid		(2,082,902)	(1,083,319)	(1,986,150)	(1,019,788)
Reinsurance recoveries		199,168	85,695	199,168	85,695
Commission paid		(453,590)	(343,469)	(441,609)	(337,933)
Maintenance expenses paid		(141,244)	(58,166)	(141,244)	(58,166)
Commission received		133,641	95,255	133,641	95,255
Cash from deposit administration		(168,439)	(170,300)	(168,439)	(170,300)
Cash received/paid to intermediaries and other suppliers		(726,475)	(959,086)	(722,778)	(880,309)
Cash paid to employees		(523,342)	(520,228)	(483,685)	(495,900)
Cash generated from operations	41	(759,544)	(389,272)	(795,997)	(335,278)
Income tax paid	22	(11,687)	(26,861)	(11,696)	(24,501)
Net cash provided by operating activities		(771,230)	(416,133)	(807,693)	(359,779)
Cash flows from investing activities:					
Purchases of property, plant and equipment	14a	(107,033)	(65,733)	(90,298)	(65,022)
Proceed from disposal of property, plant and equipment		7,788	1,137	7,788	1,137
Purchase of financial assets		(120,454)	(142,134)	(120,454)	(142,134)
Proceeds from disposal and redemption of financial assets		567,233	829,199	546,335	829,198
Dividend received	35	21,215	31,674	21,215	14,345
Interest received		327,614	409,717	327,614	409,717
Rent received		37,763	46,430	35,813	43,350
Net cash provided by investing activities		734,127	1,110,290	728,014	1,090,592
Cash flows from financing activities:					
Repayment of borrowings		-	(646,521)	-	(646,521)
Net cash (used in) financing activities		-	(646,521)	-	(646,521)
Cash and cash equivalent at beginning of year		1,765,531	1,717,895	1,656,765	1,572,473
Net increase in cash and cash equivalent		(37,103)	47,636	(79,680)	84,292
Cash and cash equivalent at end of year	5	1,728,427	1,765,531	1,577,085	1,656,765

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5 Cash and cash equivalents

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Cash at bank and in hand	350,017	126,553	323,667	125,457
Book overdraft (note 5.1)	(410,783)	(300,616)	(410,783)	(300,616)
Short-term bank deposits (note 5.2)	1,823,797	1,967,347	1,698,805	1,859,677
Cash and cash equivalent	1,763,031	1,793,284	1,611,689	1,684,518
Less:				
Allowance for Impairment (note 5.2)	(34,604)	(27,753)	(34,604)	(27,753)
	1,728,427	**1,765,531**	**1,577,085**	**1,656,765**

5.1 Book overdraft represents cash book balances that are in credit at year end. Some of the reconciling items of the related bank ledgers relate to direct entries in the bank with no proper description for immediate posting into the ledger and unpresented cheques that have been issued at year end. The Company had a mechanism to fund the account from its deposit account as soon as cheques are presented.

5.2 Short term bank deposits have an average maturity period of three months, and are made depending on the cash requirement of the Company. The average interest rate of the deposits is 11.8% (2017: 12.7%). The carrying amounts reasonably approximate fair value at the reporting date.

5.3 The movement in the impairment balance at year end relates to some provision written back on bank balances as a result of further reconciliation of bank balances. It also included impairment allowance of N16.9 million in respect of the Resort Savings.

	GROUP		COMPANY	
	31-Dec-18	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
At 1 January	27,753	110,341	27,753	110,341
ECL on transition	5,040	16,988	5,040	16,988
ECL for the year	1,811	(99,576)	1,811	(99,576)
At 31 December	34,604	27,753	34,604	27,753

Reconciliation of Cash and Cash Equivalent ECL movement

	GROUP		COMPANY	
	31-Dec-18	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
Loss Allowance under IAS 39	27,753	27,753	27,753	27,753
Adjustments on Transition to IFRS 9	5,040	-	5,040	-
Allowance as 1 January	**32,793**	**27,753**	**32,793**	**27,753**
Increase of impairment charge during the year	1,811	-		-
Allowance as at 31 December	**34,604**	**27,753**	**34,604**	**27,753**

6 Financial assets

Financial assets comprise of;

Held to maturity (note 6a)	-	366,435	-	366,435
Loans and receivables (note 6b)	-	102,029	-	102,029
Amortised cost (note 6c)	430,302	-	430,302	-
Available-for-sale (note 6d)	-	169,401	-	169,401
Fair value through other comprehensive income (note 6e)	356,871	-	356,871	-
Fair value through profit or loss (note 6f)	425,036	481,852	425,036	481,852
	1,212,209	**1,119,717**	**1,212,209**	**1,119,717**
Current	430,261	468,464	430,261	468,464
Non-current	781,948	651,253	781,948	651,253
	1,212,209	**1,119,717**	**1,212,209**	**1,119,717**

(a) Held to Maturity

Held-to-maturity investments are measured at amortised cost using the effective interest method and assessed for impairment for un-collectability at the end of each reporting period.

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Government bonds	-	8,259	-	8,259
Corporate bond	-	262,301	-	262,301
Treasury bills	-	95,875	-	95,875
	-	**366,435**	**-**	**366,435**
At 1 January	366,435	366,435	366,435	366,435
Transfer to amortised cost on transition to IFRS 9	(366,435)	-	(366,435)	-
	-	**366,435**	**-**	**366,435**

(b)(i) Loans and receivables

Loan to policy holders	-	111,170	-	111,170
Staff Loans	-	3,436	-	3,436
	-	114,606	-	114,606
Impairment allowance	-	(12,577)	-	(12,577)
	-	102,029	-	102,029
At 1 January	102,029	102,029	102,029	102,029
Reclassification of loan balances to other payables (note 6ii)	11,206	-	11,206	-
Impairment write back	12,577		12,577	-
Transfer to amortised cost on transition to IFRS 9 (see note bii)	(125,812)	-	(125,812)	-
	-	102,029	-	102,029

(b)(ii) This represents loan to policy holder that are in credit.

(c)(i) Amortised Cost

Government bond	6,490	-	6,490	-
Corporate bond	262,351	-	262,351	-
Treasury bills	40,907	-	40,907	-
Loans and receivables	129,061	-	129,061	-
	438,809		438,809	
Expected credit loss (note (cii))	(8,507)	-	(8,507)	-
	430,302		430,302	

(ii)

At 1 January				
Transfer from held to maturity on transition to IFRS 9:				
Held to maturity instruments	366,504	-	366,504	-
Loans and Receivables	125,812	-	125,812	-
Movement during the year	(53,507)	-	(53,507)	-
	438,809	**-**	**438,809**	-
Expected credit loss	(8,507)	-	(8,507)	-
At 31 December	430,302	-	430,302	-

(d) Available for sale

At 1 January	169,401	171,953	169,401	171,953
Impairment loss	-	(2,552)	-	(2,552)
Transfer to Fair value through OCI	(169,401)	-	(169,401)	-
At 31 December	-	169,401	-	169,401

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
(e)(i)	**Fair value through other comprehensive income**				
	At 1 January	-	-	-	-
	Transfer from available for sale on transition to IFRS 9	169,401	-	169,401	-
	Fair value gain on financial assets classified as through OCI (note 6ii)	187,470	-	187,470	-
	At 31 December	356,871	-	356,871	-

(ii) Financial assets classified as through OCI included investment in Waica Reinsurance Plc at a cost of $61,267 with an exchange rate of N306/$1 and Sterling Assurance Plc

(f) Fair value through profit and loss

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
At 1 January	481,852	506,019	481,852	506,019
Additions during the year	24,853	49,430	24,853	49,430
Disposal during the year	-	(72,678)	-	(72,678)
Fair value (loss)	(81,669)	(919)	(81,669)	(919)
At 31 December	**425,036**	**481,852**	**425,036**	**481,852**

Changes in fair value of financial assets at fair value through profit or loss are recorded as net trading income on financial assets in the income statement. The fair value of all equity securities is based on their current bid prices on the Nigeria Stock Exchange.

(g) Movement schedule of financial assets

2018
In thousands of Naira

	Amortised cost	Fair value through OCI	Fair value through P/L	Total
At 1 January	483,720	169,401	481,853	1,134,974
Additions	74,141	-	46,313	120,454
Disposal	(22,105)	-	(7,717)	(29,822)
Redemption	(102,929)	-	(2,246)	(105,175)
Interest accrued	(19)	-	-	(19)
Interest received	6,001	-	-	6,001
Fair value gain/loss	-	187,470	(93,165)	94,305
Impact of expected credit loss	(8,507)	-	-	(8,507)
At 31 December	430,302	356,871	425,036	1,212,209

2017 *In thousands of Naira*	**Held to Maturity**	**Loans and Receivables**	**Available for - sale**	**Fair Value through profit or loss**	**Total**
At 1 January	926,918	82,127	187,192	506,019	1,702,256
Additions	95,875	19,902	-	49,430	165,207
Disposal	(670,869)	-	(15,239)	(72,678)	(758,786)
Redemption	(1,395)	-	-	-	(1,395)
Interest received	15,906	-	-	-	15,906
Fair value gain/loss	-	-	-	(919)	(919)
Impairment	-	-	(2,552)	-	(2,552)
At 31 December	366,435	102,029	169,401	481,852	1,119,717
Transition Adjustment	(4,286)	8,336	-	-	4,050
ECL Decrease/Increase		11,206	-	-	11,206
At 31 December	362,149	121,571	169,401	481,852	1,134,973

7 Trade receivables

(a) Trade receivables comprise:

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Due from agents	56,039	59,520	-	1,053
Due from brokers	24,654	104,256	24,654	104,256
Due from insurance companies	8	341	8	341
	80,702	164,117	24,662	105,650
Impairment allowance (see note 7b)	(21,346)	-	(8,575)	-
	59,356	**164,117**	**16,087**	**105,650**

(b) Reconciliation of loss allowance for trade and other receivables movement

Loss allowance under IAS 39	-	1,451	-	1,451
Write off	-	(1,375)	-	(1,375)
Adjustments on Transition to IFRS 9	35,089	-	12,142	-
Allowance as 1 January	35,089	76	12,142	76
Impairment (write back) during the year	(13,743)	(76)	(3,567)	(76)
Allowance as at 31 December	21,346	-	8,575	-

The average credit period on trade receivables is 30 days. No interest is charged on outstanding trade receivables.

GNI always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using the simplified model to derive an historical loss rate with reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The ECL allowance is based on various economic factors and the quality of the data presented at the transition date. The data have been worked on and ECL allowance on the trade receivables has reversed in subsequent period.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

GNI writes off a trade receivable when it is redeemed within the credit period or when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The premium outstanding for the company as at statement of position date represent balance due from brokers which has been fully received as at 31 January, 2018.

(i) The age analysis of trade receivables as at the end of the year was as follows:

Gross premium Days	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
0 - 90 days	80,702	164,117	24,662	105,650
91 - 180 days	-	-	-	-
Over 180 days	-	-	-	-
	80,702	164,117	24,662	105,650

TABLE OF AGED ANALYSIS ON TRADE RECEIVABLE AS AT 31 DECEMBER 2018
COMPANY

NUMBERS OF SCHEMES	0-90 DAYS	91 - 180 DAYS	181- 270 DAYS	GRAND TOTAL
29	24,662	-	-	24,662
29	**24,662**			**24,662**

8 Reinsurance assets

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Reinsurance premium recoveries-General business	169,891	289,559	169,891	289,559
Reinsurance recoveries-Life business	50,599	3,587	50,599	3,587
Prepaid re-insurance claims recoveries- General business	168,035	91,354	168,035	91,354
Minimum and deposit premium- General business	56,012	43,009	56,012	43,009
Balance due from reinsurance brokers	76,908	54,743	76,908	54,743
	521,445	**482,252**	**521,445**	**482,252**
Impairment allowance (note 8b)	(31,297)	(4,229)	(31,297)	(4,229)
	490,148	**478,023**	**490,148**	**478,023**

(b) The Company conducted an impairment review of the reinsurance assets and arrive at an additional impairment of N27million. The Company has the right to set-off reinsurance assets against reinsurance liabilities on settlement. The carrying amounts disclosed above is in respect of the reinsurance of investment contracts and it approximates the fair value at the reporting date.

(c) Reinsurance assets consists of the following

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Prepaid reinsurance	169,890	92,670	169,890	92,670
Reinsurance share of IBNR	89,716	2,270	89,716	2,270
Claim recoverable	174,530	340,074	174,530	340,074
Minimum and deposit premium prepaid	56,012	43,009	56,012	43,009
	490,148	**478,023**	**490,148**	**478,023**

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
i Movement in prepaid reinsurance				
At 1 January	92,670	137,688	92,670	137,688
Additions in the year	152,425	364,939	152,425	364,939
Amortised in the year-reinsurance expense	(75,025)	(409,957)	(75,025)	(409,957)
At 31 December	**170,070**	**92,670**	**169,890**	**92,670**
ii Movement in minimum and deposit premium				
At 1 January	43,009	24,219	43,009	24,219
Additions in the year	23,120	43,009	23,120	43,009
Amortised in the year-reinsurance expense	(10,117)	(24,219)	(10,117)	(24,219)
At 31 December	**56,012**	**43,009**	**56,012**	**43,009**

9 Deferred acquisition cost

(a) This represents commission on unearned premium relating to the unexpired tenure of risk.
In thousands of Naira

General business

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Deferred acquisition cost- Fire	16,941	28,439	16,941	28,439
Deferred acquisition cost- Gen. Accident	7,766	28,844	7,766	28,844
Deferred acquisition cost- Motor	6,476	9,718	6,476	9,718
Deferred acquisition cost- Marine	2,928	4,352	2,928	4,352
Deferred acquisition cost- Bond	269	316	269	316
Deferred acquisition cost- Oil & Gas	5,254	5,948	5,254	5,948
Deferred acquisition cost- Workmen's compensation	114	188	114	188
	39,748	77,805	39,748	77,805
Life Business	33,264	-	33,264	-
	73,012	**77,805**	**73,012**	**77,805**
Current	73,012	77,805	73,012	77,805
Non- current	-	-	-	-
	73,012	**77,805**	**73,012**	**77,805**

(b) The movement in deferred acquisition costs is as follows:

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
At January	77,805	52,762	77,805	52,762
Additions during the year	-	343,469	-	337,933
Amortisation during the year	(4,793)	(318,426)	(4,793)	(312,890)
At 31 December	**73,012**	**77,805**	**73,012**	**77,805**

10 Other receivables and prepayments

(a) Other receivables and prepayments comprise:

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Prepayment	59,818	34,675	49,994	30,374
Stock and inventory	7,542	7,541	7,542	7,541
Dividend receivable	2,567	2,567	2,567	2,567
Staff Advances	25,685	23,168	25,685	23,168
Rent receivable	159,166	139,914	159,166	139,914
Receivable from former Wema Bank Group (note a (i) below)	72,145	84,908	72,145	84,908
Intercompany receivables(note a(ii) below)	-	-	33,000	11,297
Deposit for investments (note a(iii) below)	102,094	102,094	102,094	102,094
Other receivables (note a (iv) below)	228,815	260,252	228,939	260,252
	657,831	655,119	681,131	662,115
Impairment allowance (note (b) below)	(390,127)	(367,463)	(390,127)	(367,463)
	267,704	**287,656**	**291,003**	**294,652**
Current	267,704	287,656	291,003	294,652
Non-current	-	-	-	-
	267,704	**287,656**	**291,003**	**294,652**

(i) The receivables from former Wema Bank group is made up of balances from Independent Securities, Wise Property Limited and Wema Securities Plc. Full impairment has been made for the account balances.

(ii) Intercompany receivables relate to intercompany transactions between the group and its subsidiary. This is being eliminated at the group level.

(iii) Deposit for investments represents investments of N96m in AIICO PFA, N5.8m in Energy Insurance Pool. Full impairment allowance has been made for these balances.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(iv) Other receivables include balance due from Allied Bank Plc and Withholding tax. Allowance for impairment has been made on the account balance.

(b) The movement in impairment allowance on other receivables and prepayments during the year was as follows:

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
At 1 January	367,463	374,931	367,463	374,931
Addition during the year	36,399	-	36,399	-
Write off during the year	-	(4,087)	-	(4,087)
Write back during the year	(13,735)	(3,381)	(13,735)	(3,381)
At 31 December	390,127	367,463	390,127	367,463

11 Investment in subsidiary

Cost	-	-	225,000	225,000
Impairment allowance	-	-	(42,596)	(20,187)
At 31 December	**-**	**-**	**182,404**	**204,813**

On 4 July 2013, the Group acquired 97.5% of the common stock of GNI Healthcare Limited (formerly, Gamma Health Nigeria Limited), to carry on the business of healthcare financing and insurance, health care maintenance organization services and health risk management. This subsidiary was incorporated in July 2012. In 2018, the company raised additional capital through private placement which reduced diluted GNI Plc's shareholding in GNI Healthcare, consequently, the interest reduced to 79.4% from 97.5%

The movement in impairment allowance on investment in subsidiary during the year was as follows:

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
At 1 January	367,463	374,931	20,187	41,444
Addition during the year	-	-	22,409	-
Write back during the year	-	(7,468)	-	(21,257)
At 31 December	367,463	367,463	42,596	20,187

12 Investment properties

At 1 January	4,791,817	4,565,408	4,791,817	4,565,408
Foreign exchange upon revaluation	-	14,888	-	14,888
Fair value gain	71,675	211,521	71,675	211,521
At 31 December	**4,863,492**	**4,791,817**	**4,863,492**	**4,791,817**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	In thousands of Naira	VALUE			EXCHANGE	VALUE
	PROPERTY	**1-Jan-18**	**ADDITIONS**	**DISPOSALS**	**FAIR VALUE GAIN**	**GAIN**	**31-Dec-18**
1	GNI House, West Arbour, London	320,149	-	-	20,343	870	340,492
2	GNI House, 39/41 Martins Street	476,534	-	-	1,466	-	478,000
3	GNI House, Akure	343,419	-	-	3,581	-	347,000
4	GNI House, Abeokuta	218,484	-	-	11,516	-	230,000
5	GNI House, Wuse Abuja	339,788	72,896	-	(42,684)	-	370,000
6	GNI Oregun WareHouse	533,556	-	-	4,444	-	538,000
7	GNI House, 47/57 Martins Street	2,559,888	-	-	112	-	2,560,000
	GRAND TOTAL	**4,791,817**	**72,896**	**-**	**(1,222)**	**870**	**4,863,492**

12(a) The items of investment properties are valued as shown below:

In thousands of Naira Investment properties location	**Status of Title**	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
GNI House, Alagbaka Road Akure	Perfected	347,000	343,419	347,000	343,419
GNI House, Along Onikolobo Road, Panseke, Abeokuta	Perfected	230,000	218,484	230,000	218,484
GNI House, 47/57 Martins street, Off Broad Street Marina Lagos (see note 13b)	Perfected	2,560,000	2,559,888	2,560,000	2,559,888
GNI House, 39/41 Martins street, Off Broad Street Marina Lagos	Perfected	478,000	476,534	478,000	476,534
GNI House, No. 11 Malanje Street, Wuse Zone 4 Abuja	Perfected	370,000	339,788	370,000	339,788
Oregun Warehouse, Plot 13-17, Morrison Crescent Oregun Lagos	Perfected	538,000	533,556	538,000	533,556
GNI House, No. 13, West Arbour Street London E1 OPQ U.K	Perfected	340,492	320,147	340,492	320,147
		4,863,492	**4,791,817**	**4,863,492**	**4,791,817**

(b) The property at 47/57 Marina Street, Marina Lagos was gutted by fire on 4 November, 2013 which affected mostly 1st, 2nd and 3rd floors including the mezzanine floor. The carrying amount of the property increased from N2.559 billion to N2.560 billion as a result of increase of N0.11 million in the value of the land. The company has obtained approval for the renovation of the building from the Lagos State Physical Planning in year 2017. The renovation is still ongoing as at 31 December 2018. The claims received from the Insurers of the property has also been warehoused in a fund account.

(c) The London property at 13, West Arbour street Stephney London, United Kingdom was valued as at 31 December 2018 at N391.37 to 1 Pound sterling as opposed to the prior year valuation as at 31 December 2017 at N412.975 to 1 Pound sterling. The property also increased in value from £775,225.2 as at 31 December 2017 to £870,000 as at December 2018.

(d) Measurement of fair value:

(i) **Fair value hierarchy**

The fair value of investment properties was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer, Ubosi Eleh & Co. (Estate Surveyors and Valuers, FRC/2013/NIESV/70000000/1493) valued the properties on the basis of open market value as at 31 December 2018.

The fair value measurement for the investment properties of N4.5billion has been categorised as a Level 3 fair value based on the inputs into the valuation technique used.

(ii) **Valuation technique and significant unobservable inputs**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

13 Intangible assets

(a)

In thousands of Naira	**Group**	**Group**	**Company**	
	Purchased Computer Software		**Purchased Computer Software**	
	31-Dec-18	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
Cost:				
At January	229,382	229,382	199,382	199,382
Acquisition	103,119	-	103,119	-
At 31 December	332,501	229,382	302,501	199,382
Amortisation:				
At January	229,382	227,238	199,382	197,238
Amortisation charge	34,339	2,144	34,339	2,144
At 31 December	263,721	229,382	233,721	199,382
GNI Healthcare			-	
Carrying amount	**68,780**	**-**	**68,780**	**-**

(b) The intangible assets of the Group is made up of computer software.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(a) Group

In thousands of Naira

	LAND	BUILDINGS	FIXTURE & FITTINGS	COMPUTER EQUIPMENT	MOTOR VEHICLES	GENERATOR SETS	FURNITURE & EQUIPMENT	TOTAL
Cost								
At 1 January	524,183	459,549	40,016	107,935	367,945	102,978	115,190	1,717,796
Revaluation gains	9,653	4,897	-	-	-	-	-	14,550
Additions	-	-	3,012	15,634	77,309	2,236	8,842	107,033
Reversal	(76,788)	-	-	-	-	-	-	(76,788)
Disposals	-	-	-	-	(6,050)	-	-	(6,050)
At 31 December	**457,048**	**464,446**	**43,028**	**123,569**	**439,204**	**105,214**	**124,032**	**1,756.541**
Accumulated depreciation								
At 1 January	76,788	83,282	22,356	103,499	301,799	96,837	103,694	788,255
Charge for the year	-	11,494	4,415	7,174	39,283	3,924	4,736	71,026
Reversal	(76,788)	-	-	-	-	-	-	(76,788)
Disposal	-	-	-	-	(6,050)	-	-	(6,050)
At 31 December	**-**	**94,776**	**26,771**	**110,673**	**335,032**	**100,761**	**108,430**	**776,443**
Carrying amount								
At 31 December 2018	**457,048**	**369,670**	**16,257**	**12,896**	**104,172**	**4,453**	**15,602**	**980,098**
At 31st December 2017	**447,394**	**376,267**	**14,384**	**4,439**	**66,145**	**6,141**	**14,772**	**929,542**

i. The Group had no capital commitments as at year end (31 December 2017: Nil)

ii. The Group's land and buildings were revalued by Ubosi Eleh & Co., estate surveyor and valuers on 31 December 2018 using both Investment method and Comparative method of valuation to arrive at the open market value.

iii. An impairment review was conducted and no impairment was required.

iv. The reversal represents accumulated depreciation previously charged on land which is reversed into fair value account.

v. None of the property, plant and equipment was used as collaterals for loan.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(b) Property, plant and equipment

Company
2018
In thousands of Naira

	LAND	BUILDINGS	FIXTURE & FITTINGS	COMPUTER EQUIPMENT	MOTOR VEHICLES	GENERATOR SETS	FURNITURE & EQUIPMENT	TOTAL
Cost								
At 1 January	482,183	349,299	32,764	104,534	359,055	102,978	115,587	1,546,400
Revaluation gains	6,653	2,147	-	-	-	-	-	8,800
Additions	-	-	3,012	13,610	62,960	2,236	8,480	90,298
Reversal	(73,837)	-	-	-	-	-	-	(73,837)
Disposals	-	-	-	-	(6,050)	-	-	(6,050)
At 31 December	**414,999**	**351,446**	**35,776**	**118,144**	**415,965**	**105,214**	**124,067**	**1,565,611**
Accumulated depreciation								
At 1 January	73,837	72,319	22,356	100,780	292,909	96,837	99,958	758,996
Charge for the year	-	8,733	4,415	6,210	35,696	3,924	3,834	62,812
Reversal	(73,837)	-	-	-	-	-	-	(73,837)
Disposal	-	-	-	-	(6,050)	-	-	(6,050)
At 31 December	**-**	**81,052**	**26,771**	**106,990**	**322,555**	**100,761**	**103,792**	**741,921**
Carrying amount								
At 31 December 2018	**414,999**	**270,394**	**9,005**	**11,154**	**93,410**	**4,453**	**20,275**	**823,690**
At 31st December 2017	**408,346**	**276,980**	**10,408**	**3,754**	**66,146**	**6,141**	**15,629**	**787,404**

i. The Company had no capital commitments as at year end (31 December 2018: Nil)
ii. The Company's land and buildings were revalued by Ubosi Eleh & Co., estate surveyor and valuers on 31 December 2018 using both Investment method and Comparative method of valuation to arrive at the open market value.
iii. An impairment review was conducted and no impairment was required.
iv. The reversal represents accumulated depreciation previously charged on land which is reversed into fair value account.
v. None of the property, plant and equipment was used as collaterals for loan.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15 Statutory deposit

This represents the Company's deposit with the Central Bank of Nigeria as at 31 December 2018, in compliance with the Insurance Act, CAP 117 LFN 2004. It comprises:

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
General	300,000	300,000	300,000	300,000
Life	200,000	200,000	200,000	200,000
	500,000	**500,000**	**500,000**	**500,000**
Current	-	-	-	-
Non-current	500,000	500,000	500,000	500,000
	500,000	**500,000**	**500,000**	**500,000**

16 Insurance contract liabilities

(a) *In thousands of Naira*

Notified claims	1,043,277	1,172,782	992,175	1,151,218
Claims incurred but not reported	580,905	644,997	570,007	643,680
Outstanding claims (note (b) below):	1,624,182	1,816,780	1,562,182	1,794,898
Unearned premiums Gen Bus (note (c) below)	706,402	724,333	658,568	679,030
Life insurance contract liabilities (note (d)(i) below)	325,208	377,157	325,208	377,157
Deferred Reins. Comm. Cost	22,595	-	22,595	-
	2,678,387	**2,918,270**	**2,568,553**	**2,851,085**
Current	799,079	799,079	780,903	780,903
Non-current	1,879,308	2,119,191	1,787,650	2,070,182
	2,678,387	**2,918,270**	**2,568,553**	**2,851,085**

The net liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made and the Company recognizes the deficiency in the income statement for the year. The Company's net liability for insurance contracts was tested for adequacy by Ernst & Young actuary, located in Nigeria with FRC number FRC/NAS/00000000738 for the year ended 31 December 2018.

(b) Claims reported and IBNR:

31-Dec-18
The claims reported are analysed below:

In thousands of Naira	Gross claims Outstanding 31-Dec-18	Provision for IBNR 31-Dec-18	Outstanding Claims 31-Dec-18
General			
General accidents	100,899	8,487	109,386
Fire	39,542	29,760	69,303
Marine	19,088	29,880	48,968
Motor	17,298	23,874	41,172
Oil and gas	34,854	16,691	51,545
Employer's liability	55,537	2,441	57,977
	267,218	111,133	378,352
Life			
Group life	724,957	376,857	1,101,814
Individual life	-	82,017	82,017
	724,957	458,874	1,183,831
Healthcare	51,102	10,898	62,000
	1,043,277	**580,905**	**1,624,182**

31-Dec-17
The claims reported are analysed below:

In thousands of Naira	Gross claims Outstanding 31-Dec-17	Provision for IBNR 31-Dec-17	Outstanding Claims 31-Dec-17
General			
General accidents	129,109	48,100	177,210
Fire	184,328	19,771	204,099
Marine	12,375	24,005	36,381
Motor	25,647	42,178	67,824
Oil and gas	86,741	12,897	99,638
Employer's liability	2,450	6,042	8,492
	440,650	152,993	593,644
Life			
Group life	703,422	490,686	1,194,108
Individual life	7,146		7,146
	710,568	490,686	1,201,254
Healthcare	13,080	8,802	21,882
	1,164,298	**652,482**	**1,816,780**

General *In thousands of Naira*	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Gross provision for outstanding claims	267,218	440,650	267,218	440,650
Provision for IBNR	111,133	152,993	111,133	152,993
Provision for outstanding claims - closing	378,352	593,644	378,352	593,644
Provision for outstanding claims - opening	(593,644)	(545,195)	(593,644)	(545,195)
Decrease/(increase) in provision for outstanding claims	(215,292)	48,449	(215,292)	48,449
Life				
Gross provision for outstanding claims	724,957	710,568	724,957	710,568
Provision for IBNR	458,874	490,686	458,874	490,686
Provision for outstanding claims - closing	1,183,831	1,201,254	1,183,831	1,201,254
Provision for outstanding claims - opening	(1,201,254)	(959,683)	(1,201,254)	(959,683)
Increase in provision for outstanding claims	(17,424)	241,571	(17,424)	241,571
Healthcare				
Gross provision for outstanding claims	51,102	13,080	-	-
Provision for IBNR	10,898	8,801	-	-
Provision for outstanding claims - closing	62,000	21,881		
Provision for outstanding claims - opening	(21,881)	(28,172)	-	-
Increase in provision for outstanding claims	40,119	(6,290)	-	-
	(192,597)	**283,730**	**(232,716)**	**290,020**

(c) Unearned premium
Unearned premium comprises:
In thousands of Naira

General				
Fire	124,875	74,876	124,875	74,876
General accidents	78,900	79,445	78,900	79,445
Motor	81,195	105,358	81,195	105,358
Marine	19,024	21,694	19,024	21,694
Employer's liability	1,522	2,281	1,522	2,281
Engineering	-	32,807	-	32,807
Bond	2,858	3,583	2,858	3,583
Oil and Gas	26,860	-	26,860	-
	335,235	320,044	335,235	320,044

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Life				
Group life fund	323,333	358,986	323,333	358,986
Individual life fund	-	-	-	-
	323,333	358,986	323,333	358,986
Healthcare	47,834	45,304	-	-
	47,834	45,304	-	-
	706,402	724,333	658,568	679,030

(c)(i) The movement in unearned premium reserve UPR during the year was as follows:

2018

In thousands of Naira	General	Group Life	Health Care	Combined
At 1 January	320,044	358,986	45,304	724,334
(Decrease)/Increase provision in unearned premium reserve	15,191	(35,653)	2,530	(17,932)
At 31 December	335,235	323,333	47,834	706,402

2017

In thousands of Naira	General	Group Life	Health Care	Combined
At 1 January	383,956	45,347	26,278	391,669
(Decrease)/Increase provision in unearned premium reserve	(63,912)	313,639	19,026	268,753
At 31 December	320,044	358,986	45,304	660,422

d

Life fund	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Group life fund	-	45,144	-	45,144
Individual life fund	70,096	178,080	70,096	178,080
Annuity	255,111	153,932	255,111	153,932
	325,208	377,156	325,208	377,156

(d)(ii) The movement in life fund during the year was as follows:

2018

In thousands of Naira	Individual Life	Group Life	Annuity	Combined
At January	178,080	45,145	153,932	377,157
(Decrease)/Increase provision in life fund	(107,984)	(45,145)	101,179	(51,949)
At 31 December	70,096	-	255,111	325,208

2017

In thousands of Naira	Individual Life	Group Life	Annuity	Combined
At January	316,058	6,135	123,086	445,279
(Decrease)/Increase provision in life fund	(137,978)	39,010	30,846	(68,122)
At 31 December	178,080	45,145	153,932	377,157

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AGED ANALYSIS OF OUTSTANDING CLAIMS

COMBINE POSITION

S/N	NUMBERS OF SCHEMES	0 - 90 DAYS	91 - 180 DAYS	181 - 270 DAYS	271 - 365 DAYS	366 AND ABOVE	GRAND TOTAL
1	119	608,507					608,507
2	102		296,959				296,959
3	38			66,194			66,194
4	84				70,276		70,276
5	574					520,246	520,246
	917						**1,562,182**

GENERAL BUSINESS

S/N	NUMBERS OF SCHEMES	0 - 90 DAYS	91 - 180 DAYS	181 - 270 DAYS	271 - 365 DAYS	366 AND ABOVE	GRAND TOTAL
1	80	93,912					93,912
2	66		22,121				22,121
3	25			60,755			60,755
4	42				16,903		16,903
5	399					184,661	184,661
	612						**378,352**

LIFE BUSINESS

S/N	NUMBERS OF SCHEMES	0 - 90 DAYS	91 - 180 DAYS	181 - 270 DAYS	271 - 365 DAYS	3660AND ABOVE	GRAND TOTAL
1	39	514,595					514,595
2	36		274,838				274,838
3	13			5,439			5,439
4	42				53,374		53,374
5	175					335,585	335,585
	305						**1,183,831**

Outstanding Claims in excess of 90 days relate to claims reported that were not yet fully documented and claims that were still passing through approval process as at 31st December 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

17 Investment contract liabilities

(a) At amortised cost

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Deposit administration	443,316	603,794	443,316	603,794
Guaranteed interest (note (c) below)	11,619	15,600	11,619	15,600
	454,936	619,394	454,936	619,394
Current	-	-	-	-
Non-current	454,936	619,394	454,936	619,394
	454,936	619,394	454,936	619,394

(b) The movement in investment contract liabilities during the year was as follows:

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
At 1 January	619,394	789,498	619,394	789,498
Additions during the year	-	239,918	-	239,918
Withdrawals	(164,458)	(410,022)	(164,458)	(410,022)
At 31 December	454,936	619,394	454,936	619,394

(c) Guaranteed interest on investment contracts represents interest which accrues to the account of investment contract holders. All these contract are designated at financial liabilities and measured at amortised cost.

(d) **Investment Contract Revenue Account**

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Interest income	89,377	130,374	89,377	130,374
At 31 December	89,377	130,374	89,377	130,374

18 Trade payable

Trade payable comprise liabilities due to agents, brokers and re-insurance companies

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Due to reinsurers	32,855	33,758	32,855	33,758
Current	32,855	33,758	32,855	33,758
Non-current	-	-	-	-
	32,855	**33,758**	**32,855**	**33,758**

19 Retirement benefit obligation

This represents the balance of the Company's accruals for gratuity to be paid to its employees on exit from the Company based on its gratuity scheme which was discontinued in 2010. The gratuity scheme is solely funded by the Company. No valuation was carried out on this balance as the scheme has been discontinued since 2010.

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
At 31 January	2,406	2,406	2,406	2,406
Payment during the year	-	-	-	-
At 31 December	**2,406**	**2,406**	**2,406**	**2,406**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
20	**Provisions and other payables**				
	Unearned income (note (a) below)	29,305	29,305	29,305	29,305
	Accrued Supervisory fees	319	135	319	135
	Intercompany Payable	-	-	29,499	50,399
	Payable to WEMA Bank Group	4,508	4,508	4,508	4,508
	Pension payables (note (b) below)	262	952	-	-
	Withholding tax payable	1,102	1,309	1,102	1,226
	Other accruals	57,179	38,037	51,761	38,037
	Other payables	61,070	86,542	61,070	86,542
	Provision (note (c) below)	41,679	39,860	36,679	39,860
	Claims fund (note (d) below)	152,669	157,333	152,083	157,333
	Sundry creditors (note (e) below	519,398	113,519	519,398	148,806
		867,490	**483,863**	**885,724**	**518,115**
	Current	33,812	29,305	33,812	29,305
	Non-current	833,678	454,558	851,912	488,810
		867,490	**483,863**	**885,724**	**518,115**

(a) Unearned income represents unearned rental income. The Company earns rental income on some of its investment properties. These amounts are non-refundable and are credited to income as the services are rendered.

(b)

Pension payable *In thousands of Naira*	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
At 1 January	952	779	-	-
Addition during the year	3,449	208	-	-
Remittance during the year	(4,139)	(35)	-	-
At 31 December	**262**	**952**	**-**	**-**

(c) Included in the balance above is the provision for the Company's litigation and claims which is dependent on the outcome of various court proceedings. The Company has elected for a disclosure exemption pursuant to IAS 37 in order to avoid prejudicing the outcome of these various litigations.

(d) Claims fund represents claims recovered from co-insurers on the fire affected property of the company at 47/49 Martins Street, Lagos Island, Lagos.

(e) Included in the account balance is the unclaimed cheque of N382 million, most of the cheques were presented in 2019, same had cleared from the books.

21 Deferred tax assets and liabilities

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.

Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Assets:				
Property, plant and equipment	(6,033)	(6,033)	(6,033)	(6,033)
Deferred tax assets	(6,033)	(6,033)	(6,033)	(6,033)
Liabilities:				
Property, plant and equipment	122,261	15,029	121,480	6,371
Investment properties	-	-	-	-
Deferred tax liabilities	122,261	15,029	121,480	6,371
Net deferred tax liabilities	**116,228**	**8,996**	**115,447**	**338**

Group
The movement in temporary differences recognised during the year ended 31 December 2018 is as follows:

In thousands of Naira	At 1 January	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December
Property, plant and equipment	(167,054)	-	(15,725)	(182,779)
Tax Adjustment	17,837	-	-	17,837
Unrelieved losses	(317,187)	124,265	-	(192,922)
Provisions	-	(1,175)	-	(1,175)
Investment properties	475,400	(133)	-	475,267
	8,996	122,957	(15,725)	116,228

Company
The movement in temporary differences recognised during the year ended 31 December 2018 is as follows:

In thousands of Naira	At 1 January	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December
Property, plant and equipment	(39,095)	-	(15,725)	(54,820)
Unrelieved losses	(294,691)	132,142	-	(162,549)
Provisions	-	(1,175)	-	(1,175)
Investment properties	334,124	(133)	-	333,991
	338	130,834	(15,725)	115,447

Group
The movement in temporary differences recognised during the year ended 31 December 2017 is as follows:

In thousands of Naira	At 1 January	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December
Property, plant and equipment	(171,695)	-	2,058	(169,637)
Tax adjustment	17,837	-	-	17,837
Unrelieved losses	(317,846)	659	-	(317,187)
Investment properties	475,400	-	-	475,400
	3,696	659	2,058	6,413

Company
The movement in temporary differences recognised during the year ended 31 December 2017 is as follows:

In thousands of Naira	At 1 January	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December
Property, plant and equipment	(42,684)	-	2,058	(40,626)
Unrelieved losses	(294,691)	-	-	(294,691)
Investment properties	334,124	-	-	334,124
	(3,251)	-	2,058	(1,193)

Unrecognized deferred tax assets
Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

22 Taxation

(a) Current income tax liabilities

The movement in this account during the year was as follows:

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
At 1 January	150,196	131,040	145,870	126,501
Payments during the year	(11,687)	(26,861)	(11,696)	(24,501)
Minimum tax (note (b) below)	51,814	46,017	50,394	43,870
At 31 December	**190,323**	**150,196**	**184,568**	**145,870**
Current	190,323	150,196	184,568	145,870
Non-current	-	-	-	-
	190,323	**150,196**	**184,568**	**145,870**

(b) Income tax expense for the year comprises;

Corporate income tax charge	-	-	-	-
Tertiary education tax	5,773	6,374	5,773	5,672
Information technology levy	4,452	4,504	4,452	4,504
	10,225	10,878	10,225	10,176
Minimum tax	41,589	35,139	40,169	33,694
Charge for the year	51,814	46,017	50,394	43,870
Deferred tax charge	106,442	962	114,229	-
Total	**158,256**	**46,977**	**164,623**	**43,870**

i

Tax Expense - Group

In thousands of Naira	31-Dec-18	31-Dec-17
Company income tax	41,589	43,870
Education tax	5,773	-
Information tax	4,452	-
Current Income tax charge	51,814	43,870
Deferred tax charge	106,442	960
NITDA		-
	158,256	44,830

The current tax charge has been computed at the applicable rate of 30% (31 December 2017: 30%) plus education tax of 2% (31 December 2017: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible for tax purposes. Non-deductible expenses include items such as public relations expenses, levies and penalties and certain provisions which are not allowed as a deductions by the tax authorities. Tax exempt income include income such as dividend income, reserves and fair value gains which are not taxable.

ii **Effective tax reconciliation**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

Group

In thousands of Naira

		31-Dec-18		31-Dec-17	
Profit before tax	100%	(3,530)	100%	449,679	100%
Tax using domestic tax rate	30%	(1,059)	30%	141,551	30%
Non-deductible expenses	-11%	93,394	-11%	25,523	5%
Tertiary education tax	3%	745	-	6,374	1%
Tax exempt income	6%	(66,862)	6%	(104,209)	-23%
Tax incentives	24%	(140,487)	24%	(184)	-
Minimum tax adjustment	-7%	34,351	-7%	35,137	7%
Revaluation/fair valuation	-	-	-	1,440	-
Information technology levy	-	4,451	-	4,505	1%
	45%	(75,467)	49%	43,921	22%

i Tax Expense - Company

In thousands of Naira	General Business	Life Business	Total	31-Dec-17
	31-Dec-18			
Company Income tax	-	-	-	-
Education tax	1,458	-	1,458	5,672
Minimum tax	13,315	17,729	31,044	33,694
Current Income tax Charge	14,773	17,729	32,502	39,366
NITDA	182	-	182	4,504
	14,955	17,729	32,684	43,870

The current tax charge has been computed at the applicable rate of 30% (31 December 2018: 30%) plus education tax of 2% (31 December 2017: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible for tax purposes. Non-deductible expenses include items such as public relations expenses, levies and penalties and certain provisions which are not allowed as a deductions by the tax authorities. Tax exempt income include income such as dividend income, reserves and fair value gains which are not taxable.

ii Effective tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

Company

In thousands of Naira	General Business	Life Business	Total	%	31-Dec-17
	31-Dec-18				
Profit before tax	(391,290)	412,164	20,874	100%	450,495
Tax using domestic tax rate	(80,215)	133,539	53,324	30%	135,149
Non-deductible expenses	332,595	20,070	352,665	-11%	22,960
Tertiary education tax	5,773	-	5,773	3%	5,672
Tax exempt income	(12,298)	(54,564)	(66,862)	6%	(104,209)
Tax incentives	(153,145)	(683,695)	(836,840)	24%	(163)
Minimum tax adjustment	11,883	28,286	40,169	-7%	33,694
Loss Relief	(86,937)	584,650	-	33%	
Revaluation/fair valuation	-	-	-	-	1,531
Information technology levy	-	4,451	4,451	-	4,505
	17,656	32,737	50,394	49%	99,139

23 Share Capital

Share capital comprises:

	In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
(a)	Authorized:				
	Ordinary shares of 50k each:				
	General business 7,000,000,000 units	3,500,000	3,500,000	3,500,000	3,500,000
	Life business 4,000,000,000 units	2,000,000	2,000,000	2,000,000	2,000,000
	Composite business 11,000,000 units	5,500,000	5,500,000	5,500,000	5,500,000
	Issued and fully paid:				
	Ordinary shares of 50k each:				
	General business 2,585,984,380 units	1,292,982	1,292,982	1,292,982	1,292,982
	Life business 1,241,500,000 units	620,760	620,760	620,760	620,760
	GNI Healthcare	-			
	Composite business 3,827,484,380 units	**1,913,742**	**1,913,742**	**1,913,742**	**1,913,742**

24 Share premium

Share premium comprises additional paid-in capital in excess of the par value. This reserve is not ordinarily available for distribution.

25 Contingency reserve

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
At 1 January	858,103	796,149	858,103	796,149
Transfer from retaining earnings (note 26)	107,849	61,954	107,849	61,954
At 31 December	**965,952**	**858,103**	**965,952**	**858,103**

In compliance with Section 21 (1) of Insurance Act CAP I17 LFN 2004, the contingency reserve for non-life insurance business is credited with the greater of 3% of total premiums or 20% of the profits (whichever is greater).This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium. While for life business, the contingency reserves is credited with an amount equal to 1% of gross premium or 10% of net profit (whichever is greater) and accumulated until it reaches the amount of minimum paid up capital.

26 Retained earnings

Retained earnings are the carried forward recognised losses plus current period profits or losses attributable to shareholders.

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
At 1 January	(656,287)	(993,470)	(604,979)	(949,649)
Retrospective recognition of ECL model	(31,364)	-	(13,132)	-
Profit/(loss) for the year	(158,181)	399,137	(174,516)	406,624
Transfer to contingency reserve (note 25)	(107,849)	(61,954)	(107,849)	(61,954)
At 31 December	**(953,680)**	**(656,287)**	**(900,477)**	**(604,979)**

27 Fair value reserve

Fair value reserve represents gain on unquoted equites.

Fair value reserve comprises

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
At 1 January	-	-	-	-
Fair value gain	187,470	-	187,470	-
At 31 December	**187,470**	**-**	**187,470**	**-**

28 Asset revaluation reserve

Revaluation reserve is the accumulation of revaluations gain on properties in use by the Group.

Revaluation reserve comprises *In thousands of Naira*	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
At 1 January	614,600	600,176	568,150	554,372
Revaluation gain	14,550	16,212	8,800	15,309
Tax on revaluation of property	(880)	(1,621)	(880)	(1,531)
Non-controlling interest	(1,182)	(167)	-	-
At 31 December	**627,088**	**614,600**	**576,070**	**568,150**

29 Gross premium written

Gross premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period.

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
General business				
Fire	330,874	254,127	330,874	254,127
General accidents	245,700	274,770	245,700	274,770
Employer's liability	10,826	11,174	10,826	11,174
Engineering	22,682	29,049	22,682	29,049
Marine	133,546	98,353	133,546	98,353
Bond	5,828	2,182	5,828	2,182
Oil and gas	122,215	99,325	122,215	99,325
Motor	294,787	286,177	294,787	286,177
	1,166,458	1,055,157	1,166,458	1,055,157

Life business				
Individual Life	292,547	144,111	292,547	144,111
Group life	1,696,332	1,660,368	1,696,332	1,660,368
Annuity	133,165	16,984	133,165	16,984
	2,122,044	1,821,463	2,122,044	1,821,463
GNI Healthcare	203,891	140,401	-	-
Group premium written	**3,492,393**	**3,017,021**	**3,288,502**	**2,876,620**

30 Net insurance premium revenue

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Short-term insurance contracts:				
– Gross premium	3,492,393	3,017,021	3,288,502	2,876,620
Changes in unearned premium	86,049	(268,752)	88,579	(249,727)
Changes in life fund (see note 16d)	271,384	68,122	271,384	68,122
Premium revenue arising from insurance contracts issued	3,849,825	2,816,391	3,648,465	2,695,015
Short-term reinsurance contract:				
– Reinsurance cost	(459,699)	(434,176)	(459,699)	(434,176)
Net premium revenue ceded to reinsurers on insurance contracts issued	(459,699)	(434,176)	(459,699)	(434,176)
Net insurance premium revenue	**3,390,126**	**2,382,215**	**3,188,767**	**2,260,839**

31 Commission income

In thousands of Naira

– Insurance contracts	133,641	108,486	133,641	108,486

32 Net claims and benefits paid

Insurance claims and loss adjustment expenses

Gross benefits and claims paid	2,082,902	1,083,319	1,986,150	1,019,788
Gross changes in outstanding claims	(192,596)	283,729	(232,715)	290,020
	1,890,306	**1,367,048**	**1,753,435**	**1,309,808**
Recoverable from re-insurance	(121,070)	(247,606)	(121,070)	(247,606)
Net claims and benefits expenses	1,769,235	1,119,442	1,632,365	1,062,203

33 Expenses for the acquisition of insurance and investment contracts

In thousands of Naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Costs incurred for the acquisition of general insurance contracts expensed in the year.	264,349	150,301	264,349	150,301
Costs incurred for the acquisition of life insurance contracts expensed in the year.	182,053	162,589	182,053	162,589
Costs incurred for the acquisition of Health insurance contracts expensed in the year.	11,981	5,536	-	-
	458,383	**318,426**	**446,402**	**312,890**

34 Maintenance cost

Costs incurred for the maintenance of general insurance contracts	95,839	25,276	95,839	25,276
Costs incurred for the maintenance of life insurance contracts	45,405	32,890	45,405	32,890
	141,244	**58,166**	**141,244**	**58,166**

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35 Investment income

Dividend income	21,215	31,674	21,215	14,345
Interest income	247,641	295,053	234,256	295,053
Rental income	57,015	74,558	55,065	71,479
	325,871	401,284	310,536	380,877
Attributable to:				
- Shareholders	222,084	216,694	167,690	205,674
- Policy holders	103,787	184,591	182,129	175,203
	325,871	401,284	310,536	380,877

36 Net fair value gains on assets measured at fair value through profit or loss

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Net fair value (loss)/gains on financial assets at fair value through profit or loss	(78,845)	59,776	(78,845)	59,776
Fair value gains on investment properties	(1,221)	211,521	(1,221)	211,521
	(80,066)	271,297	(80,066)	271,297

37 Other operating income

Profit on disposal of asset	1,738	207	1,738	207
Exchange gain (note 36.1)	17,377	-	17,377	-
Foreign exchange on revaluation of investment property	-	14,888	-	14,888
Gain on disposal on investments	693	11,496	693	11,496
Write back of impairment on trade receivables	-	75,519	-	75,519
Write back of impairment on cash and cash equivalents	-	99,576	-	99,576
Write back of impairment on other receivables	12,946	3,381	12,946	3,381
Other income	66,808	9,430	66,808	9,430
	99,562	214,497	99,562	214,497

37.1 Exchange gains of N17 million represents net fair value gains of investments and bank balances held in foreign currency (USD) and (Euro) as at 31 December 2018. The CBN exchange rates for United States Dollar and European Euro to Nigerian Naira as at year end were N306/$1 and N321.58/Euro.

In thousands of Naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17

38 Management expenses

Management expenses comprise of:

(a) Employee benefit expense

Wages and salaries	410,166	402,933	377,750	383,703
Pension costs – defined contribution plans	41,100	42,334	39,007	41,276
Other benefits	72,337	74,961	66,928	70,921
	523,603	520,228	483,685	495,900

(b) Other operating expenses

Depreciation	71,026	54,284	62,812	48,178
Amortisation of intangible assets	34,339	2,143	34,339	2,143
Auditor's remuneration	26,500	20,606	22,500	16,537
Bank charges	7,018	8,243	7,018	8,243
Directors fees and expenses	20,690	12,251	16,092	12,251
Repairs & maintenance expense	57,403	76,817	55,562	75,060
Travel and representation	51,566	41,417	51,566	41,417
Advertising	24,474	10,544	24,474	10,544
Occupancy expenses	28,993	21,668	27,793	21,668
Motor vehicle running expenses	41,515	7,315	41,515	7,315
Fees and assessment	52,825	27,720	49,918	27,720
Office supply and stationery	11,119	17,703	11,119	17,703

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Communication and postages	32,803	44,758	32,803	44,758
Legal, Professional & Other Charges	195,612	318,671	191,906	314,402
Insurance	168,903	10,969	164,562	10,969
Overhead/other administrative expenses	183869	217,637	170,704	199,599
	1,008,655	892,747	964,684	858,508
Finance cost	-	129,522	-	129,522
Management expenses	**1,532,337**	**1,542,497**	**1,448,369**	**1,483,931**

39 Impairment losses

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Allowance/(write back) of impairment - Life Business	(9,982)	(2,954)	(32,391)	(18,302)
(Write back)/allowance of impairment - General Business	(50,939)	(16,988)	(50,939)	16,988
Net impairment losses	(60,921)	(19,942)	(83,330)	(1,314)
Impairment on cash and cash equivalents	(1,811)	-	(1,811)	-
Impairment charge on financial assets	(8,507)	(2,552)	(8,507)	2,552
Impairment write back on trade receivables	21,346	(403)	3,567	403
Impairment charge on reinsurance asset	(27,068)	-	(27,068)	-
Impairment (write back)/ charge on investment in subsidiary	(22,409)	-	(22,409)	21,257
Impairment charge on other receivables	(22,472)	(16,987)	(27,102)	(25,526)
	(60,921)	**(19,942)**	**(83,330)**	**(1,314)**

40 Earnings per share

Basic diluted earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
(Loss)/Profit attributable to equity holders	(161,786)	402,701	(174,516)	406,624
Weighted average number of ordinary shares in issue (thousands)	3,827,485	3,827,485	3,827,485	3,827,485
Basic (loss)/Basic earnings per share (Kobo per share)	(4.23)	10.52	(4.56)	10.62

Reconciliation of profit after tax to net cash provided by operating activities:

41

(Loss)/Profit before tax	(3,530)	449,678	(9,893)	450,494
Adjustment for non-cash items:				
Impairment (write back)/allowances for assets	60,921	(75,945)	83,330	(97,202)
Depreciation on property, plant and equipment	71,026	54,284	62,812	48,178
Amortization of intangible assets	34,339	2,143	34,339	2,143
Dividend income on equity investments	(21,215)	(31,674)	(21,215)	(14,345)
Interest Income	(247,641)	(295,053)	(234,256)	(295,053)
Rental income	(57,015)	(74,558)	(55,065)	(71,479)
Other income earned	-	(14,888)	-	(14,888)
Profit from disposal of fixed assets	(1,738)	(207)	(1,738)	(207)
Loss/profit from investment contract liabilities	(89,377)	(130,374)	(89,377)	(130,374)
Fair value loss/(gain) on investment properties	1,221	(211,521)	1,221	(211,521)
Fair value gain/(loss) on FVTPL	78,845	(59,776)	78,845	(59,775)
Gain on disposal of financial assets	(693)	(11,496)	(693)	(11,496)
Changes in unearned premium	(357,433)	200,631	(359,963)	181,605
Changes in outstanding claims	(192,596)	283,729	(232,715)	290,020
Finance cost on borrowings	-	126,628	-	126,628
	(724,886)	**211,601**	**(744,369)**	**192,728**

Changes in working capital:				
Trade receivables	62,070	(36,492)	77,421	(14,270)
Changes in financial assets	(324,203)	(19,902)	(324,203)	(19,902)
Other receivables and prepayment	16,540	(98,556)	236	(93,321)
Re-insurance asset	(12,125)	(135,683)	(12,125)	(135,683)
Deferred acquisition cost	4,793	(25,043)	4,793	(25,043)
Investment contract liabilities	(164,458)	(170,300)	(164,458)	(170,300)
Trade payables	(903)	(8,234)	(903)	(8,234)
Provisions and other payables	383,627	(106,663)	367,609	(61,253)
Net cash provided by operating activities	**(759,544)**	**(389,272)**	**(795,997)**	**(335,278)**

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

	Group 31-Dec-18	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
	Number	**Number**	**Number**	**Number**
N100,001 - N500,000	-	-	-	-
N500,001 - N1,000,000	3	3	2	3
N1,000,001 - N1,500,000	20	30	19	30
N1,500,001 - N2,000,000	31	42	27	40
N2,000,001 - N2,500,000	19	19	18	19
N2,500,001 - N3,000,000	5	8	4	7
N3,000,001 - N3,500,000	12	6	11	5
N3,500,001 - N4,000,000	6	3	6	3
N4,000,001 - N4,500,000	4	3	4	2
N4,500,001 - N5,000,000	2	6	1	5
N5,000,001 - N5,500,000	3	1	3	1
N5,500,001 - N6,000,000	4	1	3	1
N6,000,001 and above	20	20	19	19
	129	**142**	**117**	**135**

(b) The average number of full time employees employed by the Group during the year was as follows:

	Group 31-Dec-18	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
	Number	Number	Number	Number
Management staff	20	20	19	19
Senior staff	106	110	79	104
Junior staff	3	12	19	12
	129	**142**	**117**	**135**

(c) **Directors' remuneration:**

i Remuneration paid to the directors of the Group (excluding pension contribution and certain benefits) was as follows:
In thousands of Naira

	Group 31-Dec-18	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Directors fees	17,061	17,061	15,747	15,747
Other emoluments	-	-	-	-
Salaries	52,000	52,000	52,000	52,000
	69,061	**69,061**	**67,747**	**67,747**

ii The directors' remuneration shown above (excluding pension contributions and other allowances) includes:
In thousands of Naira

	Group 31-Dec-18	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Chairman	4,579	4,579	4,579	4,579
Highest paid director	33,000	30,000	33,000	30,000

Other directors whose duties were wholly or mainly performed in Nigeria, received emoluments (excluding pension and other benefits) in the following ranges:

	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
	Number	Number	Number	Number
N1,400,001 - N1,500,000	-	-	-	-
N1,700,001 - N1,800,000	-	-	-	-
Above N1,800,000	8	8	8	8
	8	8	8	8

43 Actuarial valuation

(a) The latest available actuarial valuation of the life business was performed as at 31 December 2018. The book value of the life funds as at that date was nil over its net actuarial liabilities. The valuation of the Company's life business funds as at 31 December 2018 was carried out by HR Nigeria Limited (consultants and actuaries). The valuation was done on the following principles:

(b) For all Endowment, Term Assurance and Mortgage Protection policies, the gross premium method of valuation was adopted. Reserves were calculated via a monthly cash flow projection approach, taking into account future office premiums, expenses and benefit payments. Future cash flows were discounted back to the valuation date at the valuation rate of interest which is 12.5%.

(c) The reserve for individual deposit administration policies has been taken as the amount standing to the credit of the policyholder at the valuation.

(d) An unearned premium reserve was included for Group Life policies. An allowance was made for Incurred But Not Reported claims to take care of delay in reporting claims.

(e) For individual life policies, the valuation age has been taken as the Age Last Birthday at the valuation date. The outstanding premium paying term has been calculated as the year of maturity minus expired duration. In all cases, an allowance has been made for premiums due between the valuation date and the next policy anniversary.

(f) The valuation of the liabilities was made on the assumption that premiums have been credited to the accounts as they fall due, according to the frequency of the particular payment.

(g) No specific adjustment has been made for immediate payment of claims.

(h) No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies.

(i) The UK's Mortality of Assured Lives table (A6770) was used in the valuation.

44 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one party controls both. The definition includes parents, associates, joint ventures and the Group’s pension schemes, as well as key management personnel.

Transactions with key management personnel

The Group’s key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Group.

Detailed below are the transactions the Group entered into with its related parties during the year.

In thousands of Naira		2018 31-Dec	2017 31-Dec
Sales of insurance contracts :	***Relationship***		
Premium	Key Mgt. Personnel	14,201	7,045
Receivables			
GNI Healthcare Limited	Subsidiary	29,499	50,399
Payables			
GNI Healthcare Limited	Subsidiary	33,000	11,297
Key management personnel compensation for the year comprises:			
Short term employee benefit		14,113	44,261
Post employee benefit		-	-

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45 Contravention of circulars, guidelines and regulations

The Group contravened the following guidelines during the year:

Nature of Contravention	Penalty N	Regulatory body	Status
Penalty on filing of audited/interim account	5,000,000	NSE	Paid
Penalty for late filing of fire service maintenance for 1st and 2nd quarter	2,500,000	NAICOM	Paid
Payment of penalty incurred on review of 2016 financial statement	5,000,000	FRCN	Paid
	12,500,000		

46 Events after the reporting period

a COVID-19 Pandemic

On 11 March, 2020, the World Health Organisation (WHO) declared the Coronavirus (COVID-19) outbreak a pandemic and both Federal and State governments have taken restrictive measures to contain its' further spread by introducing lockdowns, closure of borders and travel restrictions, both local and international.

The Nigerian Centre for Disease Control (NCDC) has confirmed COVID-19 cases in Nigeria and this has resulted in a lockdown in certain States. The pandemic has caused a significant reduction in social interactions and disruption in economic activities, while some public facilities have been shut down in a bid to reduce the spread of the virus.

On assessment of our lines of business, the company still records adequate premium income on our various products despite the government lockdown of the economy. There is no material impact on the variability of our premium generation as the company has further initiated other medium of payments such as USSD short codes and enhanced customer service networks. The process of production re-assessment and redesigning is a continuous process as the impact of the pandemic unfolds.

On the part of claims, the company has recorded lesser claims notification majorly in the line of our motor insurance, while travel insurance has also reduced due to the restrictions placed on both local and foreign travels. We are aware that the mode of business operation is likely going to change with time as product redesigning and pattern of claim notifications are subjected to remodeling.

As at the date these financial statements were authorized for issue, the Directors were not aware of any material adverse effects on the financial statements as a result of Covid-19 outbreak.

b Going Concern remediation action plan

The Group and the company have accumulated deficit of ₦954m (2017: ₦656m) and ₦901m (2017: ₦605m) respectively and negative operating cash flows of the Group ₦771m (2017: ₦416m) and Company ₦808m (2017: ₦360m).The directors plan to address the deficit through proceeds of N1.6 billion to be realised from the disposal of the company's investment properties in Oregun- Ikeja, Martins Street, Lagos and London. Also, they have in their plan to have an injection of fresh funds from both current shareholders and new investors in the sum of N15 billion through the recapitalisation plan of the company.

With these measures the directors believe the company will be able to have positive cash flows to discharge its liabilities as at when due and ensure the group continue to exist in the foreseeable future.

Aside the above issues, there were no other events after the reporting date that could have had a material effect on the financial statements of the Group and Company that have not been provided for or disclosed in these consolidated and separate financial statements.

47 Litigations and claims

The Group is a defendant in a number of suits in the course of the year but at year end, only two litigations were outstanding. In the first suit, the plaintiff had an insurance policy valued at N6million but as at the time of occurrence of the insured event, the insured had not paid the insurance premium. The second suit involves a breach of contract between a plaintiff claiming the sum of N10 million and the Group's advertising agent. The advertising agent had an agreement with the plaintiff which was to expire after one year of the execution of the contract. The two litigations arose in the normal course of business and are being contested by the Group. The directors having sought professional legal counsel are of the opinion that no significant liability will crystallize from this litigation and therefore no provision is deemed necessary for these legal claims.

There are contingent liabilities of N154.3m in 2018 (2017: N287m and contingent asset of N9m).These litigations and claims arose in the normal course of business and are being contested by the Group. However, the Management, having sought the advice of professional legal counsel are of the opinion that based on the advice received, some liabilities may crystallize from these cases and have therefore made some provision in provisions and other payables (see note 21).

Management is of the opinion that no liability will crystallise from these litigations.

48 Solvency Margin

The Company's solvency margin for its composite business as at 31 December 2018 is N2.8billion. This is N2.2 billion below the required minimum solvency margin of N5 billion for composite business based on the most recent regulatory guidelines. However to address the negative solvency margin directors have the plan to realise about N1.6 billion in cash via sales of the company's investment properties in Oregun-Ikeja, Martins Street, Lagos and London. In addition, the directors also plan to have an injection of fresh funds from both current shareholders and new investors in the sum of N15 billion from the recapitalisation program of the company.

These measures the directors believe we reverse the deficit in solvency margin, negative operating cash flows and allow the company continue to realise its assets and discharged her liabilities as at when due. With this in mind they believe there is no threat to the going concern of the company.

49 Financial Risk Management

(a) Introduction and Overview

This note presents information about the Group's exposure to different types of risks; the objectives, systems, policies and processes for identifying, measuring and managing risks; and the Group's management of capital. The Group's activities exposes it to a variety of risks, and those activities principally involve creation of financial assets and liabilities. Great Nigeria Insurance recognizes the role of responsible risk management practices in achieving her strategic vision of being one of the leading insurance companies in Nigeria. In light of this, the Group has a well-established risk management framework and an experienced risk team. The Group's aim is therefore to achieve an appropriate balance between risk and return, and minimise potential adverse effects on the Group's financial performances. As part of the Group's investment strategy to reduce both insurance and financial risk, the Group matches its investments' duration with the expected duration of liabilities arising from insurance and investment contracts, by reference to the type of benefits payable to contract holders.

Risk management framework

The Group's risk management philosophy is premised on the belief that aggressive and yet guarded risk attitude will ensure sustainable growth in shareholders' value and corporate reputation. Effective risk management is critical to any insurance Group for achieving financial soundness and stability. In view of this, aligning risk management to the Group's organizational structure and business strategy has become integral part of our business.

To this end, the Board and Management are committed to establishing and sustaining tested practices in risk management. Specifically, the Board has established a Risk Management Committee which is responsible for developing and monitoring the Group's risk management policies and practices. Also the Management recently established the Risk Management Unit, with responsibility to ensure that risk management processes are implemented in compliance with policies approved by the Board. The Risk Management Unit reports directly to Board's Risk Management committee. The Board of Directors determines the Group's goals in terms of risk by issuing a risk policy. The policy both defines acceptable levels of risk for day-to-day operations, as well as the willingness of the Group to incur risk, weighed against the expected rewards. The Group's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of the major risks inherent in its business activities. It is also intended to create a culture of risk awareness and personal responsibility throughout the Group.

The Group's risk management architecture is carefully crafted to balance corporate oversight with well-defined risk management functions which fall into one of three categories where risk must be managed: lines of business, governance and control and corporate audit. The Board of Directors and management of the Group are committed to constantly establishing, implementing and sustaining tested practices in risk management to match those of leading international insurance companies. We are convinced that the long-term sustainability of our Group depends critically on the proper governance and effective management of our business. As such, risk management occupies a significant position of relevance and importance in the Group.

The risk policy is detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and managing these risks proactively in a cost effective manner. It is a top-level integrated approach to events identification and analysis for proper assessment, monitoring and identification of business opportunities. Specific policies are also in place for managing risks in the different risk areas of credit, market, liquidity, insurance, price and operational risks. The evolving nature of risk management practices and the dynamic character of the insurance industry necessitate regular review of the effectiveness of each enterprise risk management component. In light of this, the Group's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in either or both of the following ways: via continuous self-evaluation and monitoring by the risk management and compliance functions in conjunction with internal audit; and through independent evaluation by external auditors, examiners and consultants.

The Group's management has primary responsibility for risk management and the review of the ERM Framework and to provide robust challenge based on quantitative and qualitative metrics. All amendments to the Group's ERM Framework require Board approval. The risk management division is responsible for the enforcement of the Group's risk policy by constantly monitoring risk, with the aim of identifying and quantifying significant risk exposures and acting upon such exposures as necessary.

(b) ***Risk Management Philosophy, Culture***

Risk management is at the core of the operating structure of the Group. We seek to limit adverse variations in earnings and capital by managing risk exposures within our moderate risk appetite. Our risk management approach includes minimizing undue concentrations of exposure, limiting potential losses from stress events and the prudent management of liquidity.

Risk management is integral to the Group's decision-making and management process. It is embedded in the role of all employees via the organizational culture, thus enhancing the quality of strategic, capital allocation and day-to-day business decisions.
Great Nigeria Insurance Plc considers risk management philosophy and culture as the set of shared beliefs, values, attitudes and practices that characterize how the Group considers risk in everything it does, from strategy development and implementation to its day-to-day activities. In this regard, the Group's risk management philosophy is that a moderate and guarded risk attitude ensures sustainable growth in shareholder value and reputation.

Risk Appetite
Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Great Nigeria Insurance Plc is willing to accept in pursuit of its strategy, duly set and monitored by the executive committee and the Board, and integrated into our strategy, business, risk and capital plans. Risk appetite reflects the Group's capacity to sustain potential losses arising from a range of potential outcomes under different stress scenarios.

The Group defines its risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. Our risk appetite can be expressed in terms of how much variability of return the Group is prepared to accept in order to achieve a desired level of result. It is determined by considering the relationship between risk and return. We measure and express risk appetite qualitatively and in terms of quantitative risk metrics. The quantitative metrics include earnings at risk (or earnings volatility) and, related to this, the chance of regulatory insolvency, chance of experiencing a loss and economic capital adequacy. These comprise our Group-level risk appetite metrics. In addition, a large variety of risk limits, triggers, ratios, mandates, targets and guidelines are in place for all the financial risks (e.g. credit, market and asset and liability management risks).

Risk Objectives
The broad risk management objectives of the Group are:

• To identify and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost;
• To protect against unforeseen losses and ensure stability of earnings;
• To maximize earnings potential and opportunities;
• To maximize share price and stakeholder protection;
• To enhance credit ratings and depositor, analyst, investor and regulator perception; and
• To develop a risk culture that encourages all staff to identify risks and associated opportunities and to respond to them with cost effective actions

Risk Control Process

Risk control processes are identified and discussed in the quarterly risk report and Management Risk Committee meetings. Control processes are also regularly reviewed at Business Unit level and changes agreed with the Risk Officer.

Risk Categorization

Great Nigeria Insurance PLC Limited is exposed to an array of risks through its daily business activities and operations. The Group has identified and categorized its exposure to these broad risks as listed below:

(i) Credit risk
(ii) Insurance risk
(iii) Liquidity risk
(iv) Market risk
(v) Operational risk

(c) Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's investment portfolio and the reliance on reinsurers to make payment when certain loss conditions are met. . For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure. For risk management purposes, credit risk arising on trading assets is managed independently; and information thereon is disclosed below.

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The Group's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

The Group 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 Group only transacts with entities that are rated the equivalent to investment grade and above.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:
The Group's enterprise risk management policy sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored, exposures and breaches are reported to the Group's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

(i) Net exposure limits are set for each counterparty or Group of counterparties and industry segment (i.e. limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held).
(ii) The Group further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The Group's reinsurance treaty contracts involve netting arrangements.
(iii) Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the management and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
(iv) The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long–term credit ratings and worthiness.
(v) The credit risk in respect of customer balances incurred on non–payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

(vi) Outlined below is the Group's exposure to credit risk arising from trade receivables

In thousands of naira	**Group 31-Dec-18**	**Group 31-Dec-17**	**Company 31-Dec-18**	**Company 31-Dec-17**
Gross Amount				
Neither past due nor impaired	-	-	-	
Past due but not impaired	59,356	164,117	16,087	105,650
Impaired	21,346	-	8,575	-
Total	80,702	164,117	24,662	105,650
Impairment				
Neither past due nor impaired	-	-	-	-
Past due but not impaired	-	-	-	-
Impaired	21,346	-	8,575	-
Total	21,346	-	8,575	-
Carrying Amount	**59,356**	**164,117**	**16,087**	**105,650**

Credit Definitions

Impaired trade receivables
Impaired trade receivables for which the Group determines that it is probable that it will be unable to collect the contractual payments according to the contractual terms of the agreement(s).

Past due but not impaired trade receivables
Trade receivables where contractual payments are past due (outstanding for more than 30 days) but the Group believes that impairment is not appropriate on the basis that the amounts owed have been received subsequently as at the Group's reporting date.

Neither past due or impaired
Trade receivables where contractual payments are not due and that the Group believes are not impaired. They have been outstanding for less than 30 days.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for Groups of homogeneous assets in respect of losses that have been incurred but have not been identified on receivables subject to individual assessment for impairment.

Impairment Model

Trade receivables, which technically falls under receivables is recognized at a fair value and subsequently measured at amortized cost, less provision for impaired receivables. Under IFRS, an asset is impaired if the carrying amount is greater than the recoverable amount. The historical loss rate model has been used in estimating the impairment of its receivables.
Following the provisions of IAS 39, the impairment of the premium debtors will be assessed at two different levels, individually or collectively. The premium debt of the Group is assessed for individual or specific impairment where an objective evidence of impairment exists. Collective impairment is done using the historical loss rate model.

Reinsurance:

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

Money market investments:

The Group's investment portfolio is exposed to credit risk through its fixed income and money market instruments. The Group further manages its exposure to credit risk through counterparty risk via established limits as approved by the Board. These limits are determined based on credit ratings of the counterparty amongst other factors. All fixed income investments are measured for performance on a quarterly basis and monitored by management on a monthly basis. The credit risk exposure associated with money market investments is low.

Group portfolio		
Counterparty	**Investment in money market**	**%**
National Banks	1,790,247,694	98%
Investment House	36,369,755	2%

The Company's counterparty exposure as at 31 December 2018 is represented below:

Company portfolio		
Counterparty	**Investment in money market**	**%**
National Banks(Value)	1,665,797,460	98%
Investment House	36,369,755	2%

The Group's counterparty exposure as at 31 December 2017 is represented below:

Group portfolio		
Counterparty	**Investment in money market**	**%**
National Banks	1,908,538,752	97%
Investment House	63,230,045	3%

The Company's counterparty exposure as at 31 December 2017 is represented below:

Company portfolio		
Counterparty	**Investment in money market**	**%**
National Banks	1,908,538,752	97%
Investment House	63,230,045	3%

Other receivables

Other receivables balances constitute other debtors, dividend and intergroup receivables. The Group has an internal system of assessing the credit quality of other receivables through established policies and approval systems. The Group constantly monitors its exposure to these receivables via periodic performance review. The Group further manages its exposure to credit risk through deduction of transactions at source and investment in blue-chip companies quoted on Nigerian Stock Exchange. The exposure to credit risk associated with other receivables is low.

Insurance Risks

(e) The major risk confronting the Group in the arrear of insurance contracts are that of actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and later development of long–term claims. Flowing from the foregoing, our main focus is to ensure that sufficient assets are available to cover these liabilities.

We have taken conscious efforts to mitigate our exposure to these inherent risks by diversifying across a large portfolio of insurance contracts and geographical areas. As part of risk management strategy, resourceful and efficient underwriting strategy guidelines and procedures are deployed and implemented. Besides, we have instituted mechanisms for structuring of coinsurance arrangements with friendly insurance Companies to ensure evenness of risks.

In addition there are well defined policies guidelines for ensuring adequate ceding out of risks to reinsurers as part of our risk mitigation programme. Businesses so ceded out to Reinsurer are placed on a proportional and non–proportional basis. While Proportional reinsurance are mainly quota–share reinsurance which is taken out, on original terms basis, to mitigate our overall exposure to risk in specific categories of risk underwriting businesses, Non–proportional reinsurances are principally excess–of–loss reinsurance intended to ameliorate our net exposure to large losses. Retention limits for the excess–of–loss reinsurance vary by product line.

Both the amounts of outstanding claims and recoverable from reinsurers are projected in comportment with the outstanding claims provision and are in accordance with the terms of reinsurance contracts. Despite have put in place the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: fire, motor, general accidents, marine, bond, engineering, workmen compensation and special risks. Risks under non–life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from accidents. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts.

Frequency and severity of claims

(i) The frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damages suffered as a result of road accidents. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose excess or deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs.

The reinsurance arrangements include excess and proportional coverage. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses in any one year.

The Group has a specialized claims unit that ensures mitigation of the risks surrounding all known claims. This unit investigates and adjusts all claims in conjunction with appointed loss adjusters. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Management assesses risk concentration per class of business. The concentration of insurance risk before and after reinsurance by class in relation to the type of insurance risk accepted is summarized below, with reference to the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from non-life insurance.

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31-Dec-18

Product	Gross sum insured	Gross Re-Insured	Net sum insured
Amount in thousands of Naira			
Fire	330,872,317	200,594,267	130,278,050
General Accident	268,383,944	103,971,170	164,412,774
Marine	133,545,875	75,003,634	58,542,241
Engineering	10,826,352	-	10,826,352
Bond	5,828,374	928,528	4,899,846
Oil & Gas	122,215,430	41,155,071	81,060,359
Special risk	-	-	-
Motor	294,786,588	14,906,215	279,880,373
Total	**1,166,458,880**	**436,558,885**	**729,899,995**

31-Dec-17

Product	Gross sum insured	Gross Re-Insured	Net sum insured
Amount in thousands of Naira			
Fire	254,127,334	180,482,226	73,645,108
General Accident	274,769,632	142,470,301	132,299,331
Marine	98,352,692	45,818,543	52,534,149
Engineering	29,049,313	15,182,212	13,867,101
Bond	2,181,641	-	2,181,641
Travel Insurance	11,173,925	906,540	10,267,385
Special risk	99,324,723	22,998,079	76,326,644
Motor	286,176,885	19,334,568	266,842,317
Total	**1,055,156,145**	**427,192,469**	**627,963,676**

(ii) Sources of uncertainty in the estimation of future claim payments

Claims on non-life insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The reserves held for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unearned premiums at the end of the reporting period.

(iii) Process used to decide on assumptions

For non-life insurance risks, the Group uses different methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the Discounted Inflation-adjusted Basic Chain Ladder and the Expected Loss Ratio methods adjusted for assumed experience to date.

Claims data was grouped into triangles by accident year or quarter and payment year or quarter. The choice between quarters or years was based on the volume of data in each segment. The claims paid data was sub – divided into large and additional claims. Large claims were projected separately as they can significantly distort patterns. Where there was insufficient claim data, large and additional claims were projected together as removing large claims would reduce the volume of data in the triangles and compromise the credibility.

Discounted Inflation-adjusted Basic Chain Ladder method

Historical claims paid were grouped into 6 years cohorts – representing when they were paid after their underwriting year. These cohorts are called claim development years and the patterns for 6 years was studied. The historical paid losses are projected to their ultimate values for each underwriting year by calculating the loss development factors for each development year. The ultimate claims are then derived using the loss development factors and the latest paid historical claims.

The historical paid losses are inflated using the corresponding inflation index in each of the accident years to the year of valuation and then accumulated to their ultimate values for each accident year to obtain the projected outstanding claims. These projected outstanding claims are then further multiplied by the future inflation index from the year of valuation to the future year of payment of the outstanding claims.

The resulting claims estimated is discounted to the valuation date using a discount rate of 10% to allow for a margin of prudence.

The future claims (the ultimate claim amount less paid claims to date) are allocated to future payment periods in line with the development patterns. The outstanding claims reported to date are then subtracted from the total future claims to give the resulting IBNR figure per accident year or quarter. i.e. IBNR = Ultimate claim amount minus paid claims till date minus claims outstanding .

Assumptions underlying the Discounted Inflation-adjusted Basic Chain Ladder method

This method assumes the following:

The future claims follows a trend pattern from the historical data

(i) Payment patterns will be broadly similar in each accident year. Thus the proportionate increases in the known cumulative payments from one development year to the next used to calculate the expected cumulative payments for the future development periods.

(ii) The run off period is six (6) years and hence the method assumes no more claims will be paid after this.

(iii) That weighted past average inflation will remain unchanged into the future

Expected Loss Ratio method

This model assumes that the average delay in the payment of claims will continue into the future. Additionally, an estimate of the average ultimate loss ratio was assumed. The estimated average loss ratio was based on claims experience at the reporting date for accident years 2010, 2011 and 2012. For 3 of the classes of business namely Engineering, Workmen compensation, Bond and Oil & gas, there was very limited data. A Discounted Inflation-adjusted Basic Chain Ladder method was therefore inappropriate. The reserve was calculated as the expected average ultimate loss ratio for the assumed average delay period multiplied by earned premium for the assumed delay period minus current experience to the reporting date relating to the accident months that the delay affects.

Unearned premium provision was calculated using a time – apportionment basis. The same approach was taken for deferred acquisition cost as for the calculation of the UPR balance.

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Sensitivity analysis

Sensitivity analysis is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact the Company's insurance liabilities. The correlation of assumptions will have a significant effect in determining the ultimate liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions.

Non-Life Valuation Report as at 31st December, 2018 Sensitivity Analysis

Class of Business	Base	5% Development Ratio	-5% Development Ratio	1% Inflation Rate	-1% Inflation Rate	1% Discount Rate	-1% Discount Rate
General Accident	164,422,701	171,928,180	149,865,086	167,411,236	161,496,672	161,782,621	167,158,657
Employers Liability	2,940,687	3,115,753	2,865,693	2,940,687	2,940,687	2,940,687	2,940,687
Fire	69,302,541	75,324,949	63,949,230	69,906,713	68,701,839	68,812,917	69,802,201
Marine	48,968,492	52,600,419	45,666,810	49,495,486	48,443,341	48,660,700	49,281,682
Motor	41,171,964	50,960,899	31,490,609	41,602,479	40,743,071	40,925,660	41,422,770
Oil & Gas	51,545,287	58,833,701	44,066,600	51,545,287	51,545,287	51,545,287	51,545,287
Total	**378,351,672**	**412,763,902**	**337,904,029**	**382,901,889**	**373,870,897**	**374,667,873**	**382,151,283**
Account outstanding	**267,218,265**	**267,218,265**	**267,218,265**	**267,218,265**	**267,218,265**	**267,218,265**	**267,218,265**
IBNR	**111,133,407**	**145,545,637**	**70,685,764**	**115,683,624**	**106,652,632**	**107,449,608**	**114,933,018**
Percentage change		**9.10%**	**-10.69%**	**1.20%**	**-1.18%**	**-0.97%**	**1.00%**

Non-Life Valuation Report as at 31st December, 2017 Sensitivity Analysis

Discounted IABCL

Class of Business	Base	5% Loss Ratio	(-5%) Loss Ratio	1% Inflation Rate	(-1%) Inflation Rate	1% Discount Rate	(-1%) Discount Rate
General Accident	177,209,545	185,298,711	161,519,811	180,430,492	174,055,964	174,364,151	180,158,270
Fire	8,491,999	8,997,547	8,275,435	8,491,999	8,491,999	8,491,999	8,491,999
Marine	204,099,122	221,835,387	188,333,379	205,878,437	202,330,028	202,657,158	205,570,642
Motor	36,380,528	39,078,824	33,927,585	36,772,052	35,990,374	36,151,859	36,613,209
Bond	67,824,330	83,950,060	51,875,822	68,533,536	67,117,796	67,418,583	68,237,494
Employers Liability	-	-	-	-	-	-	-
Oil & Gas	99,638,009	113,726,650	85,181,566	99,638,009	99,638,009	99,638,009	99,638,009
Total	**593,643,532**	**652,887,178**	**529,113,599**	**599,744,525**	**587,624,169**	**588,721,758**	**598,709,622**
Account Outstanding	440,650,303	440,650,303	440,650,303	440,650,303	440,650,303	440,650,303	440,650,303
IBNR	152,993,230	212,236,875	88,463,296	159,094,223	146,973,866	148,071,455	158,059,320
Percentage Change		**10.0%**	**-10.9%**	**1.0%**	**-1.0%**	**-0.8%**	**0.9%**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Insurance Risk
The claims development history of the Group at the reporting date was as follows:
General Accident

	Incremental Chain ladder-Yearly (In thousands of Naira)										
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	12,511	40,454	14,701	1,088	5,632	101	-	-	-	-	-
2008	28,108	29,264	2,049	7,273	1,148	1,689	1,447	5,082	-	-	-
2009	22,972	30,864	1,181	1,584	1,188	166	10,721	7,000	-	-	-
2010	4,311	21,959	15,342	1,729	9,615	14,376	3,040	-	-	-	-
2011	10,307	26,572	15,359	8,191	3,410	9,285	750	485	-	-	-
2012	13,724	62,406	29,327	24,413	2,717	768	340	-	-	-	-
2013	20,837	35,752	12,359	11,076	2	2,665	-	-	-	-	-
2014	22,204	46,696	14,346	7,624	323	-	-	-	-	-	-
2015	19,499	57,840	18,361	6,647	-	-	-	-	-	-	-
2016	25,822	15,540	5,886	-	-	-	-	-	-	-	-
2017	22,640	16,075	-	-	-	-	-	-	-	-	-
2018	12,286	-	-	-	-	-	-	-	-	-	-

Fire

	Incremental Chain ladder-Yearly (In thousands of Naira)										
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	2,107	5,870	1,410	415	209	-	-	-	-	-	-
2008	1,048	3,426	676	1,638	-	-	-	-	-	-	-
2009	4,753	2,772	513	173	397	-	-	-	-	-	-
2010	8,765	10,842	337	163	-	-	-	-	-	-	-
2011	1,480	31,108	999	75	2	-	-	11	-	-	-
2012	13,040	35,136	7,355	2,454	1,776	1,367	-	-	-	-	-
2013	13,206	25,127	8,944	5,203	626	114	-	-	-	-	-
2014	15,561	24,678	7,593	2,530	6,204	-	-	-	-	-	-
2015	22,299	20,976	3,821	107	-	-	-	-	-	-	-
2016	31,230	24,949	6,672	-	-	-	-	-	-	-	-
2017	10,723	30,626	-	-	-	-	-	-	-	-	-
2018	15,173	-	-	-	-	-	-	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Motor

	Incremental Chain ladder-Yearly (In thousands of Naira)										
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	10,141	17,365	1,737	1,025	-	-	-	-	-	-	-
2008	43,788	19,518	8,321	358	2,259	-	-	-	-	-	-
2009	49,532	50,189	13,902	2,864	551	-	-	-	-	-	-
2010	43,789	33,524	1,581	1,905	-	-	-	2,216	-	-	-
2011	73,165	39,736	646	-	1,121	-	-	6	-	-	-
2012	56,758	22,791	162	1,063	-	-	-	-	-	-	-
2013	57,210	42,779	1,167	1,086	425	2,942	-	-	-	-	-
2014	53,099	50,411	782	-	-	-	-	-	-	-	-
2015	48,168	17,689	1,503	42	-	-	-	-	-	-	-
2016	43,631	37,635	4,171	-	-	-	-	-	-	-	-
2017	55,685	21,497	-	-	-	-	-	-	-	-	-
2018	40,526	-	-	-	-	-	-	-	-	-	-

Marine

	Incremental Chain ladder-Yearly (In thousands of Naira)										
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	9	839	-	-	-	-	-	-	-	-	-
2008	4,957	-	-	-	-	-	-	-	-	-	-
2009	-	3,898	7,406	322	-	-	-	-	-	-	-
2010	1,488	3,377	184	-	-	-	-	-	-	-	-
2011	3,012	4,916	4,702	703	182	-	-	-	-	-	-
2012	4,343	13,435	182	661	-	-	-	-	-	-	-
2013	868	15,007	4,973	9	-	-	-	-	-	-	-
2014	6,531	2,798	14,025	127	-	-	-	-	-	-	-
2015	11,157	869	2,481	30	-	-	-	-	-	-	-
2016	11,927	1,107	3,972	-	-	-	-	-	-	-	-
2017	12,933	3,379	-	-	-	-	-	-	-	-	-
2018	13,872	-	-	-	-	-	-	-	-	-	-

Cumulative Claims Development Pattern:

General Accident

	Cumulative Chain Ladder - Yearly (In thousands of Naira)										
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	12,511	52,965	67,666	68,755	74,387	74,487	74,487	74,487	74,487	74,487	74,487
2008	28,108	57,373	59,422	66,695	67,843	69,533	70,980	76,061	76,061	76,061	76,061
2009	22,972	53,836	55,018	56,602	57,790	57,955	68,676	75,675	75,675	75,675	-
2010	4,311	26,271	41,613	43,342	52,957	67,333	70,373	70,373	70,373	-	-
2011	10,307	36,879	52,238	60,429	63,839	73,124	73,874	74,359	-	-	-
2012	13,724	76,131	105,458	129,871	132,587	133,355	133,696	-	-	-	-
2013	20,837	56,589	68,948	80,024	85,263	87,928	-	-	-	-	-
2014	22,204	68,900	83,246	90,870	91,193	-	-	-	-	-	-
2015	19,499	77,339	95,700	102,347	-	-	-	-	-	-	-
2016	25,822	41,362	47,248	-	-	-	-	-	-	-	-
2017	22,640	38,715	-	-	-	-	-	-	-	-	-
2018	12,286	-	-	-	-	-	-	-	-	-	-

Fire

	Cumulative Chain Ladder - Yearly (In thousands of Naira)										
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	2,107	7,977	9,387	9,802	10,010	10,010	10,010	10,010	10,010	10,010	10,010
2008	1,048	4,474	5,150	6,788	6,788	6,788	6,788	6,788	6,788	6,788	6,788
2009	4,753	7,526	8,039	8,212	8,609	8,609	8,609	8,609	8,609	8,609	-
2010	8,765	19,606	19,944	20,107	20,107	20,107	20,107	20,107	20,107	-	-
2011	1,480	32,588	33,587	33,662	33,663	33,663	33,663	33,675	-	-	-
2012	13,040	48,176	55,531	57,984	59,760	61,127	61,127	-	-	-	-
2013	13,206	38,333	47,277	52,480	53,106	53,220	-	-	-	-	-
2014	15,561	40,239	47,832	50,362	56,567	-	-	-	-	-	-
2015	22,299	43,275	47,096	47,203	-	-	-	-	-	-	-
2016	31,230	56,179	62,850	-	-	-	-	-	-	-	-
2017	10,723	41,349	-	-	-	-	-	-	-	-	-
2018	15,173	-	-	-	-	-	-	-	-	-	-

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Motor

	Cumulative Chain Ladder - Yearly (In thousands of Naira)										
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	10,141	27,506	29,243	30,269	30,269	30,269	30,269	30,269	30,269	30,269	30,269
2008	43,788	63,306	71,627	71,985	74,244	74,244	74,244	74,244	74,244	74,244	74,244
2009	49,532	99,721	113,623	116,487	117,039	117,039	117,039	117,039	117,039	117,039	-
2010	43,789	77,313	78,894	80,799	80,799	80,799	80,799	83,015	83,015	-	-
2011	73,165	112,901	113,547	113,547	114,668	114,668	114,668	114,673	-	-	-
2012	56,758	79,549	79,711	80,774	80,774	80,774	80,774	-	-	-	-
2013	57,210	99,989	101,156	102,242	102,667	105,609	-	-	-	-	-
2014	53,099	103,510	104,292	104,292	104,292	-	-	-	-	-	-
2015	48,168	65,857	67,359	67,401	-	-	-	-	-	-	-
2016	43,631	81,266	85,437	-	-	-	-	-	-	-	-
2017	55,685	77,182	-	-	-	-	-	-	-	-	-
2018	40,526	-	-	-	-	-	-	-	-	-	-

Marine

	Cumulative Chain Ladder - Yearly (In thousands of Naira)										
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
2007	9	848	848	848	848	848	848	848	848	848	848
2008	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957	4,957
2009	-	3,898	11,304	11,626	11,626	11,626	11,626	11,626	11,626	11,626	-
2010	1,488	4,865	5,050	5,050	5,050	5,050	5,050	5,050	5,050	-	-
2011	3,012	7,928	12,629	13,332	13,514	13,514	13,514	13,514	-	-	-
2012	4,343	17,778	17,960	18,620	18,620	18,620	18,620	-	-	-	-
2013	868	15,875	20,849	20,857	20,857	20,857	-	-	-	-	-
2014	6,531	9,330	23,355	23,482	23,482	-	-	-	-	-	-
2015	11,157	12,026	14,508	14,537	-	-	-	-	-	-	-
2016	11,927	13,033	17,005	-	-	-	-	-	-	-	-
2017	12,933	16,312	-	-	-	-	-	-	-	-	-
2018	13,872	-	-	-	-	-	-	-	-	-	-

Life insurance contracts

Individual life insurance contracts offered by the Group include: whole life, term assurance, group life, credit life products, endowment assurances and immediate life annuity pensions.

Whole life and term assurance are conventional regular premium products where a lump sum benefit, either fixed or decreasing, is payable on death or permanent disability. Contracts with a deposit premium option acquire surrender values.

Immediate Life Annuity business offer regular income for life, guaranteed to be payable for a minimum period, in exchange for a lump sum or premium at retirement. The Group is exposed longevity and the re-investment risks. An asset-liability matching exercise is performed regularly to ensure that appropriate assets are held that match liabilities by nature, term, currency and cash-flow.

Other annuity products are similar to our endowment products in nature and don’t carry any longevity risks.

To the extent that maturity values or investment returns are guaranteed, there is a risk that actual returns are lower than those expected/guaranteed.

Credit life products are variants of both the whole life and term assurance products for products sold through the banks. The death benefit cover is normally a decreasing term assurance policy linked to the outstanding debt with the bank at death.

Funeral products, the Family Benefit Plan and the Family Comfort Plan, offer a whole of life level benefit to cover funeral expenses for the insured members. The contract ceases on the first death. The Group's Life business provided death in service cover for employees and few contracts have also included cover for funeral.

There is a risk that expense will overrun as downward pressure on rates increases and the demand for better service increases. Also, brokers hold on to premiums for some time before remitting it to the insurers introducing default risk. There is also a risk that reinsurers will default on legitimate claims.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits of N5m on any single life insured and N140m on all high risk individuals insured are in place.

The Group has the right to review its mortality and morbidity rates should experience worsen but may be undermined by increased competition.

The insurance risks described above can be exacerbated by the selective withdrawal or decision to pay reduced premiums by healthy lives assureds. As a result, the amount of insurance risk is also subject to contract holder behaviour.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity and the risk that actual interest rate differs from that guaranteed.

The following tables show the concentration of life insurance by type of contract.

		31-Dec-18	
Types of Life Insurance contracts	**Gross Life insurance and investment contract liabilities**	**Life Insurance and Investment contract liabilities ceded to Reinsurance**	**Life Insurance and Investment contract Liabilities (Net)**
	N	**N**	**N**
Whole life			-
Term assurance	1,102,626,000	-	1,102,626,000
Endowments	852,303,000	(50,599,000)	801,704,000
Guaranteed annuity products	255,111,398	-	255,111,398
Deposit based products	77,266,848	-	77,266,848
Total life insurance liabilities	**2,287,307,246**	**(50,599,000)**	**2,236,708,246**

		31-Dec-17	
Types of Life Insurance contracts	**Gross Life insurance and investment contract liabilities**	**Life Insurance and Investment contract liabilities ceded to Reinsurance**	**Life Insurance and Investment contract Liabilities (Net)**
	N	**N**	**N**
Whole life	-	-	-
Term assurance	1,072,896,428	1,316,533	1,071,579,895
Endowments	76,282,007	2,270,318	74,011,689
Guaranteed annuity products	153,932,695	-	153,932,695
Deposit based products	543,111,556	-	543,111,556
Total life insurance liabilities	**1,846,222,686**	**3,586,851**	**1,842,635,835**

Sensitivity Analysis
Sensitivity analysis is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on the Group's insurance liabilities. The correlation of assumptions will have a significant effect in determining the ultimate liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions.

Key Assumptions
Material judgment is required in determining the liabilities and, in particular, in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable reserves are set aside to meet liabilities

The key assumptions to which the estimation of liabilities is particularly sensitive to are as follows:

Mortality and morbidity rates
Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's experience.
An increase in rates will lead to a larger number of expected claims (and claims could occur sooner than anticipated), which will increase the reserve and reduce reported profits for the shareholders.

Longevity
Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's experience.
An appropriate, but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type
An increase in longevity rates will lead to an increase in the expected number of annuity payments to be made, which will increase the reserve and reduce reported profits for the shareholders.

Investment return
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long–term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to a reduction in reserves and an increase in reported profits for the shareholders.

Expenses
Operating expense assumption reflects the projected costs of maintaining and servicing in–force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expected expenditure thereby reducing reported profits for the shareholders.

Lapses and surrender rates
Lapses relate to the termination of risk policies or investment policies that have not acquired a value due to non–payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group’s experience and vary by product type.
An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders to the recouped initial expenses.

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on the long term risk free rate plus an adjustment for risk.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders with the exception of a perfectly matched annuity portfolio where both assets and liabilities will increase by the same magnitude.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Sensitivity of Liabilities to changes in long term valuation assumptions

31-Dec-18
In thousands of Naira

	Base	VIR +1%	VIR -1%	Expenses +10%	Expenses -10%	Expense inflation +2%	Expense inflation -2%	Mortality +5%	Mortality -5%
Individual Risk Reserves	325,208	309,224	342,871	332,707	317,255	332,473	319,188	326,732	323,728
Investment Linked Products	377,669	377,669	377,669	377,669	377,669	377,669	377,669	377,669	377,669
Group Life - UPR	295,098	295,098	295,098	295,098	295,098	295,098	295,098	295,098	295,098
Group Life - AURR	28,235	28,235	28,235	28,235	28,235	28,235	28,235	28,235	28,235
Group Life - IBNR	376,857	376,857	376,857	376,857	376,857	376,857	376,857	376,857	376,857
Group DA	77,267	77,267	77,267	77,267	77,267	77,267	77,267	77,267	77,267
Additional reserves	82,017	82,017	82,017	82,017	82,017	82,017	82,017	82,017	82,017
Reinsurance	(50,599)	(50,599)	(50,599)	(50,599)	(50,599)	(50,599)	(50,599)	(50,599)	(50,599)
Net liability	**1,511,750**	**1,495,767**	**1,529,414**	**1,519,250**	**1,503,798**	**1,519,016**	**1,505,731**	**1,513,275**	**1,510,271**
% change in Net Liability		**-1.06%**	**1.17%**	**0.50%**	**-0.53%**	**0.48%**	**-0.40%**	**0.10%**	**-0.10%**

Summary	**Base**	**Interest rate +1%**	**Interest rate -1%**	**Expenses +10%**	**Expenses - 10%**	**Expense Inflation +2%**	**Expense Inflation - 2%**	**Mortality +5%**	**Mortality - 5%**
Individual	784,893	768,910	802,557	792,393	776,941	792,159	778,873	786,418	783,414
Group	726,857	726,857	726,857	726,857	726,857	726,857	726,857	726,857	726,857
Net liability	**1,511,750**	**1,495,767**	**1,529,414**	**1,519,250**	**1,503,798**	**1,519,016**	**1,505,731**	**1,513,275**	**1,510,271**
% change in liability		**-1.06%**	**1.17%**	**0.50%**	**-0.53%**	**0.48%**	**-0.40%**	**0.10%**	**-0.10%**

---Sensitivities not applied to reinsurance for individual business due to immateriality
---The Mortality sensitivity tests have been applied in the opposite direction for the annuity business. For example Mortality +5% has ben tested as a 5% lightening of annuitant mortality
---All sensitivities were carried out independently

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31-Dec-17
In thousands of Naira
Sensitivity of Liabilities to changes in long term valuation assumptions

	Base	VIR +1%	VIR -1%	Expenses +10%	Expenses -10%	Expense inflation +2%	Expense inflation -2%	Mortality +5%	Mortality -5%
Individual Risk Reserves	242,919	230,665	256,642	251,566	234,352	250,223	236,793	244,096	241,779
Investment Linked Products	543,112	543,112	543,112	543,112	543,112	543,112	543,112	543,112	543,112
Group Life - UPR	76,282	76,282	76,282	76,282	76,282	76,282	76,282	76,282	76,282
Group Life - AURR	358,986	358,986	358,986	358,986	358,986	358,986	358,986	358,986	358,986
Group Life - IBNR	45,145	45,145	45,145	45,145	45,145	45,145	45,145	45,145	45,145
Group DA	490,686	490,686	490,686	490,686	490,686	490,686	490,686	490,686	490,686
Additional reserves	89,093	89,093	89,093	89,093	89,093	89,093	89,093	89,093	89,093
Reinsurance	(3,587)	(3,587)	(3,587)	(3,587)	(3,587)	(3,587)	(3,587)	(3,587)	(3,587)
Net liability	**1,842,636**	**1,830,381**	**1,856,359**	**1,851,283**	**1,834,069**	**1,849,940**	**1,836,510**	**1,843,813**	**1,841,496**
% change in Net Liability		**-0.67%**	**0.74%**	**0.47%**	**-0.46%**	**0.40%**	**-0.33%**	**0.06%**	**-0.06%**
Summary	**Base**	**VIR +1%**	**VIR -1%**	**Expenses +10%**	**Expenses -10%**	**Expense inflation +2%**	**Expense inflation -2%**	**Mortality +5%**	**Mortality -5%**
Individual	875,124	862,870	888,847	883,771	866,557	882,428	868,998	876,301	873,984
Group	967,512	967,512	967,512	967,512	967,512	967,512	967,512	967,512	967,512
Net liability	**1,842,636**	**1,830,381**	**1,856,359**	**1,851,283**	**1,834,069**	**1,849,940**	**1,836,510**	**1,843,813**	**1,841,496**
% change in liability		**-0.67%**	**0.74%**	**0.47%**	**-0.46%**	**0.40%**	**-0.33%**	**0.06%**	**-0.06%**

All stresses were applied independently
Stresses not applied to individual reinsurance asset due to immateriality

(f) Liquidity risks

Liquidity risk is the risk of loss due to insufficient liquid assets to meet cash flow requirements or to fulfil its financial obligation once claims crystallize. In respect of catastrophe events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Group mitigates this risk by monitoring cash activities and expected outflows. The Group has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claims payments are funded by current operating cash flow including investment income. The Group has no tolerance for liquidity risk and is committed to meeting all liabilities as they fall due.

The Group's cash and short term investments make up about 55% of its investment portfolio. This highlights liquid marketable securities sufficient to meet its liabilities as at when due. Short term investments include treasury bills and term deposits with an original maturity of less than one year.

The following policies and procedures are in place to mitigate the Group’s exposure to liquidity risk:

- The liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored, exposures and breaches are reported to the Group’s risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The Group maintains a portfolio of highly marketable assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs to assist users in understanding how assets and liabilities have been matched.

The following table summarizes the maturity profile of the non–derivative financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations.

Repayments which are subject to notice are treated as if notice were to be given immediately.

Reinsurance assets have been presented on the same basis as insurance liabilities. The gross nominal inflow/(outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

Residual contractual maturities of financial assets and liabilities

The table below shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow/ (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

Group
31-Dec-18
In thousands of Naira

	Carrying amount	Contractual cashflow	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years
Non- derivative financial assets							
Cash and cash equivalents	1,728,427	1,728,427	1,728,427	-	-	-	-
Trade receivables	59,356	59,356	59,356	-	-	-	-
Reinsurance assets	490,148	490,148	-	490,148			
Other receivables and prepayment	267,704	657,831					
Finance lease receivable	-	-	-	-	-	-	-
Total assets	**2,545,634**	**2,935,762**	**1,787,783**	**490,148**	**-**	**-**	**-**
Non- derivative financial liabilities							
Insurance contract liabilities	2,678,387	2,678,387					
Investment contract liabilities	454,936	454,936					
Trade payables	32,855	32,855					
Other payables	867,490	867,490					
Deposit for shares	500,000	500,000	-	-	-	-	500,000
Total liabilities	**4,533,668**	**4,533,668**	**-**	**-**	**-**	**-**	**500,000**
Gap (assets - liabilities)	(1,988,034)	(1,597,906)	1,787,783	490,148	-	-	(500,000)
Cumulative liquidity gap			1,787,783	2,277,931	2,277,931	2,277,931	1,777,931

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Company

31-Dec-18

In thousands of Naira	**Carrying amount**	**Contractual cashflow**	**0 - 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**Over 5 years**
Non- derivative financial assets							
Cash and cash equivalents	1,577,085	1,577,085	1,577,085	-	-	-	-
Trade receivables	16,087	16,087	16,087	-	-	-	-
Reinsurance assets	490,148	490,148					-
Other receivables and prepayment	291,003	291,003					-
Finance lease receivable	-	38,914	29,185	9,729	-	-	-
Total assets	**2,374,324**	**2,413,238**	**1,622,358**	**9,729**	**-**	**-**	**-**
Non- derivative financial liabilities							
Insurance contract liabilities	2,568,553	2,568,553	282,541	385,283	462,340	513,711	924,678
Investment contract liabilities	454,936	454,936					-
Trade payables	32,855	32,855					-
Other payables	885,724	885,724					
Total liabilities	**3,942,068**	**3,942,068**	**282,541**	**385,283**	**462,340**	**513,711**	**924,678**
Gap (assets - liabilities)	(1,567,744)	(1,528,830)	1,339,817	(375,554)	(462,340)	(513,711)	(924,678)
Cumulative liquidity gap			1,339,817	964,263	501,923	(11,788)	(936,466)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Group

31-Dec-17

In thousands of Naira	**Carrying amount**	**Contractual cashflow**	**0 - 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**Over 5 years**
Non- derivative financial assets							
Cash and cash equivalents	1,765,531	1,765,531	1,765,531	-	-	-	-
Financial assets	164,117	164,117	164,117	-	-	-	-
Trade receivables	478,023	478,023	-	478,023			
Reinsurance assets	287,656	655,119					
Other receivables and prepayment	-	-	-	-	-	-	-
Finance lease receivable	-	-	-	-	-	-	-
Total assets	**2,695,327**	**3,062,790**	**1,929,648**	**478,023**	**-**	**-**	**-**
Non- derivative financial liabilities							
Insurance contract liabilities	2,918,270	2,918,270					
Investment contract liabilities	619,394	619,394					
Trade payables	33,758	33,758					
Other payables	483,863	483,863					
Deposit for shares	500,000	500,000	-	-	-	-	500,000
Total liabilities	**4,555,284**	**4,555,284**	**-**	**-**	**-**	**-**	**500,000**
Gap (assets - liabilities)	(1,859,957)	(1,492,494)	1,929,648	478,023	-	-	(500,000)
Cumulative liquidity gap			1,929,648	2,407,671	2,407,671	2,407,671	1,907,671

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Company

31-Dec-17

In thousands of Naira	Carrying amount	Contractual cashflow	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years
Non- derivative financial assets							
Cash and cash equivalents	1,656,765	1,656,765	1,656,765	-	-	-	-
Trade receivables	105,650	105,650	105,650	-	-	-	-
Reinsurance assets	478,023	478,023					-
Other receivables and prepayment	294,652	294,652					-
Finance lease receivable	-	38,914	29,185.00	9,729.00	-	-	-
Total assets	**2,535,090**	**2,574,004**	**1,791,600**	**9,729**	**-**	**-**	**-**
Non- derivative financial liabilities							
Insurance contract liabilities	2,851,085	2,851,085	313,619	427,663	513,195	570,217	1,026,391
Investment contract liabilities	619,394	619,394					-
Other payables	33,758	33,758					-
Trade payables	518,115	518,115					
Deposit for shares	-	-	-	-	-	-	-
Total liabilities	**4,022,351**	**4,022,351**	**313,619**	**427,663**	**513,195**	**570,217**	**1,026,390**
Gap (assets - liabilities)	(1,487,260)	(1,448,346)	1,477,981	(417,934)	(513,195)	(570,217)	(1,026,390)
Cumulative liquidity gap			1,477,981	1,060,047	546,852	(23,365)	(1,049,755)

The following table shows the amounts expected to be recovered or settled no more than twelve months after the reporting period (current) and amounts expected to be recovered or settled after more than twelve months (non-current) for each assets and liability line item.

		Group 31-Dec-18			**Company 31-Dec-18**			**Group 31-Dec-17**			**Company 31-Dec-17**	
In thousands of Naira	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Asset												
Cash and cash equivalents	1,728,427	-	1,728,427	1,577,085	-	1,577,085	1,765,531	-	1,765,531	1,656,765	-	1,656,765
Financial assets	1,212,209		1,212,209	1,212,209	-	1,212,209	1,119,718		1,119,718	1,119,717	-	1,119,717
Trade receivables	59,356	-	59,356	16,087	-	16,087	164,117	-	164,117	105,650	-	105,650
Reinsurance assets	490,148	-	490,148	490,148	-	490,148	478,023		478,023	478,023	-	478,023
Deferred acquisition cost	73,012	-	73,012	73,012	-	73,012	77,805.13		77,805	77,805	-	77,805
Finance lease receivable	-	-	-	-	-	-	-		-	-	-	-
Other receivables and prepayments	267,704	-	267,704	291,003	-	291,003	287,656		287,656	294,652	-	294,652
Investment in subsidiary	-	-	-	-	182,404	182,404	-	-	-	-	204,813	204,813
Investment properties	-	4,863,492	4,863,492	-	4,863,492	4,863,492	-	4,791,817	4,791,817	-	4,791,817	4,791,817
Intangible assets	-	68,780	68,780	-	68,780	68,780	-	-	-	-	-	-
Property, plant and equipment	-	980,098	980,098	-	823,690	823,690	-	929,540	929,540	-	787,404	787,404
Statutory deposit	-	500,000	500,000	-	500,000	500,000	-	500,000	500,000	-	500,000	500,000
Deferred tax asset	-	6,033	6,033	-	6,033	6,033	-	6,033	6,033	-	6,033	6,033
Total assets	**3,830,855**	**6,418,403**	**10,249,259**	**3,659,545**	**6,444,399**	**10,103,943**	**3,892,850**	**6,221,357**	**10,120,240**	**3,732,613**	**6,290,067**	**10,022,679**
									-			
									-			
Liabilities									-			
Insurance contract liabilities	2,678,387	-	2,678,387	2,568,553	-	2,568,553	2,918,269		2,918,269	2,851,085		2,851,085
Investment contract liabilities	454,936	-	454,936	454,936	-	454,936	619,394		619,394	619,394		619,394
Trade payables	32,855	-	32,855	32,855	-	32,855	33,758		33,758	33,758		33,758
Gratuity payable	2,406	-	2,406	2,406	-	2,406	2,406		2,406	2,406		2,406
Short term borrowing	-	-	-	-	-	-	-		-			-
Provision and other payables	867,490	-	867,490	885,724	-	885,724	518,115		518,115	518,115		518,115
Borrowing	-	-	-	-	-	-	-		-	-		-
Deferred tax liabilities	-	130,126	122,261	-	121,480	121,480	-	15,029	15,029	-	6,371	6,371
Current income tax liabilities	190,323	-	190,323	184,568	-	184,568	150,196	-	150,196	145,870	-	145,870
Total liabilities	**4,226,397**	**130,126**	**4,348,658**	**4,129,042**	**121,480**	**4,250,522**	**4,242,137**	**15,029**	**4,257,166**	**4,170,627**	**6,371**	**4,176,998**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(g) Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (foreign currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Group's enterprise risk management policy sets out the assessment and determination of what constitutes market risk. Compliance with the policy is monitored and exposures and breaches are reported to the Group Risk 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 policyholder's liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.

Foreign currency risk

Foreign Exchange risk is the exposure of the Group's financial condition to adverse movements in exchange rates. The Group is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The Group's principal transactions are carried out in Naira and its exposure to foreign exchange risk arise primarily with respect to transactions done in other foreign currencies: UK pound sterling, Euro and US dollar.

The Group's financial assets are primarily denominated in the same currencies as its insurance contract liabilities. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance contract liabilities are expected to be settled.

The Board of Directors defines its risk tolerance levels and expectations for foreign exchange risk management and ensures that the risk is maintained at prudent levels. Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. The Group's exposure to foreign exchange risk is low.

The carrying amounts of the Group's foreign currency denominated assets and liabilities are as follows:

Group
31-Dec-18

In thousands of Naira	US Dollar	UK Pound Sterling	Euro	Total
Cash and cash equivalents	49,065	-	9,435	58,500

Company
31-Dec-18

	US Dollar	UK Pound Sterling	Euro	Total
Cash and cash equivalents	49,065	-	9,435	58,500

Group
31-Dec-17

In thousands of Naira	US Dollar	UK Pound Sterling	Euro	Total
Cash and cash equivalents	302,773	403	9,754	74,553

Company
31-Dec-17

	US Dollar	UK Pound Sterling	Euro	Total
Cash and cash equivalents	302,773	403	9,754	74,553

Foreign currency sensitivity analysis
The following table details the Group's sensitivity to a 10% increase and decrease in foreign currency rates against the Naira. A 10% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity scenario, the impact of change in a single factor is shown, with other assumptions or variables held constant.

Group
31-Dec-18

	Pounds sterling	**Euro**	**US Dollars**	**Total**
10% increase	-	9	49	58
10% decrease	-	(9)	(49)	(58)

Company
31-Dec-18

	Pounds sterling	**Euro**	**US Dollars**	**Total**
10% increase	-	9	49	58
10% decrease	-	(9)	(49)	(58)

Group
31-Dec-17

In thousands of Naira	**Pounds sterling**	**Euro**	**US Dollars**	**Total**
10% increase	40	975	30,277	31,292
10% decrease	(40)	(975)	(30,277)	(31,292)

Company
31-Dec-17

	Pounds sterling	**Euro**	**US Dollars**	**Total**
10% increase	40	975	30,277	31,292
10% decrease	(40)	(975)	(30,277)	(31,292)

Interest rate risks
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
Exposure to this risk primarily results from timing differences in the repricing of assets and liabilities as they mature (fixed rate instruments) or contractually repriced (floating rate instruments).

The Group monitors this exposure through periodic reviews of the assets and liability position. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance provisions are modelled and reviewed. The overall objective of these strategies is to limit the net change in value of assets and liabilities arising from interest rate movements
While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that such sensitivities are measurable then the interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying products. The Group is also exposed to the risk of changes in future cash flows from fixed income securities arising from the changes in interest rates.

Sensitivity analysis on financial assets
As part of the Group's investment strategy, in order to reduce both insurance and financial risk, the Group matches its investments to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders

The analysis below is performed for reasonably possible movements in key variables 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 income statement) and equity (that reflects adjustments to profit before tax and changes in fair value of financial assets whose fair values are recorded in the statement of changes in equity).

The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

In thousands of naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Financial instruments				
Cash and cash equivalents	1,728,427	1,717,895	1,577,085	1,656,765
Financial assets:				
Amortised Cost -Held to maturity	-	926,918	-	
Finance lease receivables	-	-	-	-
	1,728,427	2,644,813	1,577,085	1,656,765
Variable				
Increase in interest rate by 100 basis points (1.0%)	26,770	26,770	26,770	26,770
Decrease in interest rate by 100 basis point (-1.0%)	(26,770)	(26,770)	(26,770)	(26,770)
Impact of increase on:				
Pre-tax profit/(loss)	778	(28,723)	715	(28,723)
Shareholders' Equity	5,974,151	5,315,627	5,845,680	5,315,627
Impact of decrease on:				
Pre-tax profit/(loss)	(778)	(80,865)	(715)	(80,865)
Shareholders' Equity	5,974,151	5,263,485	5,845,680	5,263,485

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group 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 securities that present the Company with opportunity for return through dividend income and capital appreciation.

The carrying amounts of the Group's equity investments are as follows:

In thousands of naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
Equity Securities; - Unlisted	-	157,659	-	157,659
Equity Securities; - Listed	425,036	608,855	425,036	608,855
	425,036	766,514	425,036	766,514

Equity price sensitivity analysis

The sensitivity analyses set out below show the impact of a 10% increase and decrease in the value of equities on profit before tax and shareholders' equity based on the exposure to equity price risk at the reporting date.

In thousands of naira	Group 31-Dec-18	Group 31-Dec-17	Company 31-Dec-18	Company 31-Dec-17
10% increase	65,098	65,098	65,098	65,098
10% decrease	(65,098)	(65,098)	(65,098)	(65,098)
Impact of increase on:				
Pre-tax profit/(loss)	778	17,691	715	10,304
Shareholders' Equity	5,356,494	5,356,494	5,354,654	5,354,654
Impact of decrease on:				
Pre-tax profit/(loss)	(778)	(112,505)	(715)	(119,892)
Shareholders' Equity	5,226,298	5,226,298	5,224,458	5,224,458

(h) Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each unit. This responsibility is supported by the development of operational standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks and the adequacy of controls and procedures to address the risks
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

50 Capital Management Policies, Objectives and Approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

§ To maintain the required level of financial stability thereby providing a degree of security to policyholders.
§ To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
§ To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
§ To align the profile of assets and liabilities taking account of risks inherent in the business.
§ To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
§ To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

Great Nigeria Insurance's operations are also subject to regulatory requirements within the jurisdictions in which it operates. The minimum paid up capital requirement as specified by National Insurance Commission (NAICOM) for life insurance business in Nigeria is N2 billion, N3 billion for Non-life insurance business, N5 billion for composite insurance business, N10 million for Health Maintenance Organization and N10 billion for Reinsurance business and insurers are also mandated to maintain 10% of this paid up capital with the Central Bank as Statutory Deposit. In addition, quarterly and annual returns must be submitted to NAICOM on a regular basis.

The regulations prescribed by NAICOM not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., solvency margin) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Group as at year end had complied with the regulators capital requirements for its life and composite business, however it had been unable to meet the capital requirement of N3 billion for non-life insurance business. This raises going concern issues and the Group faces the risk of having its non-life insurance license withdrawn.

The capital deficiency has however not significantly affected the operations of the Group as at the date of this report, liabilities continue to be discharged in the normal course of business.

The Board intends to recapitalize the non-life business by way of :

1. Raising additional capital through a private placement.
2. Aggressive recovery of trade receivable.

The Board and Management strongly believe that these steps will yield the desired result by the end of the year 2013, (based on the positive response received from potential investors based on preliminary inquiries with respect to the proposed private placement offer). Additionally in the medium to long term, the Board will be assessing possible opportunities to further strengthen the Group.
In reporting the Great Nigeria Insurance's solvency status, solvency margin are computed using the rules prescribed by the National Insurance Commission (NAICOM). The margin of solvency, according to NAICOM is defined as total admissible assets less total liabilities. This shall not be less than either 15% of net premium or the minimum paid up share capital whichever is higher. Great Nigeria Insurance's capital management policy for its business is to hold sufficient capital to cover the statutory requirements based on the NAICOM regulations, including any additional amounts required by the regulators.

Approach to capital management

Great Nigeria Insurance seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.
Great Nigeria Insurance's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.
The Group's primary source of capital used by is equity shareholders' funds and borrowings. Great Nigeria Insurance also utilises, where efficient to do so, sources of capital such as reinsurance in addition to more traditional sources of funding.
The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Group has developed a framework to identify the risks and quantify their impact on the economic capital. The framework estimates how much capital is required to reduce the risk of insolvency to a remote degree of probability. The framework has also been considered in assessing the capital requirement.

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The Group's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory and to best utilize capital allocations.

The Insurance Act 2003 (Section 24) prescribed that an insurer shall in respect of its business other than life insurance business, maintain a margin of solvency being the excess of the value of its admissible assets in Nigeria over its liabilities in Nigeria.
The solvency margin, which is determined as the excess of admissible assets over total liabilities shall not be less than 15% of the gross premium income less reinsurance premiums paid out during the year under review or the minimum paid up capital, whichever is greater.

The Group's general business position is as follows:
In thousands of Naira

		31-Dec-18	31-Dec-17
Admissible Assets			
Financial assets:			
Cash and cash equivalents (including cash held as amortised)		1,577,085	1,656,765
Financial assets (quoted and unquoted stock)		1,212,209	1,119,717
Trade Receivables		16,087	105,650
Other Assets			
Reinsurance assets		490,148	478,023
Deferred acquisition cost		73,012	77,805
Other receivables and prepayments		25,685	23,168
Investment in subsidiary		182,404	204,813
Investment properties		2,645,621	4,791,817
Intangible assets		68,780	-
Deferred tax asset		-	-
Statutory deposit		500,000	500,000
Property, plant and equipment		138,297	787,404
Total Admissible Assets	A	**6,929,328**	**9,745,162**
LESS ADMISSIBLE LIABILITIES			
Trade payables		32,855	33,758
Gratuity payable		2,406	2,406
Provision and other payables		885,724	518,115
Insurance liabilities		2,568,553	2,851,085
Investment contract liabilities		454,936	619,394
Deferred tax liabilities		-	-
Current income tax liabilities		184,568	145,870
Total Admissible Liabilities	B	**4,129,042**	**4,170,627**
Solvency Margin (A-B)		2,800,286	**5,574,535**
Higher of:			
Gross Premium Income		3,648,465	3,449,542
Less: Reinsurers		(459,699)	(433,148)
Net Premium		**3,188,766**	**3,016,394**
15% of Net Premium		478,315	**452,459**
Minimum Paid Up Capital		5,000,000	**5,000,000**
The higher thereof:			
Solvency margin above minimum paid up capital		**(2,199,714)**	**574,535**

51 Valuation basis

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. Fair values are determined at prices quoted in active markets. In our 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 could 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. The Group has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

The Group's accounting policy and basis of fair value measurements are disclosed under notes 3

Fair value measurements recognised in the statement of financial position.

The table below analyses financial instruments measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group
31-Dec-18

In thousands of Naira	*Notes*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Equity securities - At fair value through P&L	6	425,036	-	-	425,036
Total financial assets measured at fair value		**425,036**	**-**	**-**	**425,036**

Group
31-Dec-18

In thousands of Naira	*Notes*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Equity securities - At fair value through P&L	6	425,036	-	-	425,036
Total financial assets measured at fair value		**425,036**	**-**	**-**	**425,036**

Company
31-Dec-17

In thousands of Naira	*Notes*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Equity securities - At fair value through P&L	6	608,855	-	-	608,855
Total financial assets measured at fair value		**608,855**	**-**	**-**	**608,855**

31-Dec-17

In thousands of Naira	*Notes*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Equity securities - At fair value through P&L	6	506,019	-	-	506,019
Total financial assets measured at fair value		**506,019**	**-**	**-**	**506,019**

There are no financial instruments measured in level 3 of the fair value hierarchy, hence no reconciliation of level 3 fair value hierarchy has been presented

Financial instruments not measured at fair value

No fair value disclosures are provided for cash and cash equivalents, loans and receivables, trade receivables, other receivables, bank borrowings, trade payables, provision and other payables and finance lease obligations that are measured at cost because their carrying amount reasonably approximate their fair value.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and current balances with banks. The carrying amounts of current balances with banks is a reasonable approximation of fair value which is the amount receivable on demand.

Trade receivables and Other receivables

The carrying amounts of trade receivables and other receivables are reasonable approximation of their fair values which are receivable on demand.

Bank borrowings, Trade payables, Provision and other payables and Finance lease obligations

The carrying amounts of bank borrowings, trade payables, provision and other payables and finance lease obligations are reasonable approximation of their fair values which are repayable on demand.

52 Financial assets and liabilities

Accounting classification measurement basis and fair values
The table below sets out the Group's classification of each class of financial assets and liabilities.

Group

31-Dec-18 *In thousands of Naira*	Notes	**Designated at fair value through P/L**	**Amortised Cost - Debt Instruments**	**Amortised Cost- Loans and Advances**	**Fair value through OCI**	**Other financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**
Financial assets								
Cash and cash equivalents	5	-	1,577,085		-	-	1,577,085	1,577,085
Financial assets	6	425,036	430,302	430,302	356,871	-	1,642,511	1,642,511
Trade receivables	7	-	-	59,356	-	-	59,356	59,356
Reinsurance assets	8	-	-	490,148	-	-	490,148	490,148
Finance lease receivable	10	-	-	-	-	-	-	-
Other receivables excluding prepayments	11	-	-	495,919	-	-	495,919	495,919
		425,036	2,007,387	1,475,725	356,871	-	4,265,019	4,265,019
Financial liabilities								
Insurance contract liabilities	17	-	-	-	-	2,678,387	2,678,387	2,678,387
Investment contract liabilities	18	-	-	-	-	454,936	454,936	454,936
Trade payable	19	-	-	-	-	32,855	32,855	32,855
Provision and other payables	21	-	-	-	-	867,490	867,490	867,490
		-	-	-	-	4,033,668	4,033,668	4,033,668

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The carrying amount of these financial assets and liabilities are reasonable approximation of their fair values.

Group

31-Dec-17 *In thousands of Naira*	Notes	**Designated at fair value through P/L**	**Held to Maturity**	**Loans and receivables**	**Available for sale**	**Other financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**
Financial assets								
Cash and cash equivalents	5	-	-	1,765,531	-	-	1,765,531	1,765,531
Financial assets	6	608,855	297,912	71,334	157,659	-	1,135,760	1,135,760
Trade receivables	7	-	-	164,117	-	-	164,117	164,117
Reinsurance assets	8	-	-	478,023	-	-	478,023	478,023
Finance lease receivable	10	-	-	-	-	-	-	-
Other receivables excluding prepayments	11	-	-	85,701	-	-	85,701	85,701
		608,855	297,912	2,564,706	157,659	-	3,629,132	3,629,132
Financial liabilities								
Insurance contract liabilities	17	-	-	-	-	2,918,270	2,918,270	2,918,270
Investment contract liabilities	18	-	-	-	-	619,394	619,394	619,394
Trade payable	19	-	-	-	-	33,758	33,758	33,758
Borrowings	21	-	-	-	-	483,863	483,863	483,863
Provision and other payables	23	-	-	-	-	-	-	-
Finance lease obligation	24	-	-	-	-	50,050	50,050	50,050
		-	-	-	-	4,105,334	4,105,334	4,105,334

The carrying amount of these financial assets and liabilities are reasonable approximation of their fair values.

Company

31-Dec-18 *In thousands of Naira*	Note	**Designated at fair value through P/L**	**Held to Maturity**	**Loans and receivables**	**Available for sale**	**Other financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**
Financial assets								
Cash and cash equivalents	5	-	-	1,577,085	-	-	1,577,085	1,577,085
Financial assets	6	425,036	-	-	-		425,036	425,036
Trade receivables	7	-	-	16,087	-	-	16,087	16,087
Reinsurance assets	8	-	-	490,148	-	-	490,148	490,148
Finance lease receivable	10	-	-	-	-	-	-	-
Other receivables excluding prepayments	11	-	-	529,043	-	-	529,043	529,043
		425,036	-	2,612,363	-	-	3,037,400	3,037,400
Financial liabilities								
Insurance contract liabilities	17	-	-	-	-	2,568,553	2,568,553	2,568,553
Investment contract liabilities	18	-	-	-	-	454,936	454,936	454,936
Trade payable	19	-	-	-	-	32,855	32,855	32,855
Provision and other payables	21	-	-	-	-	885,724	885,724	885,724
		-	-	-	-	3,942,068	3,942,068	3,942,068

The carrying amount of these financial assets and liabilities are reasonable approximation of their fair values.

Company

31-Dec-17 *In thousands of Naira*	Note	**Designated at fair value through P/L**	**Held to Maturity**	**Loans and receivables**	**Available for sale**	**Other financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**
Financial assets								
Cash and cash equivalents	5	-	-	1,656,765	-	-	1,656,765	1,656,765
Financial assets	6	608,855	297,912	71,334	157,659	-	1,135,760	1,135,760
Trade receivables	7	-	-	105,650	-	-	105,650	105,650
Reinsurance assets	8	-	-	478,023	-	-	478,023	478,023
Finance lease receivable	10	-	-	-	-	-	-	-
Other receivables excluding prepayments	11	-	-	136,721	-	-	136,721	136,721
		608,855	297,912	2,448,493	157,659	-	3,512,919	3,512,919
Financial liabilities								
Insurance contract liabilities	17	-	-	-	-	2,851,085	2,851,085	2,851,085
Investment contract liabilities	18	-	-	-	-	619,394	619,394	619,394
Trade payable	19	-	-	-	-	33,758	33,758	33,758
Short term borrowings	21	-	-	-	-	518,115	518,115	518,115
Provision and other payables	23	-	-	-	-	-	-	-
Finance lease obligations	24	-	-	-	-	-	-	-
		-	-	-	-	4,022,352	4,022,352	4,022,352

The carrying amount of these financial assets and liabilities are reasonable approximation of their fair values.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

53. ASSET AND LIABILITY MANAGEMENT (COMPANY)

HYPOTHECATION OF ASSETS AS AT 31 DECEMBER 2018
In thousands of Naira

-	Non-Life			Life					
-	**Shareholder's fund**	**Policy holder's Fund**	**Others**	**Shareholder's fund**	**Policy holder's Fund**	**Annuity Fund**	**Deposit Administration**	**Others**	**TOTAL**
TOTAL	**2,741,905**	**1,871,656**	**402,183**	**1,411,844**	**2,531,257**	**437,331**	**454,936**	**252,831**	**10,103,943**
INVESTMENTS:									
Fixed Assets:									
Real Estate	685,393	-	-	-	-	-	-	-	**685,393**
Office Equipment's	-	-	-	-	-	-	-	-	**-**
Computer Equipment	9,828	-	-	1,325	-	-	-	-	**11,153**
Generator set	4,437	-	-	16	-	-	-	-	**4,453**
Furniture and Equipment	10,390	-	-	9,884	-	-	-	-	**20,274**
Motor Vehicles	72,411	-	-	21,000	-	-	-	-	**93,411**
Fixture and Fittings	7,268	-	-	1,737	-	-	-	-	**9,005**
Other Assets	-	-	-	-	-	-	-	-	**-**
Others (see (a) below)	285,776	-	402,183	190,707	-	24,289	224,536	-	**1,127,491**
Other Investments :									
Mortgage Loans		-	-	-	-	-	-	-	**-**
Statutory Deposit	300,000	-	-	200,000	-	-	-	-	**500,000**
Government Bonds	-	6,549	-	-	40,848	-	-	-	**47,397**
Corporate bonds and debentures	-	104,947	-	-	33,394	63,778	60,232	-	**262,351**
Loans and advances	-	-	-	61,884	-	-	10,004	48,643	**120,531**
Unquoted shares	35,679	-	-	38,141	78,863	-	-	204,188	**356,871**
Quoted shares	-	234,329	-	-	125,707	65,000	-	-	**425,036**
Bank Placements	-	553,062	-	-	921,978	102,045	-	-	**1,577,085**
Investment in Finance Lease	-	-	-	-	-	-	-	-	**-**
Related Companies Securities	-	-	-	-	-	-	-	-	**-**
Finance Lease Receivable	-	-	-	-	-	-	-	-	**-**
Investment Properties	1,330,723	972,769	-	887,149	1,330,467	182,220	160,164	-	**4,863,492**
TOTAL	**2,741,905**	**1,871,656**	**402,183**	**1,411,844**	**2,531,257**	**437,331**	**454,936**	**252,831**	**10,103,943**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(a) Give details		
Others		
	GEN. BUSINESS	**LIFE**
Intangible assets	-	68,781
Deferred taxation	6,033	-
Deferred Acquisition Expenses	39,750	33,264
Reinsurance Assets	439,548	50,599
Premium Debtors	159	15,929
Investment in subsidiary	-	182,404
Other Receivables and Prepayments	202,492	88,532
TOTAL	**687,982**	**439,509**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ASSET AND LIABILITY MANAGEMENT (COMPANY)

HYPOTHECATION OF ASSETS AS AT 31 DECEMBER 2017
In thousands of Naira

	Non-Life			Life					
	Shareholder's fund	**Policy holder's Fund**	**Others**	**Shareholder's fund**	**Policy holder's Fund**	**Annuity**	**Deposit Administration**	**Others**	**TOTAL**
TOTAL	**2,609,717**	**913,688**	**46,466**	**3,754,079**	**1,783,465**	**153,932**	**619,394**	**141,938**	**10,022,679**
INVESTMENTS:									
Fixed Assets:									
Real Estate	685,326	-	-	-	-	-	-	-	685,326
Office Equipment's	-	-	-	-	-	-	-	-	-
Computer Equipment	3,471	-	-	283	-	-	-	-	3,754
Generator set	6,116	-	-	25	-	-	-	-	6,141
Furniture and Equipment	13,377	-	-	2,252	-	-	-	-	15,629
Motor Vehicles	66,146	-	-	0	-	-	-	-	66,146
Fixture and Fittings	8,412	-	-	1,996	-	-	-	-	10,408
Other Assets	-	-	-	-	-	-	-	-	-
Others (see (a) below)	230,636	480,461	-	5,916	23,212	-	80,000	141,938	962,163
Other Investments :									
Mortgage Loans	-	-	-	-	-	-	-	-	-
Statutory Deposit	300,000	-	-	200,000	-	-	-	-	500,000
Government Bonds	-	-	-	-	-	-	-	-	-
Held-to-maturity	32,528	70,487	10,192	-	80,346	94,389	78,493	-	366,435
Loans and advances	-	-	-	57,524	44,505	-	-	-	102,029
Quoted Securities	235,183	-	-	-	232,801	-	13,868	-	481,852
Unquoted Securities	27,150	-	6,788	135,463	-	-	-	-	169,401
Bank Placements	225,838	362,740	-	-	778,391	59,543	230,253	-	1,656,765
Investment in Finance Lease	-	-	-	-	-	-	-	-	-
Related Companies Securities	-	-	-	204,813	-	-	-	-	204,813
Finance Lease Receivable	-	-	-	-	-	-	-	-	-
Investment Properties	775,534	-	29,486	3,145,807	624,210	-	216,780	-	4,791,817
TOTAL	**2,609,717**	**913,688**	**46,466**	**3,754,079**	**1,783,465**	**153,932**	**619,394**	**141,938**	**10,022,679**

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(a) Give details

Others		
	GEN. BUSINESS	**LIFE**
Intangible assets	-	-
Deferred taxation	6,033	-
Deferred Acquisition Expenses	77,805	-
Reinsurance Assets	474,436	3,587
Premium Debtors	6,025	99,625
Other Receivables and Prepayments	146,798	147,854
TOTAL	**711,097**	**251,066**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

54. Segment information

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

No geographical segment information has been provided in these financial statements as there is only one geographical segment.
Business segments charge and earn interest among themselves on a transfer pricing arrangement to reflect the assets and liabilities.

Business Segments
The Company operates the following main business segments:

Non-life (General) Business - Includes general insurance transactions with individual and corporate customers

Life Business - Includes life insurance policies with individual and corporate customers and private customers

The segment information provided by the Management Underwriting Investment Committee for the reporting segments for the year ended 31 December 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The segment information provided by the Management Underwriting Investment Committee for the reporting segments for the year ended 31 December 2018

	Non-life		**Life**		**GNI Healthcare**		Elimination Adjustments (Group Composite)		**Group**		**Company**	
In thousands of Naira	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**		**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
Gross premium earned	1,196,801	1,119,069	2,451,663	2,077,149	201,361	121,374			3,849,825	3,317,592	3,648,464	3,196,218
Insurance premium ceded to re-insurer	(436,559)	(427,192)	(23,140)	(9,408)	-	-			(459,699)	(436,600)	(459,699)	(436,600)
Net insurance premium revenue	760,242	691,877	2,428,523	2,067,741	201,361	121,374			3,390,126	2,880,992	3,188,765	2,759,618
Fee income	105,644	106,776	27,997	999	-	-			133,641	107,775	133,641	107,775
Investment income	128,745	243,011	374,590	63,552	15,335	20,409			518,670	326,972	503,335	306,563
Other operating income	34,696	481,278	64,866	52	-	-			99,562	481,330	99,562	481,330
Net income	1,029,327	1,522,942	2,895,976	2,132,344	216,696	141,783			4,141,999	3,797,069	3,925,303	3,655,286
Profit on investment contract	-	-	3,981	130,373	-				3,981	130,373	3,981	130,373
												-
Insurance benefits and claims	27,444	128,819	1,735,693	1,017,978	136,871	57,240			1,900,008	1,204,037	1,763,137	1,146,797
Insurance claims recovered from re-insurer	(113,348)	48,449	(17,424)	(11,205)	-	-			(130,772)	37,244	(130,772)	37,244
Net insurance benefits and claims	(85,904)	177,268	1,718,269	1,006,773	136,871	57,240			1,809,354	1,241,281	1,632,365	1,184,041
Expenses on the acquisition and maintenance of insurance contracts	360,187	322,087	227,458	168,835	11,981	5,536	182,407		789,898	496,458	587,645	490,922
Other expenses	968,452	884,738	466,124	249,875	75,753	52,461			1,510,329	1,187,074	1,434,576	1,134,613
Net expenses	(213,408)	138,849	488,106	837,234	(7,909)	26,546			266,789	1,002,629	274,698	2,809,576
Reportable segment profit	(213,408)	138,849	488,106	837,234	(7,909)	26,546			266,789	1,002,629	274,698	976,083
Profit before tax and depreciation	(213,408)	138,849	488,106	837,234	(7,909)	26,546			266,789	1,002,629	274,698	976,083
Depreciation and amortisation	(53,942)	-	(43,210)	-	(8,214)	(6,106)			(105,366)	(6,106)	(97,152)	-
Income tax expenses	(132,765)	(16,039)	(32,737)	(311,981)	(1,420)	4,722			(166,922)	(323,298)	(165,502)	(328,020)
Assets and liabilities:												
Total assets	5,015,743	4,996,782	8,097,870	7,216,880	390,095	364,069	(3,254,452)	(3,009,671)	10,249,259	10,120,241	10,103,943	10,022,679
Total liabilities	2,963,966	2,544,778	4,296,226	3,823,202	160,511	99,745	(3,072,045)	(3,009,671)	4,348,658	4,222,915	4,250,522	4,176,999
Net assets	2,051,777	2,452,004	3,801,644	3,393,678	229,584	264,324	-	-	5,900,601	5,897,326	5,853,421	5,845,679

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Life Business Accounts

Statement of comprehensive Income

In thousands of Naira	*LIFE*	*GROUP LIFE*	ANNUITY	31- Dec -18	31- Dec-17
Income					
Gross Premium	292,547	1,696,332	133,165	2,122,043	1,821,463
Unearned Premium	-	252,806	-	252,806	(313,639)
Increase/ (Decrease) in Life Fund	(83,377)	160,191	-	76,814	68,122
Outward Re-insurance Premium -Local	(18)	(23,123)	-	(23,140)	(6,983)
Premium earned	**209,152**	**2,086,206**	**133,165**	2,428,523	1,568,963
Commission received	-	27,997	-	27,997	1,710
Net premium	**-**	**27,997**	**-**	**27,997**	1,710
Total income	**209,152**	**2,114,203**	**133,165**	**2,456,520**	**1,570,673**
Claims Expenses (Gross)	(391,638)	(1,324,483)	(27,294)	(1,743,415)	(651,123)
Surrenders	-	-	-	-	
Claims Expenses Recovered from Reinsurers	-	7,722	-	7,722	7,759
Changes in Provision for Outstanding Claims	(76,474)	93,898	-	17,424	(241,571)
Net claims incurred	(468,112)	(1,222,863)	(27,294)	(1,718,269)	884,934)
Acquisition Cost	(10,005)	(168,426)	(3,623)	(182,053)	(162,589)
Maintenance expenses	(32,251)	(13,155)	-	(45,405)	(32,890)
Total expenses	**(510,367)**	**(1,404,444)**	**(30,917)**	(1,945,728)	(1,080,413)
Surplus/(Deficit)	**(301,215)**	**709,759**	**102,248**	510,792	490,261
Increase in Life Fund					
Shareholders' fund of Life Fund	**(301,215)**	**709,759**	**102,248**	510,792	490,261

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Life Business Accounts

Statement of comprehensive Income

In thousands of Naira	*LIFE*	*GROUP LIFE*	ANNUITY	31 Dec 2018	31 Dec 2017
Underwriting results					
Investment income	35,318	95,007	27,335	157,660	135,803
Net fair value gains on Investment properties	-	112		112	9,013
Net fair value gains /loss on financial assets through Profit or Loss	(66,743)	12,436	-	(54,307)	(2,544)
Other operating income	1,007	63,859	-	64,866	108
Management expenses	(143,081)	(333,856)	-	(476,937)	(469,670)
Profit or loss on investment contract	-	89,377	-	89,377	130,374
Results of operating activities	(173,499)	(73,065)	27,335	(219,229)	(196,916)
Finance costs					
Impairment (losses)/gain	(457)	(31,934)	-	(32,391)	18,302
Profit before taxation	(475,170)	604,760	129,582	259,172	311,647
Minimum tax	(28,286)	(4,451)	-	(32,737)	(27,832)
(Loss)/profit after taxation	**(503,457)**	**600,309**	**129,582**	226,434	283,815
other Regulatory Reserve (Contingency Reserve)	**(6,275)**	**(62,586)**	(3,995)	(72,856)	(69,736)
	(509,731)	**537,722**	**125,587**	153,579	214,080
Other comprehensive income, net of tax					
Items within OCI that will not be reclassified to the profit or loss:	-	185,729	-	185,729	-
Gain on revaluation of property, plant and equipment		-	-	-	-
Tax on gain on revaluation of property, plant and equipment		-	-	-	-
Other comprehensive income	**(509,731)**	**723,451**	**125,587**	**339,307**	**214,080**
Total comprehensive income for the year	**(509,731)**	**723,451**	**125,587**	**339,307**	**214,080**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

LIFE BUSINESS ACCOUNTS

Statements of financial position

In thousands of Naira	31-Dec-18	31-Dec-17
Assets		
Cash and cash equivalents	1,024,022	1,068,186
Financial assets	830,707	737,389
Trade receivable	15,929	99,625
Reinsurance assets	50,599	3,587
Other receivables and prepayment	3,098,203	2,338,836
Investment in subsidiary	182,404	204,813
Investment property	2,560,000	2,559,888
Property, plant and equipment	33,963	4,556
Statutory deposit	200,000	200,000
Intangible Asset	68,781	-
Deferred Acquisition Cost	33,264	-
Total assets	**8,097,870**	**7,216,880**
Liabilities		
Insurance contract liabilities	1,832,371	1,937,397
Investment contracts liabilities	454,936	619,394
Trade payables	28,468	29,371
Provisions and other payables	1,841,546	1,124,474
Current income tax liabilities	138,185	109,847
Deferred tax liabilities	2,720	2,720
Total liabilities	**4,296,226**	**3,823,203**
Net assets	**3,801,644**	**3,393,677**
Equity		
Equity attributable to owners of the parent		
Ordinary shares	620,760	620,760
Share premium	1,093,759	1,093,759
Contingency reserve	438,979	366,124
Retained earnings	1,296,938	961,826
Asset revaluation reserve	351,208	351,208
Shareholders' funds	**3,801,644**	**3,393,677**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

LIFE BUSINESS ACCOUNTS

Statements of financial position

In thousands of Naira	31-Dec-18	31-Dec-17
Assets		
Cash and cash equivalents	1,024,022	1,068,186
Financial assets	830,707	737,389
Trade receivable	15,929	99,625
Reinsurance assets	50,599	3,587
Other receivables and prepayment	3,098,203	2,338,836
Investment in subsidiary	182,404	204,813
Investment property	2,560,000	2,559,888
Property, plant and equipment	33,963	4,556
Statutory deposit	200,000	200,000
Intangible Asset	68,781	-
Deferred Acquisition Cost	33,264	-
Total assets	**8,097,870**	**7,216,880**
Liabilities		
Insurance contract liabilities	1,832,371	1,937,397
Investment contracts liabilities	454,936	619,394
Trade payables	28,468	29,371
Provisions and other payables	1,841,546	1,124,474
Current income tax liabilities	138,185	109,847
Deferred tax liabilities	2,720	2,720
Total liabilities	**4,296,226**	**3,823,203**
Net assets	**3,801,644**	**3,393,677**
Equity		
Equity attributable to owners of the parent		
Ordinary shares	620,760	620,760
Share premium	1,093,759	1,093,759
Contingency reserve	438,979	366,124
Retained earnings	1,296,938	961,826
Asset revaluation reserve	351,208	351,208
Shareholders' funds	**3,801,644**	**3,393,677**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

General Business

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
ASSETS		
Cash and cash equivalents	553,062	588,579
Financial assets	381,504	382,328
Trade receivables	159	6,025
Other assets	202,469	146,798
Deferred acquisition costs	39,750	77,805
Reinsurance assets	439,548	474,436
Statutory deposits	300,000	300,000
Deferred tax assets	6,033	6,033
Investment properties	2,303,492	2,231,929
Property, plant and equipment	789,727	782,849
Total Assets	**5,015,743**	**4,996,782**
LIABILITIES		
Trade payables	4,387	4,387
Provisions and other payables	2,053,848	1,584,623
Deferred reinsurance commission	22,595	-
Insurance liabilities	713,587	913,687
Income tax payable	48,383	36,023
Deferred tax liability	118,760	3,651
Employees' retirement obligations	2,406	2,406
Total Liabilities	**2,963,967**	**2,544,778**
Net Assets	**2,051,777**	**2,452,004**
EQUITY		
Share capital and reserves:		
Ordinary share capital	1,292,982	1,292,982
Share premium	2,016,905	2,016,905
Contingency reserve	566,411	531,417
(Accumulated deficit)	(2,052,00	(1,606,240)
Asset Revaluation Reserve	227,480	216,939
Shareholders' Fund	**2,051,777**	**2,452,004**

General Business Accounts

Statement of comprehensive Income

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Income		
Gross Premium	1,055,156	1,055,156
Changes in Unearned Income	63,913	63,913
Outward Re-insurance Premium -Local	(427,192)	(427,192)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Premium earned	**691,876**	**691,876**
Fee and Commission income:		
– Insurance contracts	106,776	106,776
Total income	**798,652**	**798,652**
Claims Expenses (Gross)	(242,735)	(368,666)
Claims Expenses Recovered from Reinsurers	(113,348)	(48,449)
Changes in Provision for Outstanding Claims	215,292	239,846
Net claims incurred	(85,905)	(177,268)
Acquisition Cost	(221,361)	(150,301)
Maintenance expenses	(138,826)	(25,276)
	(360,187)	(175,577)
Total expenses	(274,283)	(352,846)
Surplus	**591,606**	**445,807**
Underwriting results		
Investment income	152,876	243,011
Net fair value gains /loss on financial assets through P/L	(25,872)	278,384
Other operating income	34,696	202,894
Management expenses	(971,455)	(884,738)
	(160,449)	(160,449)
Results of operating activities	**(218,148)**	**285,358**
Finance costs	-	(129,522)
Impairment (losses)/gain	(50,939)	(16,988)
Profit before taxation	**(269,086)**	**138,847**
Minimum tax	(132,765))	(16,039)
Profit/(loss) after taxation	**(401,851)**	**122,808**
Other Regulatory Reserve (Contingency Reserve)	(34,994)	(31,655)
	(436,845)	**91,153**
Other comprehensive income, net of tax	10,541	13,778
Total comprehensive income for the year	**(391,310)**	**138,118**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

GNI Healthcare Company

In thousands of naira	**31- Dec-18**	**31-Dec-17**
Assets		
Cash and cash equivalents	151,342	108,765
Receivables	43,269	58,466
Other Receivables	39,075	54,700
Property and equipment	156,409	142,139
Intangible assets	-	-
Total assets	**390,095**	**364,069**
Liabilities		
Provisions and other payables	44,141	27,442
Insurance contract liabilities	109,834	67,185
Deposit for Shares	-	-
Current income tax liabilities	5,755	4,337
Deferred Tax Liabilities	781	8,568
Total liabilities	**160,511**	**107,521**
Net assets	**229,584**	**256,548**
Equity		
Share capital	245,500	245,500
Share premium	34,550	34,550
Retained earnings	(102,781)	(70,118)
Assets revaluation reserve	52,314	45,712
Total equity	**229,584**	**256,644**

Statement of profit or loss and other comprehensive income
GNI Healthcare Limited

In thousands of Naira	Note	31-Dec-18	31-Dec-17
Gross premium income	7	203,891	140,400
Unearned premium	7	(2,530)	(19,027)
Net premium income		201,361	121,374
Claims Incurred	8	(136,871)	(57,240)
Business acquisition expense	9	(11,981)	(5,536)
Net underwriting profit		52,509	58,598
Investment income	10	13,385	17,328
Other income		1,950	3,079
Net income		**67,844**	**79,006**
Operating and administrative expenses	11	(37,048)	(21,882)
Personnel expenses	12	(39,920)	(24,718)
Depreciation	17	(8,214)	(6,106)
Impairment of Intangible Assets/ receivables	18	1,215	(5,861)
(Loss)/ before tax		**(16,123)**	**20,439**
Income tax	13(a)		
Minimum tax	13(a)	(1,420)	(3,107)
(Loss) /Profit for the year		**(17,544)**	**17,332**
Other comprehensive income:			
Gain on revaluation of property	24	5,750	904
Tax on gain on revaluation of property	24		(52)
		5,750	**852**
Total comprehensive income for the year		**(11,794)**	**18,236**

Value Added Statement

In thousands of Naira

	Group 31-Dec-18	%	Group 31-Dec-17	%	Company 31-Dec-18	%	Company 31-Dec-17	%
Gross premium (Local)	3,492,393		3,256,939		3,288,502	100	3,116,538	
Bought in materials and services								
- Local	(2,665,815)		(2,215,404)		(2,851,416)		(2,105,435)	
Value added	826,578	100	1,041,535	100	437,086	100	1,011,103	100
Distribution of value added								
To government								
Taxation	158,256	19	46,977	5	(164,623)	(38)	43,870	5
To employees								
Employee cost	523,603	63	520,228	50	483,685	111	495,900	49
Retained in the business								
Depreciation	71,026	9	54,894	5	62,812	14	48,788	5
Amortisation	34,339	4	2,143	-	34,339	8	2,143	-
To contingency reserve	201,140	24	14,591	1	195,390	45	13,778	1
To retained earnings	(161,786)	(20)	402,702	39	(174,516)	(40)	406,624	40
Value added	826,578	100	1,041,535	100	437,086	100	1,011,103	100

Five-Year financial summary

In thousands of Naira	Group		Company				
	2018	2017	2018	2017	2016	2015	2014
Statement of financial position							
Assets							
Cash and cash equivalents	1,728,427	1,765,531	1,577,085	1,656,765	1,572,473	2,655,803	2,284,649
Financial assets	1,212,209	1,119,717	1,212,209	1,119,717	1,702,256	1,135,760	1,011,033
Trade receivable	59,356	164,117	16,087	105,650	16,264	23,746	143,663
Reinsurance assets	490,148	478,023	490,148	478,023	342,340	437,554	454,821
Deferred acquisition cost	73,012	77,805	73,012	77,805	52,762	108,104	146,204
Finance lease receivable	-	-	-	-	-	21,192	178,623
Other receivables and prepayment	267,704	287,656	291,003	294,652	169,821	166,450	162,719
Investment in subsidiary	-	-	182,404	204,813	183,556	187,527	225,000
Investment property	4,863,492	4,791,817	4,863,492	4,791,817	4,565,408	4,522,983	4,380,865
Intangible assets	68,780	-	68,780	-	2,144	61,053	132,252
Property, plant and equipment	980,098	929,542	823,690	787,405	756,180	782,902	700,091
Statutory deposit	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Deferred tax asset	6,033	6,033	6,033	6,033	6,033	6,033	-
Total assets	10,249,259	10,120,241	10,103,944	10,022,679	9,869,237	10,609,107	10,319,920
Insurance contract liabilities	2,678,387	2,918,269	2,568,553	2,851,085	2,379,460	2,813,013	2,781,599
Investment contract liabilities	454,936	619,394	454,936	619,394	789,499	726,262	648,849
Trade Payables	32,855	33,758	32,855	33,758	41,992	30,297	49,525
Gratuity payable	2,406	2,406	2,406	2,406	2,406	3,097	17,040
Provisions and other payables	867,490	483,863	885,724	518,115	579,368	464,563	527,393
Finance lease obligations	-	-	-	-	-	-	108,927
Short term Borrowings	-	-	-	-	519,893		-
Deposit for shares	-	-	-	-	-	500,000	-
Deferred tax liabilities	122,261	15,029	121,480	6,371	4,840	2,782	285,646
Current income tax liabilities	190,323	150,196	184,568	145,870	126,501	187,253	198,209
Total liabilities	4,348,658	4,222,915	4,250,522	4,176,999	4,443,959	4,727,267	4,617,188
Net assets	5,900,601	5,429,983	5,853,421	5,845,682	5,425,278	5,881,840	5,395,167
Financed by:							
Issued and paid up capital	1,913,742	1,913,742	1,913,742	1,913,742	1,913,742	1,913,742	1,913,742
Share premium	3,110,664	3,110,664	3,110,664	3,110,664	3,110,664	3,110,664	3,110,664
Contingency reserve	965,952	858,103	965,952	858,103	796,149	750,537	568,724
Retained earnings	(953,680)	(656,287)	(900,477)	(604,979)	(949,649)	(428,950)	(683,868)
Fair value reserve	187,470	-	187,470				
Assets revaluation reserve	627,089	614,600	576,070	568,150	554,372	535,847	485,905
Non-Controlling Interest (NCI)	49,364	56,504	-		-	-	-
Shareholders' fund	5,900,601	5,897,326	5,853,4321	5,845,682	5,425,278	5,881,840	5,395,167

	Group		Company				
	2018	2017	2018	2017	2016	2015	2014
Statement of comprehensive income							
Gross premium written	3,492,393	3,017,021	3,288,502	2,876,620	2,124,553	3,077,846	3,046,982
Investment and other income	425,433	602,223	410,098	581,816	452,243	381,368	687,540
Profit/(loss) before taxation	(3,530)	449,679	(9,893)	450,494	(444,589)	283,467	466,709
Taxation	(158,256)	(46,977)	(164,623)	(43,870)	(30,498)	254,960	(462,327)
(Loss)/profit after taxation	(161,786)	402,702	(174,516)	406,624	(475,087)	538,427	4,382
(Loss)/Earnings per share-basic	(4.23)	10.52	(4.56)	10.62	-12.41	14.07	0.11
(Loss)/Earnings per share-diluted	(4.23)	10.52	(4.56)	10.62	-12.41	14.07	0.11

The financial information presented above reflects historical summaries based on International Financial Reporting Standards as presented.