Custodian

A Legacy of Commitment

Custodian Life Assurance 2020 Annual Report And Accounts

A Legacy of Commitment

Over the past 25 years, Custodian has stayed above various economic winds and turbulence. What has kept us is our commitment and attention to the little things - corporate governance ethos, professionalism, respect for one another, trust, loyalty, patience, faithfulness, kindness, honesty, integrity, love, compassion, etc. These little things that are seemingly old fashioned. The past 25 years has been a legacy of commitment to the little things that matter.

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Corporate Information

Chairman

Mr. Richard Asabia - Chairman

Directors

Mr. Larry Ademeso	- Chief Executive Officer/ Managing Director
Mr. Ngozi Nlebemuo	- Executive Director
Mr. Ibrahim Dikko	- Non Executive Director
Mr. Adeniyi Falade	- Non Executive Director
Chief Mrs. Margaret Giwa	- Non Executive Director
Mr. Oluwole Oshin	- Non Executive Director(Retired on 27 October 2020)
Mr. Akintunde Odunsi	- Non Executive Director(Retired on 28 April 2020)

Registered Office

Custodian House
16A Commercial Avenue
Sabo, Yaba, Lagos
www.custodianplc.com.ng

Auditors

Deloitte & Touche
Civic Towers, Plot Ga1
Ozumba Mbadiwe Avenue
Victoria Island, Lagos
Tel: +234 (01) 9041700
www.deloitte.com.ng

Company Secretary

Custodian Trustees Limited

Bankers

Guaranty Trust Bank Plc.
First Bank of Nigeria Limited
First City Monument Bank Limited
Ecobank Nigeria Limited
Standard Chartered Bank Limited
United Bank for Africa (UBA) Plc.
Stanbic IBTC Bank Limited
Access Bank Plc.
Polaris Bank Limited

Re-insurers

African Reinsurance Corporation
Continental Reinsurance Plc.
Nigeria Reinsurance Corporation
WAICA RE

Actuaries

Ernst & Young

RC No.

682763

FRC Registration

No.FRC/2013/0000000000578

Branch Directory

Custodian Life Assurance Limited

Head Office

Custodian House

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

Branch Offices

Abeokuta

36, Toforo Road,
Abeokuta, Ogun State

Abuja

Plot 273, UACN Commercial Complex
Central Business District, Garki, Abuja
Tel: 09- 2900465

Akure

3rd Floor (left wing)
Bank of Industry (BOI)
Building, Alagbaka
Akure, Ondo State

Apapa

27, Wharf Road,
Apapa, Lagos

Benin

4th Floor, West Wing,
34, Akpakpava Road,
Benin City, Edo State

Calabar

45, Murtala Muhammed
Highway, Calabar,
Cross River State

Delta State

Suite 3 & 7, Empire House,
339, Nnebisi Road, Asaba,
Delta State

Ibadan

9, Onireke Residential Layout
Ibadan, Oyo State

Ikeja

8, Obafemi Awolowo Way
Alausa, Ikeja, Lagos

Kaduna

3, Kanta Road,
Turaki Ali House,
Kaduna State

Kano

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

Onitsha

60A, Old Market Road,
Onitsha,
Anambra State

Osogbo

37B, Gbogan, Ibadan Road
Opposite Fakunle
Comprehensive High,
School, Osogbo,
Osun State

Owerri

37, Ekweme Crescent,
Ikenegbu Layout Road
Owerri, Imo State

Port Harcourt

180 Aba Road
Port Harcourt
Rivers State

Sabo

27, Commercial Avenue,
Sabo, Yaba, Lagos
Tel: 0700-CUSTODIAN
P. O. Box 2101, Lagos

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Custodian Life Assurance Ltd (the Company) will hold via virtual means on Thursday, February 25, 2021 at 1:00pm, to transact the following:

1. To receive the report of the Directors and Audited Financial Statements together with the Auditors Report for the year ended December 31, 2020.
2. To declare a dividend.
3. To re-elect Directors.
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To note the disclosure of remuneration of Managers in the employment of the Company.

By Order of the Board

Adeyinka Jafojo
Company Secretarial Services

- Chairman's Statement
- Board of Directors

Chairman's Statement

My fellow shareholders and colleagues on the board, distinguished ladies and gentlemen, it is with great pleasure that I welcome you to the Annual General Meeting of our company and to present the Annual Accounts and Reports for the year ended 31 December 2020.

Mr. Richard Asabia (Chairman)

My fellow shareholders and colleagues on the board, distinguished ladies and gentlemen, it is with great pleasure that I welcome you to the Annual General Meeting of our company and to present the Annual Accounts and Reports for the year ended 31 December 2020.

I am delighted to report that our company recorded significant successes during the 2020 financial year despite the challenging operating environment, a fallout of the global Covid-19 pandemic and the resulting weak oil earnings, Naira devaluation and high inflation. The successes that we achieved in the outgone year is an affirmation of the robustness of our business model which was able to quickly adapt to the fast-changing environment, the astute leadership of the company supported by energetic employees using technology to efficiently provide prompt services to our clients. Of course, we cannot overemphasize the commitment and support to our company.

Before I provide a summary of the financial success that we achieved in 2020, I will like to give an overview of the macroeconomic environment in which we operated and conclude with our outlook for 2021.

Global Economy

In a stark contrast to the optimistic outlook to the year 2020 which saw IMF project global GDP growth of 3.3% versus 3.2% achieved in 2019, the world witnessed the emergence and spread of the novel Corona Virus named Covid-19. In response to the spread of the virus, movement restrictions and partial, and in many cases, total lockdowns were imposed by various countries. Over 90% of businesses, factories and travels grounded to a halt. Europe, UK and the Americas, especially the US and Brazil became the epicenter of the virus and accounted for more than 25% of the global infections and deaths. With major countries recording contractions in Q1 (US: - 4.8%, Europe: -2.6% and UK: -2%), the IMF revised its global projection downwards to - 4.9% in June 2020.

Q2 witnessed a sharp rebound with the easing of lockdown, gradual reopening of economic activities and government palliatives. Q3 2020 however saw a pull back as the reality of the adverse impact of the lockdown became obvious as reflected in weak published economic data. This saw markets shave off some of its Q2 gains; decline in crude oil prices and weakening of currencies of commodity exporting economies. The continued trade tussle between the US and China, fear of second wave of Covid-19 incidence as well as lack of clarity on Brexit also continued to weigh on global economic outlook despite various governments' extraordinary monetary and fiscal support. Broadly, financial conditions remained accommodative amidst concerns on global government debt as percentage of global GDP.

By Q4 2020, a second wave of the pandemic started to spread with the UK and US reporting significant number of cases. The fourth quarter of the year also ushered in some respite in the form of discovery, development, approval and rollout of vaccines to combat the deadly virus. This development drove positive sentiments across the world with commodity prices seeing a rebound. In Africa, countries resumed economic activities considering the high social and economic costs of lockdowns and restrictions.

Domestic Economy

The Nigerian economy in 2020 faced multiple challenges especially Covid-19 outbreak and falling oil price. Q1 saw a nationwide lockdown and movement restriction. To minimize the economic and financial impacts of the lockdown disruptions, the Federal Government released N15B intervention fund; gave 3 months repayment moratorium to all federal government funded loans; 2 months conditional cash transfers to vulnerable Nigerians and reduced petroleum pump price to N125/liter from N145/liter. Although the federal government embarked on these intervention measures to cushion the economy, the negative impact of the pandemic subdued economic output. Nigeria officially went into recession in Q3 of the year as GDP contracted by 3.62% year on year following a 6.1% contraction recorded in Q2 2020 with oil (-13.9%) and non-oil sectors contracting by 13.9% and 2.51%, respectively.

Reduced output and supply chain disruptions resulted in high inflation. Figures from the CBN showed that inflation went from 11.98% in December 2019 to 15.75% in December 2020 with food inflation reaching 19.56%. Inflation is projected to trend downwards in the coming months as the land borders re-open and economic activities pick up.

Crude oil remains a major source of foreign exchange earnings for the nation. Despite the challenges in the crude oil sector in 2020, crude oil and other oil products still accounted for 93% of total exports in Q3. Crude oil price was severely hit by the lockdown and travel restrictions. Oil price fell from $68.64/barrel in January to $38.38/barrel in November. With the reopening of economies, oil price was gradually returning to pre Covid-19 level closing the year at $51.27/barrel and traded above $60/barrel in early 2021.

The CBN adjusted the USD exchange rate three times during the year to bridge the gap between the official and parallel market rates. Limited FX inflows however further expanded this gap. At the end of the year, the official rate stood at N379/1$ from N361/1$ at the beginning of the year while the parallel market rate was N495/1$. Increased demand for US Dollar, lower FX inflows and economic uncertainty are key factors that have put pressure on the exchange rate in Nigeria.

During the year, fixed income market was influenced by Covid-19 as it impacted market confidence across the world. Also, increased liquidity arose from series of OMO instruments maturities that were not rolled over. The increase in liquidity led to suppressed yields. The average yields on FGN Bond, T-Bill and OMO instruments were suppressed to 3.88%, 0.10% and 0.09% from 9.13%, 4.65% and 13.10% at the beginning of the year, respectively.

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The increased liquidity without high yield fixed income investment resulted in a bullish equities market. At the end of 2020, All Share Index (ASI) appreciated by 49.88% to close at 40,270.72 points from the 26,867.79 points at the beginning of the year. It is projected that with the combination of high liquidity, low fixed income yield, limited investment alternatives and a reasonable dividend yield opportunity will continue to provide support for equity through Q1 2021.

Financial Result

In spite of the challenges faced during the year, the Company still grew its profits by posting a profit after tax of N2.61billion from the N2.11billion achieved in 2019. Gross premium income grew by 18% with gross premium income of N26.06billion compared with N22.02billion in 2019. Total asset base went from N64.89billion in 2019 to N98.34billion in 2020 representing a year on year growth of 52%. Shareholders' fund also recorded growth of 23% to close the year at N11.73billion from N9.55billion posted in 2019. During the year, the Company successfully completed its recapitalization exercise by increasing the issued and paid up capital from N2.5billion to N8.0billion in line with the new minimum capital requirement by NAICOM. Performance for the year was driven by organic growth across board.

Board of Directors

In the course of the financial year ended December 31, 2020, Mr. Akintunde Odunsi and Mr. Oluwole Oshin retired from the Board with effect from 28 April 2020 and 27 October 2020 respectively. We sincerely thank Mr. Akintunde Odunsi and Mr. Oluwole Oshin for their invaluable contribution over the last decade to the growth of our company. The Board also approved the appointment of Mr. Kofo Majekodunmi as Non-Executive Director. The appointment of Mr. Kofo Majekodunmi is subject to regulatory approval.

Dividend

In line with our commitment to deliver consistent dividend to our shareholders, your company paid an interim dividend of 10 kobo per share on the issued share capital of 5,000,000,000 ordinary shares of 50k each. Following the favorable result achieved in 2020, we are delighted to propose a final dividend of 3.375

During the year, the Company successfully completed its recapitalization exercise by increasing the issued and paid up capital from N2.5billion to N8.0billion

kobo per share on the issued share capital of 16,000,000,000 ordinary shares of 50k each. If approved, this will bring the adjusted total dividend on the year's result to 6.5 kobo per share.

Corporate Social Responsibility

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

In order to identify with the aspirations of the community and the environment within which the Company operates, a total sum of N39.6million (2019: N9million) was given out as donations and charitable contributions during the year in respect of the following:

i) Contribution to Nigerian Insurers' Associations COVID-19 Fund

ii) Contribution to Ogun State Government COVID-19 Volunteers

iii) Contribution to Lagos State Govt. COVID-19 Volunteers

iv) Donation towards Corona Schools Staff Day

Outlook

While recent vaccine approvals have boosted expectations of a turnaround in the Covid-19 pandemic, the outlook is cautiously optimistic as new waves and new variants of the virus emerge. With this uncertainty, the IMF has projected the global economy to grow by 5.5% in 2021 and the Nigerian economy to grow by 1.5%. Although, in the case of Nigeria, weak consumer demand, high infrastructure deficit, insecurity and rising inflation remain significant challenges. The 2021 budget with estimated size of N13.08 trillion, 24% higher than 2020's, and the benchmark price for crude set at US$40 per barrel and daily oil production at 1.86million barrels per day, higher than the 1.5m barrels/day, per OPEC agreement, and the recently approved US$1.5bn loan package by the World Bank, are expected to build a resilient recovery post-COVID19. The outlook for investment yield is optimistic as the combination of higher fiscal deficits in the approved 2021 budget, relatively lower OMO maturities and the growing demand for near real return by fund managers in the face of rising inflation suggest yield should improve in 2021.

With the projected growth for the Global and National economies, we are optimistic that our company will continue to wax strong and deliver admirably to our clients and other stakeholders.

The outlook for investment yield is optimistic as the combination of higher fiscal deficits in the approved 2021 budget, relatively lower OMO maturities and the growing demand for near real return by fund managers in the face of rising inflation suggest yield should improve in 2021.

Chairman's Statement Contd

Conclusion

I would like to thank my fellow board members and Management for all the hardwork during the year. My appreciation also goes to our shareholders, customers and other stakeholders who have, over the years, stood by us. With your support, we will continue to grow an efficient and socially responsible organization driven by strong ethical and governance standards.

Mr. Richard G. Asabia
Chairman.

With your support, we will continue to grow an efficient and socially responsible organization driven by strong ethical and governance standards.

Board of Directors

Mr. Richard Asabia
(Chairman)

Mr. Larry Ademeso

Mr. Adeniyi Falade

Chief (Mrs.) Margaret Giwa

Mr. Ibrahim Dikko

Mr. Ngozi Nlebemuo

- Executive Management Team
- Director’s Report

Executive Management Team

Larry Ademeso
Managing Director

Ngozi Nlebemuo
Executive Director

Anthony Tippa
Chief Risk Officer/Actuary

Desmond Itaman
Chief Financial Officer

Adesegun Salami
Head, Marketing

Daniel Koshoedo
Head, Corporate

Kehinde Ariyibi
Head, Retail Enterprise

Bolatito Oni
Head, Human Resources

Report Of The Directors
For the year ended December 31, 2020

The Directors have pleasure in presenting their report on the affairs of Custodian Life Assurance Limited ("the Company") together with the audited financial statements and the auditor's report for the year ended 31 December 2020.

Legal form and principal activity

The Company was incorporated on the 26 February 2007 as a private limited liability company called "Crusader Life Assurance Limited". The Company's name was changed to Custodian Life Assurance Limited in March 2013 following the successful scheme of merger between Crusader Nigeria Plc and Custodian Investment Plc. (formerly known as Custodian and Allied Plc).
The Company is a wholly owned subsidiary of Custodian Investment Plc.

The principal activity of Custodian Life Assurance Limited is the provision of individual and group life insurance with investment contracts services to corporate and retail customers in Nigeria in line with applicable laws and regulations from the National Insurance Commission (NAICOM).

Dividend

The Board of Directors proposed an interim dividend of 10 kobo (2019: 8 kobo) per ordinary share on the issued capital of 5,000,000,000 (2019: 4,000,000,000) ordinary shares of 50 kobo each.

The Directors recommended the payment of a final dividend of 3.375kobo per ordinary share on the issued capital of 16,000,00,000 ordinary shares of 50 kobo each (2019: 10 kobo per ordinary share on the issued capital of 5,000,00,000 ordinary shares of 50 kobo each), bringing the total dividend for the financial year ended 31 December 2020 to 13.375 kobo (2019: 18 kobo per share), subject to the appropriate withholding tax deduction.

Report Of The Directors Contd

Operating results

The following is a summary of the Company's operating results:

	31-Dec-2020	31-Dec-2019
	N000	N000
Profit before tax	2,444,680	2,390,363
Taxation	169,663	(277,665)
Profit after tax	2,614,343	2,112,698
Transfer to contingency reserve	(260,605)	(221,898)
Dividend paid	500,000	800,000
Earnings per share - Basic (in kobo)	16	13*
Dividend per share - Interim (in kobo)	10	5
Dividend per share - Final (in kobo)	3.375	12

*The earnings per share (EPS) for prior period has been restated based on the number of shares outstanding as at current reporting date.

Report Of The Directors Contd

Directors and their interests

The Directors who held office during the year, together with their direct and indirect interests in the issued share capital of the Company as recorded in the register of Directors shareholding and/or as notified by the Directors for the purposes of sections 301 and 302 of the Companies and Allied Matters Act are as follows:

		31-Dec-2020	31-Dec-2019
Mr. Richard Asabia	Chairman	Nil	Nil
Mr. Larry Ademeso	Managing Director / Chief Executive Officer	Nil	Nil
Mr. Oluwole Oshin	Non Executive Director	Nil	Nil
Mr. Adeniyi Falade	Non Executive Director	Nil	Nil
Chief(Mrs.)Margaret Giwa	Non Executive Director	Nil	Nil
Mr. Akintunde Odunsi	Non Executive Director	Nil	Nil
Mr. Ibrahim Dikko	Non Executive Director	Nil	Nil
Mr. Ngozi Nlebemuo	Executive Director	Nil	Nil

Resignation/Retirement of Directors

Mr. Akintunde Odunsi, a Non-executive Director, retired during the year after reaching the mandatory retirement age of 70 years. The retirement was approved by the Board on 28 April 2020.

Mr Oluwole Oshin's retirement, after completing his tenure, was approved by the Board on 27 October 2020.

Appointment of Directors

Mr Kofo Majekodunmi's appointment as Director, was approved by the Board on 28 April 2020, subject to NAICOM's approval.

Directors' interests in contracts

In compliance with Section 303 of the Companies and Allied Matters Act of Nigeria, none of the Directors have notified the Company of any declarable interest in contracts with the Company during the year under review.

Report Of The Directors Contd

Major Shareholding

According to the Register of Members, no shareholder other than the undermentioned held more than 5% of the issued share capital of the Company as at 31 December 2020:

	No. of shareholding	% shareholding
Custodian Investment Plc	15,999,999,987	99.99%

Property and equipment

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

Donations and charitable gifts

In order to identify with the aspirations of the community and the environment within which the Company operates, a total sum of N39,642,500 (31 December 2019: N8,983,333) was given out as donations and charitable contributions during the year. Details of the donations and charitable contributions are as follows:

	2020	2019
Contribution to Nigerian Insurers' Associations on COVID-19	20,000,000	-
Contribution to Ogun State Govt. COVID-19 Volunteers	2,572,500	-
Contribution to Lagos State Govt. COVID-19 Volunteers	17,000,000	-
Sponsorship of Mansfield School sports fiesta	20,000	-
Donation towards Corona Schools Staff Day	50,000	100,000
Sponsorship of Insurance Consumers' Forum	-	300,000
Sponsorship of National Insurance Colloquium, 2020	-	250,000
Lagos State Security Trust Fund	-	8,333,333
	39,642,500	8,983,333

Report Of The Directors Contd

Human Resources

Employment of disabled persons

The Company operates a non-discriminatory policy in the consideration of applications for employment, including those received from disabled persons. The Company's policy is that the most qualified and experienced persons are recruited for appropriate job levels, irrespective of an applicant's state of origin, ethnicity, religion or physical condition. In the event of members of staff becoming disabled, efforts will be made to ensure that, as far as possible, their employment with the Company continues and appropriate training is arranged to ensure that they fit into the Company's working environment.

Health, safety and welfare of employees

The Company enforces strict health and safety rules and practices at the work environment which are reviewed and tested regularly. Fire prevention and firefighting equipment are installed in strategic locations within the Company's premises.

The Company has both Group Personal Accident and Group Life Assurance cover for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act .

Employee involvement and training

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well being. Formal and informal channels are employed for communication with employees with an appropriate two – way feedback mechanism. The Company places a high premium on the development of its manpower. The Company sponsors its employees for various training courses both in Nigeria and abroad. The Company also provides its employees with on-the- job training.

Report Of The Directors Contd

Gender Analysis

The number and percentage of women employed as at the end of the year under review vis-a-vis total workforce is as follows:

	Male Number	Female Number	Male %	Female %
2020	31	18	63%	37%
2019	33	14	67%	33%

Events after the reporting date

There are no events after the reporting date, which could have had a material effect on the financial position of the Company as at 31 December 2020 and the profit for the year ended on that date which have not been disclosed.

Auditors

Messrs. Deloitte & Touche have indicated their willingness to continue in office as auditors in compliance with section 401(2) of the Companies and Allied Matters Act of Nigeria.

CUSTODIAN TRUSTEES LTD
AUTHORISED

BY ORDER OF THE BOARD
Mr. Adeyinka Jafojo
FRC/2013/NBA/00000002403
For: Custodian Trustees Limited
[Company Secretarial Services]
16A Commercial Avenue,
Sabo, Yaba, Lagos.

5 February 2021

Statement Of Directors' Responsibilities

In Relation To The Preparation Of The Financial Statements For The Year Ended 31st December, 2020

The Directors accept responsibility for the preparation of the financial statements that give a true and fair view of the statement of financial position of the Company at the reporting date and of its profit or loss and other comprehensive income in the manner required by the Companies and Allied Matters Act of Nigeria CAP C20 LFN 2004 and the Insurance Act CAP I17 LFN 2004. The responsibilities include ensuring that the Company:

i. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act and the Insurance Act;
ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in compliance with:

- International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)
- the requirements of the Insurance Act CAP I17 LFN 2004;
- relevant guidelines and circulars issued by the National Insurance Commission (NAICOM);
- the requirements of the Companies and Allied Matters Act; and
- Financial Reporting Council of Nigeria Act

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Statement Of Directors' Responsibilities Contd

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Richard Asabia
FRC/2013/CSN/00000004762
Chairman

5 February 2021

Mr. Larry Ademeso
FRC/2013/CIIN/00000002506
Managing Director

5 February 2021

Corporate Governance

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

At Custodian, regulatory compliance is central to our corporate governance framework. The Company ensures strict compliance with the Corporate Governance Guidelines for Insurance & Reinsurance Companies in Nigeria issued by the National Insurance Commission (NAICOM) and the Nigerian Code of Corporate Governance 2018 issued by the National Insurance Commission (NAICOM). Our Internal control checks ensure that Custodian meets the legal and ethical standards required of the Board, Management and staff in the day to day activities of the Company.

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

Ethical Standards

The Company is devoted to acting with utmost integrity and expects same of every employee in the Company. The Board has adopted NAICOM's Corporate Governance Guidelines for Insurance & Reinsurance Companies in Nigeria, which sets out the Corporate Governance best practice framework for Custodian and incorporates some of the laws, rules and regulations it is required to comply with. Noting also that the Company is also expected to comply with:

- Companies and Allied Matters Act, 2020
- Nigerian Code of Corporate Governance, 2018
- Financial Reporting Council of Nigeria Act 2011
- Insurance Act 2003

Corporate Governance Contd

- Audit Regulations, 2020
- International best practice
- The Company's Memorandum and Articles of Association

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

Corporate Legal Structure

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

Annual General Meeting

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

Corporate Governance Contd

The Board

Custodian's Board of Directors act on behalf of shareholders and is responsible for controlling and managing the strategic business of the Company and constantly reviews and presents a balanced and comprehensive assessment of the Company's performance and prospects. The Board is responsible for putting in place adequate measures that ensure effective risk management and control within the Company; ensures compliance with statutory requirements and internal regulations; approval of periodic financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices; approval of changes relating to the Company's capital structure, annual operating, and capital expenditure budget.

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

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

Delegation to Management

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

Corporate Governance Contd

Directors' Independence

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

Meetings of the Board

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

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

Change in a Director's Occupation

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

Corporate Governance Contd

Appointment Process, Orientation and Training of Board Members

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

Upon appointment to the Board, newly appointed Directors are given adequate orientation regarding the Company's business, Corporate Governance and reporting procedures and are updated on such matters on a continuing basis. Directors are briefed on policies and procedures applicable to the Board and Board Committees as well as on the rights and responsibilities of Directors. Various information reports are sent to the Board in order to keep them informed of the Company's undertakings.

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

Re-Election of Directors

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

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

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

Directors Access to Management and Independent Advisers

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

Board Structure and Composition

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

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

Audit and Compliance Committee

Mr. Ibrahim Dikko - Chairman
Mr. Larry Ademeso
Chief (Mrs.) Margaret Giwa
Mr. Oluwole Oshin
Mr. Adeniyi Falade
Mr. Akintunde Odunsi

Corporate Governance Contd

Enterprise Risk Management and Governance Committee

Chief (Mrs.) Margaret Giwa - Chairperson
Mr. Ibrahim Dikko
Mr. Oluwole Oshin
Mr. Akintunde Odunsi

Finance, Investment and General-Purpose Committee

Mr. Ibrahim Dikko - Chairman
Mr. Larry Ademeso
Chief (Mrs.) Margaret Giwa
Mr. Oluwole Oshin
Mr. Adeniyi Falade
Mr. Akintunde Odunsi

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

Directors	February, 2020	April, 2020	July, 2020	October, 2020
Mr. Richard Asabia	✓	✓	✓	✓
Mr. Larry Ademeso	✓	✓	✓	✓
Mr. Ngozi Nlebemuo	✓	✓	✓	✓
Mr. Ibrahim Dikko	✓	✓	✓	✓
Chief (Mrs.) Margaret Giwa	✓	✓	✓	✓
Mr. Oluwole Oshin*	✓	✓	✓	N/A
Mr. Adeniyi Falade	✓	✓	✓	✓
Mr. Akintunde Odunsi**	✓	✓	N/A	N/A

* Mr. Oshin's retirement was approved at the Company's Board Meeting of October 27, 2020.

**Mr. Odunsi's retirement at the age of 70years was approved at the Company's Board Meeting of April 28, 2020.

Corporate Governance Contd

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

Directors	February 2020	April 2020	July 2020	October 2020
Mr. Ibrahim Dikko	✓	✓	✓	✓
Mr. Larry Ademeso	✓	✓	✓	✓
Mr. Oluwole Oshin	✓	✓	✓	N/A
Chief (Mrs.) Margaret Giwa	✓	✓	✓	✓
Mr. Akintunde Odunsi	✓	✓	N/A	N/A

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

Directors	February 2020	April 2020	July 2020	October 2020
Chief (Mrs.) Margaret Giwa	✓	✓	✓	✓
Mr. Ibrahim Dikko	✓	✓	✓	✓
Mr. Oluwole Oshin	✓	✓	✓	N/A
Mr. Akintunde Odunsi	✓	✓	N/A	N/A

Corporate Governance Contd

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

Directors	February 2020	April 2020	July 2020	October 2020
Mr. Ibrahim Dikko	✓	✓	✓	✓
Mr. Larry Ademeso	✓	✓	✓	✓
Chief (Mrs.) Margaret Giwa	✓	✓	✓	✓
Mr. Oluwole Oshin	✓	✓	✓	N/A
Mr. Adeniyi Falade	✓	✓	✓	✓
Mr. Akintunde Odunsi	✓	✓	N/A	N/A

Communication with Third Parties

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

Performance Monitoring and Evaluation

In line with Custodian's customary manner of imbibing the best corporate governance practices, the Board engaged the services of an Independent Consultant, Society for Corporate Governance Nigeria, to carry out the annual Board evaluation for the 2020 financial year.

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

The annual appraisal covered all aspects of the Board's composition, structure, responsibilities, relationships, processes, individual member's competencies and respective roles in the overall performance of the Board, as well as the Company's compliance status with the provisions of the Corporate Governance Guidelines for Insurance & Reinsurance Companies in Nigeria issued by NAICOM and the Nigerian Code of Corporate Governance 2018. The result also confirmed that the individual Directors and the Board continue to operate at a high level of effectiveness and efficiency.

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

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

Company Secretariat and Access to Independent Professional Advice
Custodian Trustees Limited acts as Company Secretary to the Company.

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

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

Corporate Governance Contd

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

Anti-bribery and Corruption Policy

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

Remuneration Policy

Consistent with the Company's policy, remuneration of Directors is fixed by the ERM and Governance Committee of the Board, which also has the responsibility of making recommendations to the Board on all payments made to Directors.

Non-Executive Directors are remunerated in line with the Company's policy of providing them with fixed annual fees and sitting allowances for their service on the Board and Committees.

In accordance with the Company's strategy of continuous development, the Company has a Clawback Policy.

Employee Involvement and Training

Custodian encourages participation of employees in arriving at decisions in respect of matters affecting their well-being through various fora. Towards this end, employees are provided opportunities to deliberate on issues affecting the Company and employees interests, with a view to making inputs to decisions thereon.

In accordance with the Company's policy of continuous development, employees of the Company are nominated to attend regular training programmes. These are complemented by on-the-job training.

Corporate Governance Contd

Sustainability/ Environmental, Social and Governance (ESG) Policy

Consistent with the Company's policy on Sustainability and ESG, Custodian is committed to providing a safe and healthy work environment for the employees of the Company, promoting environmental awareness, and ensuring full compliance with all environmental legislations and regulations.

Shareholders Rights

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

External Auditors

Deloitte & Touche acted as the Company's External Auditors for the 2020 financial year. The firm ensures that its responsibilities to the Company are carried out in an independent manner.

Internal Controls

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

Accounting Principles, Disclosure and Reporting

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

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

Corporate Governance Contd

Diversity

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

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

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

Code of Ethics

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

Whistle-blowing

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

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

Corporate Governance Contd

Statement of Compliance

Custodian Life Assurance Limited is a Limited Liability Company and is subject to the jurisdiction of Board of Directors charged with the responsibility of ensuring compliance has submitted that the Company was in compliance with the provisions of the Guideline in the 2020 financial year.

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

ADEYINKA JAFOJO
FRC/2013/NBA/00000002403
Custodian Trustees Limited
Company Secretary

Dated this February 5, 2021

- Risk Management
- HSE Report
- Management Discussion and Analysis
- Board Evaluation Report

Risk Management

Our guiding principles

We have incorporated an approach aimed at creating and maximizing sustainable / superior value to our stakeholders that strategically balances the risk and reward in our business.

Custodian Life Assurance Limited's risk philosophy is guided by the following principles:

- The Company will not take any action that will compromise its integrity. It shall identify, measure, manage, control and report, as practical as possible, all risks.
- The Company will, at all times, comply with all government regulations and uphold corporate standards in accordance with international best practice.
- The Company will institute a sustainable risk culture enterprise-wide.
- The Company will only accept risks within its risk acceptance criteria and have commensurate returns and continually review its activities to determine inherent risks level and adopt appropriate risk response to residual risk levels at all times.
- The Company continually reviews its activities to determine inherent risk levels and adopt appropriate risk response at all times.
- The Company will make decisions based on resilient analysis of the implications of such risk to its strategic goals and operating environment.

Our risk management context is entrenched in our mission statement that states that: We are a team of risk and investment managers that provides our customers and other stakeholders with effective solutions, assuring their financial security with our superior strength and capacity in the Nigerian insurance market space.

Risk management framework

Our risk management framework was fashioned to uphold a resilient risk management culture and integrate risk considerations into management and decision-making processes, through a risk governance structure across the entire enterprise.

Risk Management Contd

We operate and maintain the 'three lines of defence model' for the oversight and management of risk to create and promote a culture that emphasizes effective management and adherence to operating controls as illustrated below:

1st line – Risk owners

The Board, management and line managers: It involves broad setting of strategy, risk appetite, performance measurement, establishment and maintenance of internal control and risk management in the business. In addition, business units have the primary responsibility for managing risks and are required to take responsibility for the identification, assessment, management, monitoring and reporting of risks arising within their respective businesses, thereby ensuring an informed risk and reward balance.

2nd line – Risk control

The Company's risk management function provides oversight and independent reporting to executive management, implements the Company's risks management policy in the business units, approves risk specific mandates and provides an independent overview of the effectiveness of risk management by the first line of defence. Other internal stakeholders in the role include our legal services, Compliance and Quality Assurance and Internal Control.

3rd line – Risk assurance

The last line of defence comprises the internal audit function that provides independent and objective assurance of the effectiveness of the Company's systems of internal control established by the first and second lines of defence in management of enterprise risks across the organization.

The remit of the setting the organization's risk appetite and approving the strategy for managing risk and organization's system of internal control in the overall directly lies with the Board of Directors. The implementation of this principal function is carried out via its Board Committees as enumerated below:

Risk Management Contd

Committees	Functions
(i) Board Audit and Compliance Committee	-Oversight of financial reporting and accounting -Oversight of the external auditor -Oversight of regulatory compliance -Monitoring the internal control process -Oversight of risk management -Review of the Company's compliance level with applicable laws and regulatory requirements that may impact the Company's risk profile
(ii) Board Finance, Investment and General Purpose Committee	-Review and approve the Company's investment policy -Approve investments over and above managements' approval limit -Ensure that optimum asset allocation is achieved
(iii) Board Enterprise Risk Management and Governance Committee	-Review changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile -Oversight of compliance with code of corporate governance -Assist in the oversight of the review and approval of the Company's risk management policy including risk appetite and risk strategy. -Review the adequacy and effectiveness of risk management and controls -Oversee management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms -Review large underwritten risks for adequacy of reinsurance and other risk management techniques including environmental & social management system -Review and recommend for approval of the Board risk management procedures and controls for new products and services

Risk Management Contd

Integration of risk management functions: our approach

The risk management function of the Company is primarily responsible for coordinating the Company's cross-functional response to risks. Other functions include:

a) Drive an enterprise–wide process to aggregate risk exposures, produce risk reports and institute mitigation strategies;
b) Utilize risk control to ensure risk guidelines and policies approved by the Board are adhered to;
c) Champion the growth of risk culture and awareness; and c) Champion the growth of Risk culture and awareness; and
d) Lead an enterprise-wide risk dialogue by instigating risk discussions in a variety of fora.

The Risk Management Committee (RMC) of the Company provides recommendation to the Board Enterprise Risk Management and Governance Committee on risk issues for the latter to assess and possibly approve in accordance with the Company's objectives of aligning risk appetite and strategy.

The Board Enterprise Risk Management and Governance Committee approves the Company's risk appetite annually on the basis of robust assessment of risks that incorporates the prudent decision making of risk and reward trade-offs. The Board is also responsible for evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks establishing, documenting, and enforcing all policies that involve risk. The Chief Risk Officer (a member of this Committee) is responsible for implementing these strategies.

The role of the Chief Risk Officer (CRO) includes informing the Board as well as the Management Committee about the risk profile of the Company and also communicates the views of the Board and Senior Management to the entire Company.

Risk appetite

The Company recognizes that its continual sustainability initiative is largely contingent upon brand protection and enhancement of stakeholder value. Our ethos therefore mandates that the Company is averse to risks that essentially erode corporate value.

Risk Management Contd

The Company's risk appetite is primarily characterized by a clear risk strategy, monitoring and reporting procedure that provides the foundation to identify potential deviations from our risk tolerance in a timely manner across the enterprise, which is underpinned by our top-down risk management approach.

The risk management policies and procedures instituted are strategically aimed at managing potential, inherent and residual risk categories inherent in our operations.

The Board recognizes that the practice of risk management is critical to the achievement of corporate objectives and has actively encouraged a risk culture that embraces innovation and opportunity, primed risk-taking and acceptance of risk as inherent in all our activities, whilst reducing barriers to successful implementation.

We constantly bear in mind that the nature of risk is dynamic and pervasive in our business and the responsibility is that of all, hence we have created a structured approach across all functions of the organization flowing from strategic planning to the service level in order to identify, mitigate and report these risks.
Our structured approach to managing risks is evident in the integration of the risk management function; which is charged with the responsibility of undertaking risk-based audit on all business units using outputs of the annual company-wide risk assessment to guide its annual audit program. A quarterly assessment exercise is conducted by this unit and a rated score expressed in percentage is applied to measure the level of compliance.

Risk categorization

The Company is exposed to a myriad of risks in the conduct of its business some of which are insurance risk, financial (market, credit, liquidity) risk, operational risk, reputational risk, emerging risk, environmental & social risk amongst others including business continuity and crisis management.

Insurance risk

The risk in any insurance contract is the possibility that the event insured against occurs, resulting in a claim. This risk is quite random and unforeseeable.

Risk Management Contd

The fundamental risk the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the provision (reserves) for insurance liabilities. This could occur if the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, hence the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Our insurance underwriting strategy has been improved in such a way that it diversifies the various types of insurance risks that might affect a sufficiently large population of risks to significantly reduce the chances of having inconsistent expected outcome.

Lack of risk diversification, for instance, in terms of type and amount of risk, geographical location and type of industry covered increases the probability of insurance risks.

Life and savings

This includes the Group Life, Annuities and other conventional products.

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are terminal diseases or widespread changes in lifestyle, such as eating, smoking and exercise habits as well as adverse changes in the socio-political climate resulting in earlier or more claims than ideally expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science, human behaviour and social conditions that would increase longevity.

(b) Sources of uncertainty in the estimation of future benefits payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract-holder behaviour. The Company uses appropriate and acceptable base tables of standard mortality according to the type of contract being written. There is also a plan to develop a Nigerian mortality table in the short to medium term.

Risk Management Contd

c) **Valuation methods**

Annuities will be reserved for using a discounted cash flow approach. Here, reserves are set equal to the present value of future annuity payments plus expenses, with allowance being made for any guaranteed periods as required.

Reinsurance agreements

Reinsurance is allowed for in the valuation by having gross and reinsurance ceded records in the policy files. For IFRS compliance purposes all reserves were reported gross of reinsurance, with the value of the reinsurance asset calculated and reported separately.

At Custodian Life Assurance Limited, risk management is performed at all levels and at various stages within business processes and over the technology environment. It forms an integral part of the Company's daily operations through established policies and procedures to help ensure that management's directives to mitigate risks to the achievement of strategic objectives are carried out. Our risk activities are structured to mitigate risk exposures from identified broad risk categories as illustrated below:

Risk Management Contd

Broad Risk Category	Risk Controls Measures
Insurance risk	
· Mortality/longevity risks	· Improvement factors on mortality table consistent with portfolio experience
· Pricing risk	· Segmented tariff
· Under-writing risk	· Policy and underwriting governance and guidelines/underwriting
- Under-reserving	· Follow up on excess and inadequate reserves
· Catastrophe risk	· Follow up on catastrophe events
· Reinsurers treaty agreement	· Regular review of reinsurance treaty agreement
Market risk	· Investment approval limits · Policy on volume and quality of investment assets · Counter party placement limits. · Asset allocation limits etc.
Operational risk	· Clear policy on recruitment · Tolerance limits for errors and breaches and operational · Business Continuity Policy · Service level consultations · Loss event reporting · Information security policy etc.
Credit risk	· Counter party financial analysis - Credit rating
Liquidity risk	· Policy on quality of liquid assets. · Minimum operating liquid level etc.

Risk Management Contd

In a bid to ensure that the Company is not negatively impacted by inherent risks in its business activity, we continually identify, monitor and review our portfolios/business operations on a regular basis. Some of the internal reports of the Risk Management team are listed below:

Internal Reports	Objectives
Quarterly Board Investment / Insurance Report	Shows the performance of the company and reviews the profitability of all aspects of the company's operation.
Monthly Investment Risk Report	Informs management on Company's exposure to market, credit and liquidity risks.
Weekly Investment Risk Report	Monitors and informs management on Company's asset allocation, exposure to sectors of the economy, market/investment, credit and liquidity risks, breaches in regulatory limits.
Quarterly Gap Analysis Report	Analyse the gap duration and sensitivity testing for our assets & liabilities.
Key Risk Indicator Report	Monitors the effectiveness of existing operational controls and the Company's operational risk profile.
Loss Data Report	To quantify operational risk and to identify sensitive areas of activity in order to put in place appropriate controls.

Risk Management Contd

Market Risk

This is the risk that the value of financial instrument in general will change due to moves in the market factors. Such movements may be occasioned market factors (volatilities) that directly related to an individual investment and/or systemic risks.

The four (4) exposures to market risks arise through the following:
- Interest rate risk: the potential risk that the value of fixed income assets will plummet owing to movements in market interest rates.
- Equity price risk: represents the potential risk of loss in our investment in stocks, occasioned by volatility in the stock market
- Foreign exchange risk: potential risk of loss of an asset value held in foreign currency due to changes in currency exchange rates.
- Property price risk: The Company's portfolio is subject to property price risk arising from changes in the valuation of properties.

Credit Risk

This risk arises from the default of a counterparty to fulfil its contractual obligation. Being an Insurance company; non-remittance of premium after the required thirty - day period available to Insurance Brokers as stipulated by NAICOM's premium collection and remittance guidelines. The possibility of default by counterparties on investments, placed with corporate and government entities, could result in cash flow shortages.

Three (3) notable areas of exposure to credit risks include:

1) Direct default risk: is the risk of exposure a company may experience due to non-payment of investment receipts or cash flow on assets at an agreed time by an obligor following a contractual agreement to do so. This type of risk could also arise from failure of registered Insurance Brokers to remit premiums to the company after the permissible thirty days (30) grace period, as mandated by NAICOM.
2) Downgrade risk: risk that changes in the possibility of a future default by an obligor will adversely affect the present value of the contract with the obligor today.
3) Settlement risk: risk arising from the lag between the value and settlement dates of securities' transactions.

Risk Management Contd

Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to the management committee. The Company's Technical and Finance departments, which report to the committee, are responsible for managing the Company's credit risk, including the following:

. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

. Establishing the authorization structure for the approval and renewal of credit facilities, intermediaries and reinsurers in line with credit policies. Authorization limits are allocated to business units. Larger exposures require approval by the management committee or the Board of Directors, as appropriate.

. Reviewing and assessing credit risk. Group credit reviews all credit exposures in excess of designated limits, before further exposures are committed to by the business unit concerned.

. Limiting concentrations of exposure to counterparties, geographies and industries, and by issuer, credit rating band and market liquidity. Reinsurers and intermediaries are assessed based on external credit ratings and internal reviews. For debt securities, the company has a policy to invest only in high-quality corporate and government debt and does not invest in speculative- grade assets – i.e. those below BBB- based on [Rating Agency]ratings.

. Developing and maintaining the Company's risk grading to categorize exposures according to the degree of risk of default when external credit ratings are not available. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with company credit. Risk grades are subject to regular review by the Risk committee. Specifically as part of this, the impact of a reinsurer default is monitored and managed accordingly.

Risk Management Contd

The internal risk grades correspond to [Rating Agency] ratings are as follows:

	Grade 1	AAA
Low Risk	Grade 2	AA- To AA+
	Grade 3	A- To A+
	Grade 4	BBB- to BBB+
Fair risk	Grade 5	BB- to BB+
Substandard	Grade 6	B- to B+
Doubtful	Grade 7	C To CCC+
Loss	Grade 8	D

Developing and maintaining the processes for measuring ECL. This includes processes for:

- Initial approval, regular validation and back-testing of the models used; and
- Incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided, which may require appropriate corrective action to be taken. These include reports containing estimates of loss allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk.

Amounts Arising from ECL

Significant Increase in Credit Risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the company's experience, expert credit assessment and forward-looking information.

The company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Whenever available, the Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Company also reviews changes in bond yields and, where available, credit default swap (CDS) prices together with available press and regulatory information about issuers.

Where external credit ratings are not available, the company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections and available regulatory and press information about borrowers) and applying experienced credit judgement.

The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The company considers this to be BBB- or higher based on Global Rating Agency's ratings, which is equivalent to an internal risk grade.

As a backstop, the company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.

Modified Financial Assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the accounting policies.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

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

Risk Management Contd

Definition of Default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the company to actions such as realizing security (if any is held)

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative: e.g. breaches of covenant and other indicators of financial distress;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Company risk committee and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organizations such as the Organization for Economic Co- operation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a best estimate and is aligned with information used by the Company for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Company also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Measurement of Expected Credit Loss (ECL)

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of default (PD)
- Loss Given Default (LGD), and
- Exposure At Default (EAD).

To determine lifetime and 12-month PDs, the Company uses the PD tables based on the default history of obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings . The PDs are recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information as described above. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to- value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization, and prepayments. The EAD of a financial asset is its gross carrying amount. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are accompanied on the basis of shared risk characteristics, which include:

- instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular Company remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company uses to derive the default rates of its portfolios. This includes the PDs provided in the Global Rating Agency's default study and the LGDs provided in the Global Rating Agency's recovery studies.

Liquidity Risk

The characteristic nature of our business requires adequate cash flow to meet our contractual obligations in the event of claim settlement. This is the risk of loss arising due to insufficient liquid assets to meet cash flow requirements or to fulfil its financial obligation once claims crystallize. Our exposure to liquidity risk comprises:

Risk Management Contd

1) **Funding (Cash-flow) Liquidity Risk**: These risks arise from investment-linked products especially in circumstances where there are liquidity constraints to meet financial obligations to customers.

2) **Market (Asset) Liquidity Risk**: risk of loss which is occasioned by the incapacity to sell assets at or near their carrying value at the time needed.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances and call deposits with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair values and are used by the Company in the management of its short-term commitments.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Operational Risk

This is risk of loss resulting from inadequate or failed processes, people (human factors) and systems or from external events.

Operational Risk Management

Operational risks represents risks of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events. In line with best practices, a number of tools employed in managing these risks are enumerated as follows:

Risk Identification: The Risk Identification is a critical tool applied to identify, assess, quantify and mitigate operational risks across the enterprise. The exercise constitutes a fundamental element of the overall operational risk framework, to assess risks using a pre-defined measurement grid for the frequency assessment and severity assessment of each risk identified. The profile of risks across the organization is an integral input for the Company’s internal audit whilst preparing for audit plans.

Risk Maps: Risk maps typically are graphs on which impact of each risk is plotted against probability of occurrence. Risk maps are designed either to show inherent or residual risk categories by line of business. High-frequency/high-severity risks need to be monitored closely to reduce the Company's exposure to losses.

Key Risk Indicators: Key risk indicators are defined to provide early warnings indicators, data is collected in an easy and meaningful way that allows preventive actions to be taken. It may also measure the accumulation of conditions that may favour emergence of potential risks thus the Key Risk Indicator (KRI) provides a veritable tool for early identification of increasing risk exposure and /or deviations concerning inherent risk of business units. The KRI dashboard represents a snap-shot of risk events essential for effective monitoring and control of risks, in conformity with the Enterprise's risk appetite.

Loss Data Collection: This tool represents a primary resource for risk reporting and data collection. We have leveraged on our technological infrastructure to develop an application for the collection of potential/actual risk events. Events (inclusive of near-misses) up to a predetermined threshold are analysed for cause, category, impact and correlation effect across the business.

Health and Safety Management

A Health and Safety Management system has been institutionalized to provide and maintain safe and healthy working environment and conditions for all staff. This responsibility also extends to visitors, contractors and others who may potentially be affected by our activities or present within our business premises. The Health and Safety Policy framework underpins the policy statements, roles and responsibilities of HSE officer, First Aid services, Safety Marshalls/Deputies and emergency procedures, etc.

Reputational Risk

The risk that an event will negatively influence stakeholders' perception or threaten to violate public trust in our brand. We firmly appreciate that Stakeholders are crucial to the success of our business and we are committed to continually conduct our business in an affirmative manner that facilitates building sustainable relationships with our stakeholders.

Risk Management Contd

Underwriting Risk

Underwriting risks relates to risks that premiums charged are inadequate to cover the claims the company is legally obliged to pay. Furthermore, it is essential that those premiums match to the return on the company's capital. Underwriting risk may either arise from an inaccurate assessment of the risks entailed in writing an insurance policy, or from factors wholly out of the underwriter's control.

Underwriting risks form an integral part of our business. While we recognize that it is not practicable to eliminate all risks underwritten completely, we continually strive to leverage on managing this type of risks as a mitigation strategy because we believe that the continual profitability of our underwriting competencies, is a reflection of strategies employed in risk decision making which is in conformity with our risk appetite.

Underwriting risks may arise through the following ways:

- Inadequate premium pricing vis a vis the risk insured against;
- Inappropriate reinsurance arrangements;
- Inadequate claims reserves- the number of claims that occur may be higher than expected claims.
- Moral hazard of policyholders which may result in adverse claims experience.

Reputational Risk Management

The Company recognizes that in extreme cases, black swan events could result in significant reputational damage. It is to this end, that the Company maintains a top-down approach to managing its potential and actual corporate culture and values against untoward events that may erode its brand value. Our reputation management objectives are two-fold; to proactively manage and reactively protect and leverages on a strong internal stakeholders collaboration between Legal, Compliance and Quality Assurance, Risk Management and Brand Management & Corporate Communications.

Risk Management Contd

Business Continuity & Crisis Management (CMBC):

The Business Continuity Framework has been designed to ensure continuous availability of processes and delivery of products and services at acceptable predefined levels in the event of a disaster or disruption to critical operations.

The Crisis Management Plan (CMP) ensures that Custodian Life Assurance Limited has the capacity to prepare for, anticipate, respond to and recover from crisis as a result of a serious incident that immediately prevents, or threatens the continuity of business operations and the delivery of our key products and services.

The CMBC policy reinforces the unequivocal commitment of all internal stakeholders of Custodian Life Assurance Limited towards CM & BC processes.

Legal Risks include but not limited to exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

HSE Report

We continue to uphold our resolve to minimize our impact on the environment and also endeavor to fulfil employees desire to work in a safe and protected environment in order to protect their mental and physical wellness.

The company's HSE policy is committed to promoting and providing a low-risk work environment with positive health and safety culture, hence safety risks in office environment are continuously identified and reduced or eliminated.

The desire to achieving a healthier and safer workplace and environment, is to enable us attain productive and innovative business with the aim of reducing operational and financial impact due to work-related injuries and ill health.

Our strategy has been the continued identification of new solutions to existing problems and tackling new risks regarding workplace and environment for the benefit and continual improvement of all stakeholders.

In order to achieve a low or risk-free work environment, our targets are:

- to preserve lives and assets
- to ensure there are no recorded fatalities
- to ensure workplace is free of recognized health and safety hazards
- to ensure anticipated risks based on knowledge/experience are reduced to the barest minimum or eliminated

At Custodian Life Assurance Ltd, we recognize workplace safety as everyone's responsibility, and as such we encourage everyone to participate in the office health and safety.

HSE Report Contd

Following the outbreak of the COVID-19 pandemic, strict measures were introduced with the full support and participation of the management team to protect the workforce, tenants, visitors and contractors entering into the building.

Once the pandemic was confirmed a global threat by the World Health Organization, there was introduction and enforcement of non-pharmaceutical measures such as enforcement of face mask use before entry and within the premises, temperature scanning, dispensing of hand sanitizer at point of entry, social distancing in the lift cabin (4 instead of 24 passengers) and offices, positioning of hand sanitizers at the lift lobby of each floor, as well as increased frequency of cleaning and weekly decontamination of the offices.

In the bid to reduce or eliminate physical contact, the practice of social distancing amongst employees was enforced, with forty percent of the workforce working from home. Also, services such as fit-farm and staff canteen were cancelled as lunch was packed and served as take-out.

Reinforcement communication via emails, posters and knowledge sharing sessions were employed by management, as Custodian Life Assurance Ltd continues to support its workforce as we all settle into the new normal.

We are confident that if we take all necessary precaution and follow laid down protocols within and outside the workplace, the battle against the pandemic will be won and casualty will be minimized.

Management Discussion and Analysis

This "management discussion and analysis" (MD&A) has been prepared as at 31 December 2020 and should be read in conjunction with the audited financial statements of Custodian Life Assurance Limited.

Forward looking statements

Custodian Life Assurance Limited is a wholly owned subsidiary of Custodian Investment Plc., whose vision is to be Africa's Insurer of choice with a mission to develop, package and deliver innovative insurance products that best satisfy customer needs whilst operating a highly profitable, efficient, resourceful and ethical organization that will survive well into the future and be a valuable asset to its shareholders.
Custodian Life Assurance Limited is licensed to carry out life assurance business.

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

Business strategy of the Company and overall performance

The Company is registered and incorporated in Nigeria and is engaged in providing insurance and investment solutions to both the corporate and retail sectors of Nigeria. It also aims to establish itself as the apex insurance company in Nigeria and Africa at large.

The Company's strategy is to use technology and international best practice to provide its customers with tailor made solutions, superior services and specially designed programs to assist its patrons through a network of regional and agency offices spread over Nigeria.

Management Discussion and Analysis Contd

Operating results (in thousands of Nigerian Naira)	Dec 2020	Dec 2019	% change
Gross premium written	26,058,468	22,189,831	17%
Net premium income	24,678,216	20,650,606	20%
Underwriting loss	(20,180,602)	(6,780,033)	198%
Investment income	24,455,405	11,104,236	120%
Profit before tax	2,444,680	2,390,363	2%
Profit after tax	2,614,343	2,112,698	24%
Total comprehensive income	2,676,874	2,161,501	24%
Earnings per share (kobo)	16	13*	23%

*The earnings per share (EPS) for prior period has been restated based on the number of shares outstanding as at current reporting date.

Board Evaluation Report

For the Board of Custodian Life Assurance Limited

LEADERSHIP & INTEGRITY

SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

8 Onigefon Road, Palace Way, Oniru. P.O.Box 73002, Victoria Island, Lagos.
Phone: +234 8154080139, 8158380740
Website: www.corpgovnigeria.org

Executive Summary

The Society for Corporate Governance Nigeria was engaged to conduct an independent evaluation/assessment of the performance of the Board of Custodian Life Assurance Limited for 2020, as part of stipulated regulatory requirement.

SCOPE

The scope of the evaluation covered the following areas:

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

Below is a summary of our findings:

Leadership

The Board Chairman exhibits a leadership style that promotes an environment that encourages and supports the active participation and contribution of Board members at meetings. The position of the Chairman and Managing Director are held by separate individuals which shows clear separation of powers between both offices. The Chairman is also not a member of any Board Committee in line with regulatory requirements.

Board Evaluation Report Contd

Board Meetings

The Board met four (4) times with an aggregate attendance of 98% in the period under review. Meetings held were constructive, aligned to the agenda and directors gave useful contributions. Board packs were circulated to directors to better prepare for meetings.

Board Composition & Capacity

The Board had two (2) Executive Directors and six (6) Non-Executive Directors whose knowledge and understanding span across their diversity, experience, resounding knowledge of the business, financial and economic environment.

Board Committees

The Board has three (3) committees namely: Finance, Investment & General Purpose; Board Audit & Compliance and Enterprise Risk Management & Governance; which met regularly with all members in attendance.

Board Oversight Functions

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

Strategy & Planning

The Board takes its strategic oversight seriously, setting strategic initiatives and direction for the Company.

Board Evaluation Report Contd

Transparency and Accountability

The Company communications are in plain language, readable, and understandable. Stakeholders have a true picture of the Company's financial position as reflected on its Annual Reports and published on its official website.

Director Appointment & Development

Directors have shown commitment to regular trainings to update their knowledge and skill. Board members participated in relevant trainings beneficial to the quality of contributions during board meeting discussions.

Risk Management & Compliance

The Board has a Risk Management framework for adequately managing risk exposures and ensuring effective internal control systems.

Based on the analysis of the result, the Board of Directors have demonstrated its dedication and commitment to the growth and success of the Company. This is demonstrated by their contributions, individual performance, attendance at Board and Committee meetings and the depth of discussions and resolutions arrived at during these meetings. There is also an alignment between the competencies of directors and the requirements / needs of the Company.

In line with National Insurance Commission (NAICOM), Code of Corporate Governance and the Nigerian Code of Corporate Governance (NCCG), we have found Custodian Life Assurance Limited to a large extent compliant in regulatory requirements and recommended best practices for the period under review (2020). We have rated the Board 'Excellent' in its overall effectiveness.

Board Evaluation Report Contd

We have however, recommended the following.

- The Enterprise Risk Management and Governance Committee should be reconstituted to adhere to regulatory requirements in its composition, Once NAICOM approves the appointment of the Director who was recently appointed by the Board.
- Gender diversity and balance should be considered.

In as much as there is still room for improvement and continuous director development, we are happy to state that the Board of Custodian Life Assurance Limited conducted its affairs in an acceptable and satisfactory manner in 2020.

SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

Chioma Mordi (Mrs.)
Chief Executive Officer
FRC/2014/NIM/00000007899

- Independent Auditors' Report
- Summary Of Significant Accounting Policies
- Financials

Deloitte.

Independent Auditors' Report To The Members of Custodian Life Assurance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Custodian Life Assurance Limited set out on pages xx to xx, which comprise the statements of financial position as at 31st December 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of financial position of Custodian Life Assurance Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act (CAMA), the Insurance Act CAP I17 LFN 2004, circulars and guidelines issued by the National Insurance Commission (NAICOM) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA 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 IESBA Code and other ethical requirements that are relevant to our audit of Financial Statements in Nigeria.

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

Key Audit Matter

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

Key Audit Matter	How the matter was addressed in the audit
Valuation of Insurance and investment Contracts	
Under IFRS 4, the Company is required to perform liability adequacy test on its insurance contract liabilities and investment contract liabilities to ensure the carrying value of the liabilities is adequate. As disclosed in notes 17 and 18 to the financial statements, the insurance contract liabilities and investment contract liabilities for the Company amounted to N77.727 billion [2019:N47.114 billion] and N6.072 billion [2019:N3.985 billion] respectively. This represents about 90% of the of the Company total liabilities as at 31 December 2020.	Our procedures included the following among others: · We reviewed the methodology and processes adopted by management for making reserves in the books of the company. · We tested entity's control around reserving process and maintenance of data for valuation of insurance contract liabilities. · We considered the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. Our work on the liability adequacy test includes assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience data and specific product features.

Key Audit Matter	How the matter was addressed in the audit
Determination of the fair value of the contracts is an area that involves exercise of significant judgement and use of key inputs and assumptions. Some of these include operating assumptions in relation to uncertain future outcomes like mortality, morbidity, lapse and surrender, etc., and also economic assumptions relating to interest rates, inflation rates, expenses, return on investments, discount rates, future growth rates etc. are the key inputs used to estimate these long-term liabilities The Company has an in-house actuary who assesses, on periodic basis, an estimate of the insurance liabilities for the various portfolio managed by the company. At the end of each financial year, management employ the services of an external actuary in the determination of its insurance liability 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.	· 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 contract 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. We found that the assumptions used by management were comparable with the market, accord with best practices, the key input data used in estimating the fair value of the insurance and investment contracts liabilities were appropriate in the circumstances. We consider the disclosure of the liabilities to be adequate, relevant and useful.

The directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Risk Management Report and the Management Discussion and Analysis, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

Independent Auditors' Report Contd

We also provide the Audit Committee and Directors 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 the Audit Committee and Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 (CAMA), Insurance Act 117 LFN 2004, Circulars and Guidelines issued by the National Insurance Commission (NAICOM), Financial Reporting Council Act 2011, we expressly state that:

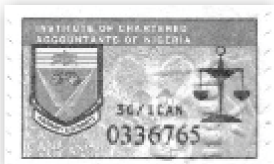
i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

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

iii) The 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.

No evidence of non-compliance with laws and regulations came to our attention during our audit of the financial statements.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
8 February, 2021



Engagement partner: Joshua Ojo

Summary Of Significant Accounting Policies

1 General information

For the year ended 31 December 2020

Reporting entity

Custodian Life Assurance Limited ("the Company"; formerly known as Crusader Life Insurance Limited) is a wholly owned subsidiary of Custodian Investment Plc (formerly Custodian and Allied Plc). Crusader Life Insurance was incorporated as a private limited liability company on 26 February 2007. The Company underwrites life insurance risks, such as those associated with death, disability and health liability. The Company also issues a diversified portfolio of investment contracts to provide its customers with fund management solutions for their savings and other long-term needs. Arising from a scheme of merger between Crusader (Nigeria) Plc, the erstwhile holding company of Crusader Life Insurance Limited and Custodian and Allied Plc on 7 March 2013, Crusader Life Insurance Limited changed its name to Custodian Life Assurance Limited.

Custodian Life Assurance Limited is a limited liability company and is regulated by the National Insurance Commission (NAICOM). The address of its registered office is 16A Commercial Avenue, Sabo, Yaba, Lagos, Nigeria. The financial statements were authorised for issue by the Board of Directors on 5 February 2021.

2 Summary of significant accounting policies

2.1 Basis of presentation and compliance with IFRS

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB)and IFRS Interpretations Committee (IFRIC) interpretations applicable to companies reporting under IFRS and in the manner required by Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria, the Financial Reporting Council of Nigeria (FRC Act) and Nigerian Insurance Commission (NAICOM). Additional information required by national regulations have been included where appropriate. The financial statements are presented in Naira, which is the Company's presentation and functional currency.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the accompanying notes.

(a) Basis of measurement

These financial statements have been prepared in accordance with the going concern principle and on a historical cost basis except for the following:

- non-derivative financial instruments designated at fair value through profit or loss.
- financial assets that are measured at fair value through other comprehensive income.
- investment property is measured at fair value.
- insurance liabilities measured at present value of future cash flows.
- investment contract liabilities at fair value.

(b) Use of estimates and judgements

The preparation of the financial statements which is 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. Actual results may differ from these estimates.

Information about significant areas of estimation uncertainties 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 2.3.

2.2 Changes in accounting policy and new standards

With the exception of the changes below, the Company has consistently applied its accounting policies to all the periods presented in the financial statements.

Summary Of Significant Accounting Policies Contd

2.2.1 New and amended standards and interpretations

The Company applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

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

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

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have financial instruments that reference IBORs at 31 December 2020 or apply hedge accounting to any of its benchmark interest rate exposures.

Definition of a Business – Amendments to IFRS 3

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The amendments remove the assessment of whether market participants can replace any missing inputs or processes and continuing to produce outputs. The amendment clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments do not have a material effect on the Company's financial statements because it has not acquired any subsidiaries during the year.

Amendments to IAS 1 and IAS 8 Definition of material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Company.

The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Summary Of Significant Accounting Policies Contd

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements regarding references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. These amendments had no impact on the financial statements of the Company.

2.2.3 Standards issued but not yet effective

The following standards and interpretations had been issued but were not mandatory for the reporting year ended 31 December 2020 and up to the date of issuance of the Company's financial statements.

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

Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement to IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: - discounted probability-weighted cash flows - an explicit risk adjustment, and - a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.	This standard is expected to have a material impact on the Company's financial reporting and disclosures as the Company is predominantly in the business of insurance contracts. The Company already started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is to have a significant impact on profit and total equity together with presentation and disclosure."

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 17 Insurance Contracts	There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. At its March 2020 meeting, the IASB tentatively decided to defer the effective date of IFRS 17 by two years, such that entities would apply the amended Standard for annual periods beginning on or after January 1, 2023. The IASB also tentatively decided on a consequential amendment to IFRS 4 Insurance Contracts to defer the fixed expiry date for the temporary exemption from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.	

New or amended standards	Summary of the requirements	Possible impact on financial statements
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: - What is meant by a right to defer settlement - That a right to defer must exist at the end of the reporting period - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification - That classification is unaffected by the likelihood that an entity will exercise its deferral right - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.	The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
Reference to the Conceptual Framework – Amendments to IFRS 3	In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.	Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.	The amendments are not expected to have material impact on the Company's financial statements.

Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.	The amendments are not applicable to the Company
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.	The amendments are not expected to have a material impact on the Company

New or amended standards	Summary of the requirements	Possible impact on financial statements
IAS 41 Agriculture – Taxation in fair value measurements	As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.	The amendments are not expected to have a material impact on the Company
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.	The amendments are not expected to have a material impact on the Company

Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
Amendments to IFRS 3: Covid-19 Related Rent Concessions	On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.	This amendment had no impact on the financial statements of the Company.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	"The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.	The amendments are not expected to have any impact on the Company.

Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	The amendments must be applied prospectively. Early application is permitted and must be disclosed. In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.	
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9 Financial Instruments (IFRS 9), IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 4 Insurance Contracts (IFRS 4) and IFRS 16 Leases (IFRS 16). With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.	The amendments are not expected to have any impact on the Company.

Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
	Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss. The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform. The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 and IAS 39 to measure and recognise hedge ineffectiveness.	

Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
	Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR. The cash flow hedge reserve is released to profit or loss in the same period or periods in which the hedged cash flows based on the RFR affect profit or loss. For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero. This relief applies when the exception to the retrospective assessment ends. For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero. This relief applies when the exception to the retrospective assessment ends. The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued. As items within the hedged group transition at different times from IBORs to RFRs, they will be transferred to sub-groups of instruments that reference RFRs as the hedged risk. As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform. The phase two reliefs	

Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
	cease to apply once all changes have been made to financial instruments and hedging relationships, as required by IBOR reform. The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods. IFRS 7 Financial Instruments: Disclosures includes the following: - How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform - Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs - If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.	

Summary Of Significant Accounting Policies Contd

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

2.3 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in thousands of Naira (N'000) which is the Company's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non monetary items (investment property) in a foreign currency that are measured at fair value are translated using the closing rate as at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Foreign exchange gains and losses are presented in the income statement within 'other operating income'.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in the income statement as part of net gain/loss on financial assets. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other comprehensive income.

(b) Financial assets

Financial assets are classified into the following categories: fair value through profit or loss, fair value through other comprehensive income and amortised cost. The classification by the Company is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

Classification of financial assets

(i) Financial assets at fair value through profit or loss (FVTPL)

Financial assets designated at fair value through profit or loss upon initial recognition

Financial assets designated at fair value through profit or loss (FVTPL) are: Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Other financial assets designated as at fair value through profit or loss at initial recognition are those that are:

- Separate assets held to match insurance and investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. The Company's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

(ii) Debt instruments at amortised cost or at fair value through other comprehensive income (FVTOCI)

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Summary Of Significant Accounting Policies Contd

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how Company of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company has more than one business model for managing its financial instruments which reflect how the Company manages its financial assets in order to generate cash flows. The Company's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Company considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Company takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost are subject to impairment. See note 6c(v-c).

In the current and prior reporting period, the Company has applied the fair value option and so has designated debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Interest on investments carried at amortised cost are included in the income statement and are reported as interest income. In the case of an impairment, it is reported as a deduction from the carrying value of the investment and recognised in the statement of profit or loss and other comprehensive income as 'net gains / (losses) on financial assets'.

(iii) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income' line item;

- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other income' line item. Other exchange differences are recognised in OCI in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in profit or loss either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at FVTPL' if otherwise held at FVTPL; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investments revaluation reserve.

(iv) 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 Company, 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 Company 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.

(v) 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.

(vi) Impairment

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

- cash and cash equivalents
- debt investment securities;
- right-of-use assets;

No impairment loss is recognised on equity investments.

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 Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Company 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.

(vii) **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 Company 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 Company 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. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

(viii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. The Company uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

(ix) Significant increase in credit risk

The Company monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL. The Company's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Company monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

As a back-stop when an asset becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

(x) 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 in crease in the interest rate that arises when covenants are breached).

When a financial asset is modified the Company assesses whether this modification results in derecognition. In accordance with the Company'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 Company 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.

Summary Of Significant Accounting Policies Contd

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 Company 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 Company 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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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 Company retains an option to repurchase part of a transferred asset), the Company 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.

(xi) Write-off

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company 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 Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains.

(xii) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision.

(xiii) 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 Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company 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 Company's own equity instruments.

(xiv) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

(d) Other financial assets

(i) Trade receivables

These are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method less impairment. Discounting is omitted where the effect of discounting is immaterial. Trade receivables are made up of premium receivables and coinsurance receivables.

- Premium receivables relate to receivables from agents, brokers and insurance companies in respect of premium income.
- Coinsurance recoverable relate to only claims recoverable from coinsurers for claims settled to policy holders on behalf of coinsurers based on agreed terms.

(ii) **Other receivables**

Other receivables are made up of other amounts due from parties which are not directly linked to insurance or investment contracts. These are measured at amortised costs. Discounting is omitted where the effect of discounting is immaterial.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(e) **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 Company 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 Company 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 Company's documented risk management or investment strategy, and information about the Companying 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 Company does not have any financial liabilities at fair value through profit or loss at the reporting date.

(ii) Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company'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 Company 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 Company 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.

f) Other financial liabilities

Other financial liabilities are initially recognised 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.

(i) 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.

(ii) Financial guarantee contracts

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in compliance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment and the unamortised premium when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(g) Investment property

Property held for long-term rental yields that is not occupied by the Company is classified as investment property.

Investment property comprises freehold land and buildings. It is carried at fair value, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by independent valuation experts.

Changes in fair values are recorded in the income statement. Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields and is not occupied by the Company. The initial cost of the property shall be the fair value (where available). When not available the initial cost shall be used. The property is carried at fair value after initial recognition. Investment property denominated in foreign currencies are translated to the reporting currency using the closing exchange rate at the reporting date.

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

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

Properties could have dual purposes whereby part of the property is used for own use activities. The portion of a dual use property is classified as an investment property only if it could be sold or leased out separately under a finance lease or if the portion occupied by the owner is immaterial to the total lettable space.

(h) Intangible assets

Intangibles assets represents cost associated with the acquisition of software.

Summary Of Significant Accounting Policies Contd

(i) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their useful lives, which does not exceed four years.

(i) Property, plant and equipment

Land and buildings comprise mainly outlets and offices occupied by the Company.

All property, plant and equipment is initially recorded at cost. Except for land and buildings, all property and equipment are stated at historical cost less depreciation and accumulated impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold property (land and buildings) are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Revaluation surplus if recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss account. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Depreciation on property and equipment is calculated using the straight-line method to allocate the cost to the residual values over the estimated useful lives as follows:

- Building 33 years
- Vehicles 4 years
- Furniture and fittings 5 years
- Computer and office equipment 4 years

Leasehold improvements are depreciated over the lower of the useful life of the asset and the lease term.
The assets residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

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 fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31 December 2020 (2019: Nil).

Summary Of Significant Accounting Policies Contd

Property and equipment are derecognised at the disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included within other income in the statement of profit or loss and other comprehensive income.

(j) Leases

1) Company as a lessee

Initial recognition and measurement

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

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

a) Right-of-use assets

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

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

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

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The Company's current depreciation rate for its right-of-use assets is 24% per annum with a minimum lease rental of 2 years.

b) Lease liabilities

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. When measuring lease liabiltiies, the Company discounted lease payments using its incremental borrowing rate. The weighted-average rate applied is 16.3%.

c) **Short-term leases and leases of low-value assets**

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

2) **Company as a lessor**

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

The Company enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. if the head lease is a short-term lease that the entity, as a lessee, has accounted for applying paragraph 6, the sublease shall be classified as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

a) **Rent receivables**

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

b) **Tenant deposits**

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

(k) **Reinsurance assets**

The Company cedes businesses to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Reinsurance assets are measured at amortised costs. Reinsurance assets relate to prepaid reinsurance, reinsurers' share of IBNR claims and claims recoverable.

(l) **Equity accounted investees**

The Company's interest in equity accounted investees comprise of interests in associates and joint ventures.

Associates are all entities over which the Company has significant influence but not control or joint control, over the financial and operating policies. This is generally the case where the Company holds between 20% and 50% of the voting rights. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income. Dividends received or receivable from associated and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivable, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the accounting policy on impairment

(m) Statutory deposit

Statutory deposit represents 10% of the minimum paid-up capital of the Company deposited with the Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost.

(n) Insurance contracts

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts where a party (the policy holder) transfers significant insurance risk to another party (insurer) and the latter agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary. Such contracts may also transfer financial risk when the insurer issues financial instruments with a discretionary participation feature.

(1) Types of Insurance Contracts

These contracts insure events associated with human life (for example, death). These are divided into the individual life, Company life and Annuity contracts.

- Individual life contracts are usually long term insurance contracts and span over one year while the Company life insurance contracts usually cover a period of 12 months. A liability for contractual benefits that are expected to be incurred in the future when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued.

- Annuity contracts insure customers from consequences of events that would affect the ability of the customers to maintain their current level of income. There are no maturity or surrender benefits. The annuity contracts are fixed annuity plans. Policy holders make a lump sum payment recognised as part of premium in the period when the payment was made. Constant and regular payments are made to annuitants based on terms and conditions agreed at the inception of the contract and throughout the life of the annuitants. The annuity funds are invested in long tailed government bonds and reasonable money markets instruments to meet up with the payment of monthly/quarterly annuity payments. The annuity funds liability is actuarially determined based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued.

Summary Of Significant Accounting Policies Contd

(2) Recognition and measurement

(i) Company life insurance contracts premium and claims

Life insurance contracts protects the Company's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents 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.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims expenses are charged to income as incurred based on the sum assured agreed at the inception of the policy. They include direct claims that arise from death or disability that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

(ii) Annuity premium and claims

Annuity premiums relate to single premium payments and recognised as earned premium income in the period in which payments are received. Claims are made to annuitants in the form of monthly/quarterly payments based on the terms of the annuity contract and charged to income statement as incurred. Premiums are recognised as revenue when they become payable by the contract holders. Premium are shown before deduction of commission.

(iii) Deferred policy acquisition costs (DAC)

Acquisition costs comprise all direct and indirect costs arising from the writing of life insurance contracts. Deferred acquisition costs represent a proportion of commission which are incurred during a financial period and are deferred to the extent that they are recoverable out of future revenue margins. For the Company life contracts, it is calculated by applying to the acquisition expenses the ratio of unearned premium to written premium; while no assets are established in respect of deferred acquisition cost for individual life and annuity contracts.

(iv) Deferred income

Deferred income represent a proportion of commission received on reinsurance contracts which are booked during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying to the reinsurance commission income the ratio of prepaid reinsurance to reinsurance cost.

(v) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance companies (as coinsurers) and reinsurance companies.

- Receivables and payables to agents, brokers and insurance companies (as coinsurers)

The Company's receivables and payables to agents, brokers and insurance companies (as coinsurers) relate to premium and commission.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of profit or loss and other comprehensive income. The Company gathers objective evidence that an insurance receivable is impaired using the same methodology adopted for financial assets held at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

Summary Of Significant Accounting Policies Contd

- **Reinsurance and coinsurance contracts held**

Contracts entered into by the Company with reinsurers and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Reinsurance assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company has the right to set-off re-insurance payables against amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated using the number of days that the receivable has been outstanding.

(o) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These are in the form of Interest linked investment contracts which are measured at amortised cost.

Investment contracts with guaranteed returns (interest linked) and other business of a savings nature are recognised as liabilities. Interest accruing to the life assured from investment of the savings is recognised in the profit and loss account in the year it is earned while interest paid and due to depositors is recognised as an expense. The net result of the deposit administration revenue account is transferred to the income statement of the Company.

(p) Technical reserves

These are computed in compliance with the provisions of Sections 20, 21, and 22 of the Insurance Act 2003 as follows:

(i) Company life insurance contracts

Reserves for unearned premium

In compliance with Section 20 (1) (a) of Insurance Act 2003, the reserve for unearned premium is calculated on a time apportionment basis in respect of the risks accepted during the year.

Reserves for outstanding claims

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

Reserves for unexpired risk

A provision for additional unexpired risk reserve (AURR) is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve (UPR).

(ii) Individual life business

Life fund

This is made up of net liabilities on policies in force as computed by the actuaries at the time of the actuarial valuation or as at reporting period end.

Liability adequacy test

At each end of the reporting period, liability adequacy tests are performed by an Actuary to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests "the unexpired risk provision.

(q) Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realisable or the deferred income tax liability is payable.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 tax 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.
The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(s) Equity

(i) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

(ii) Repurchase and re-issue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Summary Of Significant Accounting Policies Contd

(iv) Contingency reserves

In compliance with Section 22 (1) (b) of Insurance Act 2003, the contingency reserve is credited with the higher of 1% of gross premiums or 10% of net profit.

(v) Dividends

Dividend on the Company's ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividend distribution to the Company's shareholders is recognised as equity in the financial statements in the period in which the dividend is paid to the Company's shareholders.

(t) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period excluding treasury shares held by the Company.

(u) Revenue recognition

Revenue comprises premium, value for services rendered, net of value-added tax, after eliminating revenue within the Company. Other revenue classes are recognised as follows:

(i) Premium income:

For short duration life insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums. Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

(ii) Dividend income

Dividend income for investment in equities is recognised when the right to receive payment is established, this is the ex-dividend date for equity securities. They are reported within investment income.

(iii) Net gains/(losses) on financial assets

Net realised gains/(losses) on financial assets comprises gains less losses related to investments held for trading and includes all realised and unrealised fair value changes and foreign exchange differences and realised gain or loss.

(iv) Net fair value gain on non-financial assets

Net fair value gain on non financial assets at fair value represents fair value gains on the Company's non financial instruments such as investment property.

(v) Changes in life fund estimates

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 fund as at the date of valuation. All deficits arising therefrom are charged to the income statement.

w) Investment income

Interest income for all interest-bearing financial instruments including financial instruments measured at fair value through profit or loss, are recognised within investment income in the income statement using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Summary Of Significant Accounting Policies Contd

(x) Operating expenditure

(i) Reinsurance expenses

Reinsurance cost represents outward premium paid to reinsurance companies less the unexpired portion as at the end of the accounting year.

(ii) Underwriting expenses

Underwriting expenses comprise acquisition costs and other underwriting expenses. Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts. Examples of these costs include, but are not limited to, commission expense, supervisory levy, superintending fees and other technical expenses. Other underwriting expenses are those incurred in servicing existing policies/contract. These expenses are charged in the accounting year in which they are incurred.

(iii) Other operating expenses

Other expenses are expenses other than claims expenses, employee benefit, expenses for marketing and administration and underwriting expenses. They include wages for contract staff, professional fee, depreciation expenses and other non-operating expenses. Other operating expenses are accounted for on accrual basis and recognised in the income statement upon utilization of the service.

(iv) Employee benefits

(a) Defined contribution plans

The Company operates a defined contributory pension scheme for eligible employees. Employees and the Company contribute 8% and 10% respectively of each qualifying staff's salary in line with the provisions of the Pension Reform Act 2014. The Company pays contributions to pension fund administrator on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are recognised as employee benefit expense and accrued when the associated services are rendered by the employees of the Company.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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.

c) Termination benefits

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

Statement Of Financial Position

As at 31 December, 2020

Assets	Notes	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Cash and cash equivalents	5	3,333,239	2,753,298
Financial assets:			
-Fair value through profit or loss	6(a)	69,878,480	39,099,852
-Fair value through OCI	6(b)	111,503	104,800
-Amortised cost	6(c)	14,922,561	17,004,223
Trade receivables	7	12,533	27,346
Reinsurance assets	8	681,006	859,184
Deferred acquisition cost	9	79,397	124,436
Other receivables and prepayments	10	529,605	515,863
Current tax assets	21	190,865	-
Right-of-use assets	11.1(a)	42,969	3,278
Investment in equity accounted investee	12	4,179,232	-
Investment properties	13	1,002,819	1,002,819
Property, plant and equipment	14	3,018,580	2,970,829
Intangible assets	15	99,745	165,060
Statutory deposit	16	260,000	260,000
Total assets		**98,342,534**	**64,890,988**
Liabilities and equity			
Liabilities			
Insurance contract liabilities	17	77,727,665	47,114,330
Investment contract liabilities	18	6,072,622	3,985,348
Lease liabilities	11.1(b)	-	744
Trade payables	19	1,114,387	1,347,889
Other payables	20	1,180,758	1,653,668
Current income tax	21	-	243,439
Deferred tax liabilities	22	520,578	495,920
Deposit for shares	23	-	500,000
		86,616,010	**55,341,338**
Equity			
Issued share capital	24	8,000,000	2,500,000
Share premium	25	-	1,594,668
Contingency reserve	26	1,354,712	1,094,107
Asset revaluation reserve	27	601,248	543,711
Fair value reserve	28	90,126	85,132
Retained earnings		1,680,438	3,732,032
Total equity		**11,726,524**	**9,549,650**
Total equity and liabilities		**98,342,534**	**64,890,988**

These financial statements were approved by the Board of Directors on 5 February 2021 and signed on its behalf by:

Mr. Richard Asabia
FRC/2013/CISN/00000004762
Chairman

Mr. Desmond Itaman
FRC/2013/ICAN/00000000792
Chief Financial Officer

Mr. Larry Ademeso
FRC/2013/CIIN/00000002506
Managing Director

Statement Of Profit Or Loss And Other Comprehensive Income

For the year ended 31 December, 2020

	Notes	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Gross premium written	31	**26,058,468**	**22,189,831**
Gross premium income	31	26,059,561	22,019,773
Reinsurance expenses	32	(1,381,345)	(1,369,167)
Net premium income		24,678,216	20,650,606
Fees and commission income	33	235,653	175,820
Net underwriting income		24,913,869	20,826,426
Net insurance benefits and claims	34	(10,249,630)	(7,559,912)
Changes in life/ annuity fund estimate	35	(32,798,340)	(18,286,512)
Underwriting expense	36	(2,046,501)	(1,760,035)
Underwriting loss		**(20,180,602)**	**(6,780,033)**
Investment income	37	7,400,420	6,044,368
Profit on investment contracts	38	101,236	101,438
Net fair value gain/(loss)	39	15,326,834	4,278,603
Impairment allowance	39(I)	(28,560)	(27,344)
Net realised gain	39(ii)	1,577,420	526,230
Other operating income	40	78,055	180,941
Total investment and other income		**24,455,405**	**11,104,236**
Employee benefit expenses	41	387,862	358,465
Marketing and administrative expenses	42	327,333	448,247
Other operating expenses	43	1,114,928	1,127,128
Total operating expenses		**1,830,123**	**1,933,840**
Profit before taxation		**2,444,680**	**2,390,363**
Income tax write-back / (expense)	44	169,663	(277,665)
Profit after taxation		**2,614,343**	**2,112,698**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Asset revaluation on property, plant and equipment, net of tax		57,537	60,688
Net change on equities classified at fair value through other comprehensive income, net of tax	28	4,994	(11,885)
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		62,531	48,803
Total comprehensive income for the year		**2,676,874**	**2,161,501**
Earnings per share (kobo) - Basic	46	16	13*

*The earnings per share (EPS) for prior period has been restated based on the number of shares outstanding as at current reporting date.

Statement Of Changes In Equity

As at 31 December, 2020

	Attributable to equity holders						
	Share Capital ₦'000	Share Premium ₦'000	Retained Earnings ₦'000	Contingency Reserve ₦'000	Fair Value Reserve ₦'000	Asset Revaluation ₦'000	Total Equity ₦'000
For the year ended 31 December 2020							
Balance, beginning of year	2,500,000	1,594,668	3,732,032	1,094,107	85,132	543,711	9,549,650
Profit for the year	-	-	2,614,343	-	-	-	2,614,343
Bonus shares issued	5,500,000	(1,594,668)	(3,905,332)	-	-	-	-
Reclassification to retained earning on derecognition of assets at FVOCI	-	-	-	-		-	-
Transfer to contingency reserves	-	-	(260,605)	260,605	-	-	-
Other comprehensive income	-	-	-	-	4,994	57,537	62,531
Dividend declared	-	-	(500,000)	-	-	-	(500,000)
Balance, end of year	**8,000,000**	**-**	**1,680,438**	**1,354,712**	**90,126**	**601,248**	**11,726,524**
For the year ended 31 December 2019							
At 1 January 2019	2,500,000	1,654,693	2,535,467	872,209	602,664	483,023	8,648,056
Effect of change in accounting policy:							
Opening transition adjustment for IFRS 16 - Leases	-	-	118	-	-	-	118
Balance, beginning of year	2,500,000	1,654,693	2,535,585	872,209	602,664	483,023	8,648,174
Profit for the year	-	-	2,112,698	-	-	-	2,112,698
Reclassification to retained earning on derecognition of assets at FVOCI	-	-	489,089	-	(489,089)	-	-
Reclassification due to re-designation of assets at FVOCI	-	-	16,558	-	(16,558)		-
Transfer to contingency reserves	-	-	(221,898)	221,898	-	-	-
Other comprehensive income	-	-	-	-	(11,885)	60,688	48,803
Cost of registration of increase in authorised share capital		(60,025)	-	-	-	-	(60,025)
Dividend paid	-	-	(800,000)	-	-	-	(800,000)
Final dividend declared	-	-	(400,000)	-	-	-	(400,000)
Balance, end of year	**2,500,000**	**1,594,668**	**3,732,032**	**1,094,107**	**85,132**	**543,711**	**9,549,650**

Statement Of Cash Flows

As at 31 December, 2020

Cash flows from operating activities	Notes	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Cash premium received	19(a)	26,085,814	22,186,541
Cash paid as reinsurance premium	33	(1,331,723)	(1,374,974)
Fee and commission income received	18	235,653	175,820
Cash received on investment contract liabilities	18	409,199	430,771
Cash paid to investment contract holders	34	(443,865)	(618,934)
Claims paid	8(d)	(10,636,538)	(7,778,937)
Cash received from re-assurers and co-assurers as recoveries on claims paid		299,977	477,252
Underwriting expenses paid	41	(2,001,462)	(1,822,178)
Employee benefits paid		(387,862)	(358,465)
Rent received	11.1(b)	86,307	137,958
Interest paid on lease liability	48	-	(488)
Net cash payments (made)/received on behalf of Legacy Fund	40	(141,571)	24,216
Addition to balance with CBN	20	-	60,000
Deposit for premium		1,041,227	1,271,898
Other operating expenses paid		(2,439,823)	(1,471,470)
Other operating income received		26,047	16,437
Cash flows generated from operating activities	21	10,801,380	11,355,447
Income tax paid		(224,068)	(52,819)
Net cash provided by operating activities		10,577,312	11,302,628

Cash flows from investing activities			
Purchase of property, plant and equipment	14	(122,102)	(371,101)
Purchase of intangible assets	15	850	-
Proceeds on sale of property, plant and equipment		1,061	2,358
Acquisition of investment in equity accounted investee	12	(4,179,232)	-
Purchase of investment securities		(27,011,815)	(26,510,299)
Proceeds on sale of investments/redemption		13,686,660	11,640,728
Purchase of investment properties	13(a)	(7,836)	(45,000)
Principal portion of finance lease received		-	462
Interest portion of finance lease received		-	46
Interest received		8,897,451	4,671,431
Dividend received	37	182,791	213,885
Net cash used in investing activities		(8,552,172)	(10,397,490)

Statement Of Cash Flows Contd

As at 31 December, 2020

Cash flows from financing activities	Notes	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Principal portion of lease liabilities paid		(45,581)	(3,706)
(Refund)/receipt of fund as deposit for shares	23	(500,000)	500,000
Cost of registration of increase in authorised share capital	25	-	(60,025)
Dividends paid to shareholders	47	(900,000)	(800,000)
Net cash used in financing activities		(1,445,581)	(363,731)
Net increase in cash and cash equivalents		579,559	541,407
Cash and cash equivalents at 1 January		2,753,298	2,211,751
Effect of exchange rate changes in cash & cash equivalent		382	140
Cash and cash equivalents at 31 December		3,333,239	2,753,298

2.4 Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Expected Credit loss on financial assets

(i) Probability of default:

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(ii) Loss Given Default:

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 3 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

(iii) Fair value of unquoted equity financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using the income approach. In these cases the fair values are estimated from observable data using valuation models. The models used to determine fair values are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(b) **Liabilities arising from insurance contracts**

(i) Liabilities arising from life insurance contracts

The liabilities for life insurance contracts are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract being written. Management make various assumptions such as expenses inflation, valuation interest rate, mortality and further mortality improved in estimating the required reserves for life contracts. However, if the Company should change its basis for mortality by -5%, the Company would have recognised an actuarial valuation surplus of N647million (2019: -N205million) in the income statement.

(c) **Impairment for receivables**

The Company tests periodically whether premium receivables have suffered any impairment. With this policy, all premium transactions are paid for immediately except in the case of brokered transactions. For brokered transactions, the period is extended for 30 days if credit notes have been received from the broker. If all insurance receivables within 30 days and reinsurance receivables within 90 days were deemed as impaired.

3 Life actuarial valuation

3.1 Life & savings reserving

Valuation methods

a) Individual Life

A gross premium method is used for individual risk business. This is a monthly cash flow projection approach taking into account the incidence of all expected future cash flows including premiums, expenses and benefit payments (this includes surrender payments under the whole life plan) satisfying the Liability Adequacy Test.

Individual deposit-based business also comprise the Custodian Life Welfare Fund for which the reserves comprise the amount standing to the credit of the policyholders (account balance) at the valuation date.

b) **Annuity**

Annuities are reserved for using a discounted cash flow approach. Here, reserves were set equal to the present value of future annuity payments plus expenses, with allowance being made for any guaranteed periods as required.

As at 31 December 2020, the Company has underwritten 12,380 (2019: 9,466) annuity policies with annual annuity payment of N6.699billion (2019: N4.997 billion).

The movement in the annuity portfolio is analysed below:

	Number of annuity policies	Annual Annuity (N'000)
At 31 December 2018	6,682	3,351,772
New entrants	2,850	1,669,716
Reinstated policies	24	14,343
Adjustments on opening annual annuity	-	1,961
Deaths / exits	(90)	(41,071)
At 31 December 2019	**9,466**	**4,996,721**
New entrants	3,012	1,755,069
Adjustments on opening annual annuity	1	9,642
Deaths / exits	(99)	(62,384)
At 31 December 2020	**12,380**	**6,699,048**

c) **Group Life**

Reserves for Group Life comprise an Unexpired Premium Reserve (UPR) and a reserve for Incurred But Not Reported Claims (IBNR) to make an allowance for the delay in reporting of claims. The UPR represents the unexpired portion of the premium for each scheme, net of an expense margin reflecting the acquisition cost loadings. The adequacy of the UPR is then tested by comparing against an Additional Unexpired Risk Reserve (AURR), which is calculated using pooled industry claims data for the underlying assumptions. An AURR was held in cases where the UPR was deemed insufficient to meet claims in respect of the unexpired period.

d) Assumptions used

The assumptions used for the insurance contracts disclosed in this note are as follows:

(i) Valuation interest rate

The proposed valuation interest rate is based on current market risk-free yields with adjustments. This is in line with the requirements of IFRS 4 (Paragraph 24). The use of a risk-free rate also implies that future investment margins (in excess of the risk-free return) will not be capitalised upon, which satisfies paragraph 27 of IFRS 4. Further, the result is a "fair value" liability calculation which aids the comparability of accounts between insurers.

We adopted net valuation interest rates (VIR) of 6.50% per annum for all long term business except Annuity and 7.70% per annum for Annuity business. These rates are to be applied as single long term rates of return. The VIR is calculated based on the weighted average of Gross Redemption Yield (GRY) on Long term FGN Bond). For the purpose of determining the valuation interest rate we have considered a 4.20% deduction from the long term yield to arrive at a gross valuation interest rate of 7.70% p.a. This makes some allowance for the volatility of the "risk free" yields.

(ii) Expense

Provisions are made for expenses of an amount which is not less than the amount expected to be incurred in fulfilling its long-term insurance contracts. IFRS 4 explicitly requires the consideration of claims handling expenses.

Future maintenance expenses

The regulatory maintenance expenses are derived from the best estimate maintenance expenses plus a prudence margin for adverse deviations.

The best estimate maintenance expenses are calculated as the sum of the following:

- Per policy maintenance charges
- Allocated operating expenses

At present, all direct costs are allocated between business lines (group life, individual life, welfare schemes) as they are incurred.

We have maintained the expense per policy assumption at N4,110 per policy for individual life, deposit administration and annuity business while N550 per policy was maintained for group credit life and mortgage."

Expense inflation & other inflation measures

We maintained an inflation assumption of 11% per annum. We are fully aware that the current inflation rate in the country is higher than this and expect the present situation to revert soon. In the long term, we anticipate a fall in the consumer price inflation (CPI) index, and more efficient in the Company's operations.

(iii) Commission

Commission rates are set as known, and understood to be 10% of each premium for all individual products (excluding annuity).

(iv) Mortality and future improvements

There has been no change to the proposed mortality assumptions since the previous valuation. The individual business portfolio is small (around 10,000 policies), which does not warrant a credible experience analysis to be carried out for the purpose of adjusting a mortality table.

The annuitant mortality basis has been strengthened to PA90 with an age rating of -2 (2019: -2). We have recently conducted a longevity study based on Nigerian pensioner/annuitant data and emerging result suggests pensioner / annuitant are living longer than expected. We anticipate progressively updating these assumptions in 2020 for both reserving and pricing.

(v) Withdrawals

Withdrawals comprise both surrenders (voluntary) and lapses (involuntary). Surrenders are acceptable under the whole of life assurance portfolio after policies have been in force for a pre-defined length of time (at which policies become eligible to receive a surrender value pay-out). Allowance has been made for withdrawal by surrender in the current valuation at a rate of 5% p.a. for eligible endowments and whole life policies, and 2.5% for the Multi-Endowment. Exits by surrender will be allowed for at the following rates: Year 1 (lapse without value) - 10%, Year 2 (lapse without value) - 7.5%, Year 3 - 5%, Years 4 and above - 2.5%.

Where surrenders are made under the deposit-based plans, the account balance is payable, subject to any surrender penalties. Therefore, the reserves held at the valuation date are sufficient to meet payments on surrender. The full account balance will be maintained for lapsed deposit-based policies at the valuation date, as the funds remain a policyholder entitlement. No reserve will be held for future guaranteed life insurance benefits.

The lapse experience over the year is summarised below and this shows a good level of persistency overall:

The portfolio solely comprises protection products and hence higher lapse assumptions at all durations will lead to lower reserves. Lower lapse rates are prudent in such case. The lapse rates by premium frequency are as follows: Single premium: 0%; Regular Premium: Year 1 - 10%, Year 2 - 7.5%, Year 3 - 5% whilst Year 4 and above - 2.5% .

3.2 Sensitivity analysis

The analysis which follows is performed for reasonably possible movements in key assumptions with all other assumptions held constant, and shows the impact on gross and net liabilities, profit before tax and equity. These variables are valuation interest rate, claims handling expenses, inflation, lapses and mortality rate. Movements in these assumptions are non–linear and sensitivity information vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. These variables have been tested by -/+1%, -/+2%, -/+5% and -/+10%

The results of the changes in the variables have been summarised below:

The sensitivity analysis of the life business indicates that a +1% change in Valuation Interest Rate (VIR) will result in a reduction of the Life fund liability by N4.998billion, whilst a -1% change in VIR will result in additional Life fund liability by N5.694billion.

A movement of expenses by +10% will result in an increase the Life fund liability by N183million whilst a -10% change will reduce the Life fund liability by N223million. Expense inflation moving by +2% will increase the life fund by N581million whilst a -2% will produce a reduced Life fund liability by N432million.

Sensitivity Of Liabilities To Changes In Long Term Valuation Assumptions For The 31 December 2020 Valuation

	Base N'000	VIR +1%	VIR -1%	Expenses +10%	Expenses -10%	Expense inflation +2%	Expense inflation -2%	Lapses +10%	Lapses -10%	Mortality +5%	Mortality -5%
Investment Linked Plans - Fund Balance	3,849,527	-	-	-	-	-	-	-	-	-	-
Investment Linked Plans - Risk Reserve	160,011	(9,360)	10,797	6,905	(6,905)	7,660	(5,687)	-	-	3,166	(3,236)
Traditional Plans (excluding PRA Annuity)	4,425,892	(289,847)	280,402	7,859	(48,175)	9,696	(40,213)	2,170	(42,995)	(6,378)	(34,149)
PRA Annuity	67,021,040	(4,680,507)	5,383,237	161,735	(161,735)	554,483	(378,572)	-	-	623,541	(596,732)
Additional reserves	1,964,548	-	-	-	-	-	-	-	-	-	-
Group DA	2,223,095	-	-	-	-	-	-	-	-	-	-
Group Life – UPR	494,375	-	-	-	-	-	-	-	-	-	-
Group Life – IBNR	1,621,307	-	-	-	-	-	-	-	-	-	-
Outstanding Claims	1,809,234	-	-	-	-	-	-	-	-	-	-
Other Group Risk	231,258	(17,781)	20,101	6,413	(7,027)	9,405	(7,609)	(308)	(308)	12,148	(12,800)
Reinsurance	(642,519)	-	-	-	-	-	-	-	-	-	-
Net liability	**83,157,768**	**(4,997,497)**	**5,694,537**	**182,913**	**(223,842)**	**581,243**	**(432,081)**	**1,862**	**(43,303)**	**632,477**	**(646,918)**
% Change in net liability		**-6.0%**	**6.8%**	**0.2%**	**-0.3%**	**0.7%**	**-0.5%**	**0.0%**	**-0.1%**	**0.8%**	**-0.8%**

Summary											
Individual	77,421,018	(4,979,715)	5,674,436	176,500	(216,816)	571,838	(424,472)	2,170	(42,995)	620,329	(634,118)
Group	5,736,750	(17,781)	20,101	6,413	(7,027)	9,405	(7,609)	(308)	(308)	12,148	(12,800)
Net liability	**83,157,768**	**(4,997,497)**	**5,694,537**	**182,913**	**(223,842)**	**581,243**	**(432,081)**	**1,862**	**(43,303)**	**632,477**	**(646,918)**
% Change in liability	**0.0%**	**-6.0%**	**6.8%**	**0.2%**	**-0.3%**	**0.7%**	**-0.5%**	**0.0%**	**-0.1%**	**0.8%**	**-0.8%**

Sensitivity Of Liabilities To Changes In Long Term Valuation Assumptions For The 31 December 2019 Valuation

N'000	Base	VIR +1%	VIR -1%	Expenses +10%	Expenses -10%	Expense inflation +2%	Expense inflation -2%	Mortality +5%	Mortality -5%
Individual Traditional	3,877,041	(166,600)	185,639	8,109	(8,063)	14,696	(13,076)	12,359	(12,347)
PRA Regulated Annuities	38,199,160	(2,104,714)	2,360,939	66,726	(66,726)	173,350	(125,546)	(215,209)	222,905
Individual DA	1,916,350	-	-	-	-	-	-	-	-
Group DA	2,084,510	-	-	-	-	-	-	-	-
Group Life - UPR	523,560	-	-	-	-	-	-	-	-
Group Life - AURR	26,169	-	-	-	-	-	-	-	-
Group Life - IBNR	2,127,086	-	-	-	-	-	-	-	-
Other Group Risk	195,245	(15,743)	18,313	11,208	(11,204)	25,501	(19,289)	5,916	(5,935)
Additional reserves	611,879	-	-	-	-	-	-	-	-
Reinsurance	(816,667)	-	-	-	-	-	-	-	-
Net liability	**48,744,333**	**(2,287,057)**	**2,564,890**	**86,043**	**(85,994)**	**213,547**	**(157,911)**	**(196,934)**	**204,622**
% Change in net liability		**-4.7%**	**5.3%**	**0.2%**	**-0.2%**	**0.4%**	**-0.3%**	**-0.4%**	**0.4%**
Summary									
Individual	43,992,551	(2,271,314)	2,546,577	74,836	(74,790)	188,046	(138,622)	(202,850)	210,557
Group	4,751,781	(15,743)	18,313	11,208	(11,204)	25,501	(19,289)	5,916	(5,935)
Net liability	**48,744,333**	**(2,287,057)**	**2,564,890**	**86,043**	**(85,994)**	**213,547**	**(157,911)**	**(196,934)**	**204,622**
% change in liability	**0.0%**	**-4.7%**	**5.3%**	**0.2%**	**-0.2%**	**0.4%**	**-0.3%**	**-0.4%**	**0.4%**

4 Financial Risk Management

(a) Introduction and overview

The Company is exposed to a range of financial risks through its financial instruments, insurance assets and insurance liabilities. The key financial risk is that in the long term its investments proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of the financial risks are:

- Market risk
- Credit risk
- Liquidity risk

4.1 Market risk

The identification, management, control, measurement and reporting of market risk are aligned towards the sub-risk categories namely:

- Price risk
- Foreign exchange risk
- Interest-rate risk

4.1.1 Price risk

The Company's management of price risk is guided by the following limits:

- Investment quality and limit analysis
- Stop-loss limit analysis
- Stock to total loss limit analysis

Investment quality and limit analysis

Management Investment Committee establishes and approves a list of eligible listed and unlisted stocks aligned with investment approval/dealer limits as approved by the Board through its Board Finance and Investment Committee.

Price risk sensitivity

Below is the sensitivity analysis of the Company's investment position to fluctuations in price:

31 December 2020

Amounts in thousands of Naira	Gross Amount N'000	Increase by 13.5% N'000	Increase by 20% N'000	Decrease by 13.5% N'000	Decrease by 20% N'000
Investment securities:					
Government & corporate bonds	65,327,309	8,819,187	13,065,462	(8,819,187)	(13,065,462)
Treasury bills with maturity above 90 days	-	-	-	-	-
Equity securities	4,551,171	614,408	910,234	(614,408)	(910,234)
Other unquoted securities	111,503	15,053	22,301	(15,053)	(22,301)
Impact on profit before tax		**9,448,648**	**13,997,997**	**(9,448,648)**	**(13,997,997)**

31 December 2019

Amounts in thousands of Naira	Gross Amount N'000	Increase by 13.5% N'000	Increase by 20% N'000	Decrease by 13.5% N'000	Decrease by 20% N'000
Investment securities:					
Government & corporate bonds	36,081,637	4,871,021	7,216,327	(4,871,021)	(7,216,327)
Treasury bills with maturity above 90 days	1,804,197	243,567	360,839	(243,567)	(360,839)
Equity securities	1,214,018	163,892	242,804	(163,892)	(242,804)
Other unquoted securities	104,800	14,148	20,960	(14,148)	(20,960)
Impact on profit before tax		**5,292,628**	**7,840,930**	**(5,292,628)**	**(7,840,930)**

4.1.2 Foreign exchange risk

Custodian Life Assurance Limited is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency. The Company is exposed to foreign currency risk through its investment in bank balances, fixed deposits and bonds denominated in foreign currencies.

The carrying amounts of the Company's foreign currency denominated assets and liabilities at end of the year are as follows:

	31 December 2020			31 December 2019		
	USD	EUR	GBP	USD	EUR	GBP
Cash and cash equivalents	13,324	-	4,511	2,773	-	4,154
Investment securities	1,613,93	-		406,734	-	-

Foreign currency changes are monitored by the investment committee and holdings are adjusted when there is a deviation from the investment policy. The Group further manages its exposure to foreign risk exchange using sensitivity analysis to assess potential changes in the value of foreign exchange positions and impact of such changes on the Group's investment income. At the year end, the foreign currency investments held in the portfolio were on bonds as well as cash and cash equivalents.

The following table details the effect of foreign exchange risk on the profit as at 31 December 2020:

Foreign exchange sensitivity

31 December 2020	Increase by 10% N'000	Increase by 20% N'000	Decrease by 10% N'000	Decrease by 15% N'000
Investment securities exposed to foreign exchange risk		Gains/(losses)		
Cash and cash equivalents	1,784	3,567	(1,784)	(2,675)
Investment securities				
Financial assets held to maturity at amortised cost	161,393	322,787	(161,393)	(242,090)
Effect on profit before tax	1,784	3,567	(1,784)	(2,675)
Taxation @ 30%	535	1,070	(535)	(803)
Effect on profit after tax	1,248	2,497	(1,248)	(1,873)

31 December 2019	Increase by 10% N'000	Increase by 20% N'000	Decrease by 10% N'000	Decrease by 15% N'000
Investment securities exposed to foreign exchange risk		Gains/(losses)		
Cash and cash equivalents	693	1,385	(693)	(1,039)
Investment securities				
Financial assets held to maturity at amortised cost	40,673	81,347	(40,673)	(61,010)
Effect on profit before tax	693	1,385	(693)	(1,039)
Taxation @ 30%	208	416	(208)	(312)
Effect on profit after tax	485	970	(485)	(727)

The method used to arrive at the possible risk of foreign exchange rate was based on statistical analysis. The statistical analysis has been based on main currencies movement for the last five years. This information is then revised and adjusted for reasonableness under the current economic circumstances.

4.1.3 Interest rate risk

The Company is moderately exposed to interest rate risk due to its conservative investment approach with high investment in fixed income and money market instruments which have fixed interest rates rather than floating rates. Interest rate risk also exists in policies that carry investment guarantees on early surrender or at maturity, where claim values can become higher than the value of backing assets as a result of rises or falls in interest rates.

A significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, the Company's investment income will move with fixed interest rates over the medium to long-term with short-term interest rate fluctuations creating unrealized fair value gains or losses in income statement.

The Company's major exposure to interest-rate sensitive liabilities arises from investment-linked products which accounts for a small portion of its business. The fluctuations in interest rates cannot significantly impact our statement of financial position as interest-rate sensitive liabilities are quite small compared with assets.

Interest rate risk is managed principally through monitoring interest rate gaps and sensitivity analysis across all investment portfolios.

The table below, however, details the maturity profile of the interest rate sensitivity analysis of Custodian Life Assurance Limited as at 31 December 2019, holding all other variables constant and assuming that all interest rates are floating and move in line with prevailing interest rates. Based on historical data, 100 and 500 basis points changes are deemed to be reasonably possible and are used when reporting interest rate risk.

31 December 2020

	Non interest bearing	1-3 months	3-6 months	>6 months	Total
			Interest earning assets		
Cash and cash equivalents	6	3,333,233	-	-	3,333,239
Bonds	-	-	-	80,168,793	80,168,793
Loans and receivables	-	-	-	128,368	128,368
Statutory deposit	-	-	-	260,000	260,000
Total interest earning assets	6	3,333,233	-	80,557,161	83,890,400
Interest bearing liabilities					
Investment contract liabilities					
– At amortised cost	-	-	-	6,072,622	6,072,622
Total interest bearing liabilities	**-**	**-**	**-**	**6,072,622**	**6,072,622**
Gap		3,333,233	-	74,484,539	77,817,778
Cumulative gap		3,333,233	3,333,233	77,817,772	
Increase by 100bp		33,332	-	744,845	778,178
Increase by 500bp		166,662	-	3,724,227	3,890,889
Decrease by 100bp		(33,332)	-	(744,845)	(778,178)
Decrease by 500bp		(166,662)	-	(3,724,227)	(3,890,889)

Notes To The Financial Statements Contd

31 December 2019

	Non interest bearing	1-3 months	3-6 months	>6 months	Total
			Interest earning assets		
Cash and cash equivalents	5	2,753,293	-	-	2,753,298
Bonds	-	-	-	51,162,753	51,162,753
Treasury bills	-	-	746,229	-	746,229
Loans and receivables	-	-	-	716,913	716,913
Statutory deposit	-	-	-	260,000	260,000
Total interest earning assets	**5**	**2,753,293**	**746,229**	**52,139,666**	**55,639,193**
Interest bearing liabilities					
Investment contract liabilities					
– At amortised cost	-	-	-	3,985,348	3,985,348
Lease liabilities	-	744	-	-	1,488
Total interest bearing liabilities	**-**	**744**	**-**	**3,985,348**	**3,986,836**
Gap		2,752,549	746,229	48,154,318	51,652,357
Cumulative gap		2,752,549	3,498,778	51,653,096	
Increase by 100bp		27,525	7,462	481,543	516,524
Increase by 500bp		137,627	37,311	2,407,716	2,582,618
Decrease by 100bp		(27,525)	(7,462)	(481,543)	(516,524)
Decrease by 500bp		(137,627)	(37,311)	(2,407,716)	(2,582,618)

4.2 Non-financial asset exposed to price risk

The Company is exposed to property risk through its investment in property. Exposure to property risk accounted for 1% of the total investment portfolio. Custodian Life Assurance Limited manages such risk by monitoring the contribution of property to its portfolio.

Company's Exposure To Property Price Risk

Instrument	Amount	% Exposure
Property	1,002,819	1%
Interest generating assets	83,890,400	99%
	84,893,219	

4.3 Credit risk

Custodian Life Assurance Limited is exposed to risk relating to its investment securities (bonds, treasury bills, fixed deposits and loan receivables). Its receivables comprise trade receivables from customers, reinsurers and coinsurers recoverable and other receivables.

Trade receivables

The Company has placed more responsiveness on effective management of credit risk exposure that relates to trade receivables. In general, the regulator has laid great emphasis on "No Premium, No Cover" and this has positively changed the phase of credit management within the industry. The Company defines credit risk as the risk of counterparty's failure to meet its contractual obligations. Credit risk arises from insurance cover granted to parties with payment instruments or payments plan issued by stating or implying the terms of contractual agreement.

The Company has placed stringent measures to guard against credit default. Credit risk exposure operates from the level of brokered transactions with little emphasis placed on direct business. The Company's credit risk exposure to brokered business is very low as the Company requires brokers to provide payment within 30 days after which impairment trigger is identified and the receivable is assessed for impairment.

Sources of credit risk

- Direct default risk: risk that the Company will not receive the cash flows or assets to which it is entitled because a party with which the Company has a bilateral contract defaults on one or more obligations.
- Downgrade risk: risk that changes in the possibility of a future default by an obligor will adversely affect the present value of the contract with the obligor today. Downgrade Risk: risk that changes in the possibility of a future default by an obligor will adversely affect the present value of the contract with the obligor today.
- Settlement risk: risk arising from the lag between the value and settlement dates of securities transactions.Settlement Risk: risk arising from the lag between the value and settlement dates of securities transactions.

Management of credit risk due to trade receivables

The Company constantly reviews brokers' contribution to ensure that adequate attention is paid to high premium contributing brokers.

The Company credit risk is constantly reviewed and approved during the Management Committee meetings. It also ensured that adequate provisions are taken in line with IFRS 9. Other credit risk management includes:

- Formulating credit policies with strategic business units, underwriters, brokers, covering brokers grading, reporting, assessment, legal procedures and compliance with regulatory and statutory bodies. Formulating credit policies with strategic business units, underwriters, brokers, covering brokers grading, reporting, assessment, legal procedures and compliance with regulatory and statutory bodies.
- Identification of credit risk drivers within the Company in order to coordinate and monitor the probability of default that could have an unfortunate impact. Identification of credit risk drivers within the Company in order to coordinate and monitor the probability of default that could have an unfortunate impact.
- Developing and monitoring credit limits. The Company is responsible for setting credit limits through grading in order to categorize risk exposures according to the degree of financial loss and the level of priority expected from management.Developing and monitoring credit limits. The Company is responsible for setting credit limits through grading in order to categorize risk exposures according to the degree of financial loss and the level of priority expected from management.
- Assessment of credit risk. All first-hand assessment and review of credit exposures in excess of credit limits, prior to granting insurance cover are subject to review process and approval given during MC meetings. Assessment of credit risk. All first-hand assessment and review of credit exposures in excess of credit limits, prior to granting insurance cover are subject to review process and approval given during MC meetings.

- Continuous reviewing of compliance and processes in order to maintain credit risk exposure within acceptable parameters. Continuous reviewing of compliance and processes in order to maintain credit risk exposure within acceptable parameters.

Impairment model

Premium debtors are 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 standard favours the use of the incurred loss model in estimating the impairment of its receivables. However, with the inception of IFRS 9 which becomes effective for annual periods beginning on/after 1 January 2019, the Expected Credit Losses (ECL) method of impairment calculation will be in force.

The Company uses the aging of receivables as the major parameter in calculating impairment. However, based on NAICOM's "No Premium No Cover" guidelines which state that "all insurance covers shall be provided on a strict 'no premium no cover' basis", only cover for which payment has been received shall be booked. However, brokers have a 30 day period to make payments from the date of the credit notes. The Company uses the aging of receivables as the major parameter in calculating impairment.

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost or FVOCI, and to off-balance sheet lending commitments such as loan commitments and financial guarantees (hereafter collectively referred to as financial assets). This contrast to the IAS 39 impairment model which was not applicable to loan commitments and financial guarantee contracts, as there were instead covered by International Accounting standards 37: ""Provisions, contingent liabilities and contingent assets (IAS 37).

The determination of impairment loss and allowance moves from the incurred credit loss model whereby credit losses are recognized when a defined loss event occurs under IAS 39, to expected credit loss model under IFRS 9, where provisions are recognised upon initial recognition of the financial asset based on expectation of potential credit losses at the time of initial recognition. Under IFRS 9, The Company first evaluates individually whether objective evidence of impairment exists for loans that are individually significant and then collectively assess the loan and other receivables that are not significant and those which are significant but for which there is no objective evidence of impairment available under the individual assessment.

Staged approach to the determination of Expected Credit Losses (ECL)

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

Change in credit quality since initial recognition

	Stage 1	Stage 2	Stage 3
Recognition of expected credit losses	12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest revenue	Effective interested on gross carrying amount	Effective interested on gross carrying amount	Effective interest on amortised cost carrying amount (i.e. net of credit allowance)
	Performing (initial recognition*)	Underperforming (Assets with significant increase in credit risk since initial recognition*)	Non-performing (Credit Impaired Assets)

*Except for purchased or originated credit impaired assets

Stage 1: The Company recognises a credit loss allowance at an amount equal to the 12 month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after the initial recognition.

Stage 2: The Company recognises a credit loss allowance at an amount equal to the lifetime expected credit losses (LTECL) for those financial assets that are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on Lifetime probabilities of default that represents the probability of a default occurring over the remaining lifetime of the financial assets. Allowance for credit losses is higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in stage 1.

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

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

Impairment Methodology

Calculation of Expected Credit Losses

Calculation of the expected credit loss is based on the key risk parameters of PD, LGD and EAD according to the formula set below:

ECL	=	**PD**	X	**EAD**	X	**LGD**
12 months/lifetime Expected Credit Loss (ECL)		Probability Default		Exposure At Default		Loss Given Default (after consideration of collaterals and recoveries)

The calculation of ECL incorporates forward-looking information in all the ECL components. This forward-looking information will impact the various ECL components as follows:

- Probability of default – The PDs will vary during various stages of an economic cycle. It is based on the likelihood that a borrower will default within one year (PD), assessment of the creditworthiness of the counterparty and transformation of 1 Year horizon into lifetime of the asset.Probability of default – The PDs will vary during various stages of an economic cycle. It is based on the likelihood that a borrower will default within one year (PD), assessment of the creditworthiness of the counterparty and transformation of 1 Year horizon into lifetime of the asset.
- Loss Given Default – Collateral values will vary based on the stage of an economic cycle. Loss Given Default – Collateral values will vary based on the stage of an economic cycle.
- Exposure at default – Change in interest rates may affect the EAD e.g. higher interest rates may result in longer terms for loans causing a change in the EAD. Exposure at default – Change in interest rates may affect the EAD e.g. higher interest rates may result in longer terms for loans causing a change in the EAD.

Loss Given Default (LGD)

The Company applies historical experience to determine the expected loss given default ratios for each class of financial instruments. Where internal historical experience is not available, other sources, e.g. data available from rating companies as well as professional judgments are used to determine the LGD ratios that will apply. Collateral that is held against the financial assets is also considered in determining the LGD.

The Company management has resolved to use the recovery rates as published by Moody's credit analytics for all credit exposures to sovereign denominated in foreign currencies and all corporate exposures.

For sovereign exposures denominated in Naira which are assessed as low credit risk exposures, we have resolved to use LGDs within the rage of 5-10% based on the Central banks of Nigeria's Revised Guidance Notes on Credit risk. Section 3.1 of the document addresses exposure to sovereigns and Central banks and states that financial institutions should assign a risk weight of 0% to the following:

- Exposures to Federal Government of Nigeria (FGN) and Central Bank of Nigeria (CBN);
- Instruments issued by other entities backed by express guarantee of the FGN;

- Inter-bank transactions guaranteed by the FGN or CBN; and
- Inter-bank transactions among supervised institutions collateralized by FGN Bonds,
- Treasury Bills or other similar sovereign bills.

Treatment of loans and other receivables

All loans issued fall within the scope of debt instruments as financial assets. This covers e.g. Inter-company loans, staff loans and mortgages etc.

Estimation of impairment on the loans based on expected loss is done in the three-stage approach with specific consideration for change in credit risk and forward-looking assumptions.

Intercompany loans are considered low credit risk if it meets the required conditions. Estimation and provision for impairment is based on simplified one stage approach. Loans are put in one bucket e.g. stage 1 and assess the 12 month ECL as long as there are no assets assessed to have had significant increase in credit risk or the initial criteria for categorizing the asset as low risk has changed.

Significant increase in credit risk, default and cure

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due, In addition, the Company also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near-default
- The counterparty having past due liabilities to public creditors or employees. The counterparty having past due liabilities to public creditors or employees
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protectionThe counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL. In rare cases when an instrument identified as defaulted, it is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

There has been no significant increase in credit risk or default for financial assets during the year.

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

Impairment losses on financial investments subject to impairment assessment

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per based on the Company's internal/Moody's credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's internal grading system are also provided.

Internal rating grade Performing Cash and cash equivalents	Moody's rating	2020 12mECL ₦'000	2020 LTECL ₦'000	2020 Total ₦'000	2019 12mECL ₦'000	2019 LTECL ₦'000	2019 Total ₦'000
High grade	AAA-A+	-	-	-	-	-	-
Standard grade	BBB-B+	3,333,233	-	3,333,233	2,753,293	-	2,753,293
Past due but not impaired	C-CCC	-	-	-	-	-	-
Default	D	-	-	-	-	-	-
Total gross amount		3,333,233	-	3,333,233	**2,753,293**	**-**	**2,753,293**
ECL		(72,133)	-	(72,133)	(37,986)	-	(37,986)
Total net amount		(115,280)	-	3,261,100	**2,715,307**	**-**	**2,715,307**
- amortised cost							
High grade	AAA-A+	-	-	-	-	-	-
Standard grade	BBB-B+	14,969,852	-	14,969,852	17,044,430	-	17,044,430
Past due but not impaired	C-CCC	-	-	-	-	-	-
Default	D	-	-	-	-	-	-
Total gross amount		14,969,852	-	14,969,852	**17,044,430**	-	**17,044,430**
ECL		(47,291)	-	(47,291)	(40,207)	-	(40,207)
Total net amount		**14,922,561**	**-**	**14,922,561**	**17,004,223**	**-**	**17,004,223**

Collateral for other receivables

Some of the Company's receivables (e.g. mortgage loans and car loans) are collaterised with assets ranging from properties and vehicles. As at 31 December 2020, the fair value of assets accepted as collateral that the Company is permitted to repossess or sell in the occurrence of default in respect of the staff loans was N 4.5million (2019: N 9.7million).

As at 31 December 2020, the Company had no asset reposed as security against asset. The group policy is to pursue timely realisation of collateral in an orderly manner in the case of default. The Company does not generally use the non-cash collateral for its own operations.

As at 31 December 2020, the Company has not pledged any of its assets as collateral for any liability or payable balance (2019: nil).

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment.

When determining whether the credit risk (i.e. Risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost of effort, This includes both qualitative and quantitative information analysis based on the Company's experience, expert credit assessment and forward looking information. The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the remaining life time probability of default (PD) as at reporting date with the remaining Life time PD for this point in time that was estimated on initial recognition of the exposure.

Whenever available, the Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published rating, the group also reviews changes in Bond yields together with available press and regulatory information about issuers.

Where external credit ratings are not available, the Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of default (including but not limited to the audited financial statement, management accounts and cash flow projections, available regulatory and press information about the borrowers and apply experienced credit judgement. Credit risk grades are defined by using qualitative and quantitative factors that are indicative of the risk of default and are aligned with the external credit rating definition from Moody's as well as Standard and Poor.

The Company has assumed that the credit risk of a financial asset has not increased significantly since the initial recognition if the financial asset has low credit risk at reporting date. The company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Company considers this to be B- or higher based on the Moody rating which is equivalent to an internal risk grade of standard grade or higher.

As a back stop, the Company considers that a significant increase in credit risk occurs no later than when the asset is more than 30 days past due. Days past due are determined by counting the numbers of days since the earliest elapsed due date in respect of which full payments has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Company monitors the effectiveness of the criteria used to identify significant increase in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increase in credit risk before an exposure is in default;
- The criteria do no align with the point in time when the asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable
- Exposures are not generally transferred from 12- month ECL measurement to credit impaired and
- There is no unwarranted volatility in loss allowance from transfers between 12-month ECL and Lifetime ECL measurement."

Definition of default

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or the financial asset Is more than 90 days past due.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative: e.g. breaches of covenant and the other indicators of financial distress;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Company's Investment and risk committee, economic experts and consideration of a variety of external actual and forecast information. This process involves developing three additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Nigeria, supranational organizations such as the Organisation for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a best estimate and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes.

Measurement of ECL

The calculation of the expected credit loss is based on the key risk parameters of Probability of default(PD), Loss given default(LGD) and Exposure at default (EAD)

To determine the Lifetime and 12-month PDs, the Company uses the Pd tables supplied by Moody's based on the default history of sovereign and corporate obligors with the same credit rating. The Company adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs are recalibrated and adjusted to reflect forward looking information as described below. changes in the rating for counterparties and exposure lead to a change in estimate of the associated PD.

Loss Given Default is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against the defaulted counterparties. The LGD for sovereign fixed income exposures are based on publications by Moody's and the models consider the structure, collateral, seniority of claims and recovery cot of any collateral that is integral to the financial asset. For loans secured with properties or asset, loan to value ratios are key parameter in determining LGD. LGDs are calculated one discounted cash flow basis using effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company deprives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount. As described in the accounting policy, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The modelling of parameter is carried out on an individual basis or collective basis where the assets share same risk characteristics like instrument type, credit risk rating and gradings, collateral type, date of initial recognition or remaining term to maturity or industry. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Company uses to derive the default rates of its portfolios. This includes the PDs provided in the Moody's or Standards and Poor default study and the LGDs provided in the recovery studies reports provided by the same rating agencies.

An overview of the approach to estimating ECLs is set out in Note 2.3 - Summary of significant accounting policies and in Note 2.4 - Critical accounting estimates and judgements. To ensure completeness and accuracy, the Company obtains the data used from third party sources (Moody's, Standards and Poor, Economist associate etc.) and its investment team verifies the accuracy of inputs to the Company’s ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company’s base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios for Nigeria, as at 31 December 2020.

The Company has identified and documented key divers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro economic variables and credit risk and credit losses. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for “Subsequent years” represent a long-term average and so are the same for each scenario.

Analysis of inputs to the ECL model under multiple economic scenarios
31 December 2020

Key drivers	ECL Scenario	Assigned Probabilities	2020	2021	2022	2023	2024
Macroeconomic variable							
GDP Growth rate (%)							
	Upside	11%	0.84	7.26	6.76	7.46	8.16
	Base case	81%	(3.62)	2.80	2.30	3.00	3.70
	Downside	8%	(9.09)	(2.67)	(3.17)	(2.47)	(1.77)
Inflation rates (%)							
	Upside	11%	10.90	11.41	10.71	9.51	8.01
	Base case	81%	14.89	15.40	14.70	13.50	12.00
	Downside	8%	19.35	19.86	19.16	17.96	16.46
Oil Prices "USD"(price per barrel)							
	Upside	11%	83.13	86.13	92.13	94.28	96.52
	Base case	81%	41.00	44.00	50.00	52.15	54.39
	Downside	8%	14.68	17.68	23.68	25.83	28.07
Unemployment rates (%)							
	Upside	11%	22.76	24.76	25.26	25.76	26.26
	Base case	81%	30.00	32.00	32.50	33.00	33.50
	Downside	8%	44.91	46.91	47.41	47.91	48.41

Analysis of inputs to the ECL model under multiple economic scenarios
31 December 2019

Key drivers	ECL Scenario	Assigned Probabilities	2020	2021	2022	2023	2024
Macroeconomic variable							
GDP Growth rate (%)							
	Upside	11%	2.56	2.56	2.77	2.65	2.68
	Base case	81%	2.52	2.52	2.73	2.61	2.64
	Downside	8%	2.48	2.48	2.69	2.57	2.60
Inflation rates (%)							
	Upside	11%	11.69	11.27	11.36	11.10	10.96
	Base case	81%	11.73	11.31	11.40	11.14	11.00
	Downside	8%	11.78	11.36	11.45	11.19	11.05
Oil Prices "USD" (price per barrel)							
	Upside	11%	92.98	94.44	95.97	97.41	98.85
	Base case	81%	53.50	54.96	56.49	57.93	59.38
	Downside	8%	27.20	28.66	30.19	31.63	33.07
Unemployment rates (%)							
	Upside	11%	29.95	32.45	34.45	36.57	38.82
	Base case	81%	30.00	32.50	34.50	36.62	38.88
	Downside	8%	30.10	32.60	34.60	36.72	38.98

All political and economic indicators remain the same. Hence, our ECL models factored in the impact those indicators are likely to have on our businesses and assets under management. The GDP growth rate expectation over the next few years remains low, although improving, given the weak public finances, dearth of infrastructure, high dependence on oil revenue, rising public debts and unemployment as well as political and security challenges. From the monetary angle, although the Central Bank base has kept policies stable with more unconventional directives towards private sector credit growth to spur economic growth, FX reserves and inflation rate directions have been at variance to the apex bank's primary intent, i.e. grow foreign exchange reserves and moderate inflation of between 6-9% target). On the long term, expectations range from neutral to mild optimism.

The following table outlines the impact of multiple scenarios on the allowance

Amounts are in thousands of Naira		Cash and cash equivalents ₦'000	Financial assets - amortised cost ₦'000	Other receivables ₦'000	Total ₦'000
31 December 2020					
Upside	30%	21,640	14,187	-	35,827
Base case	40%	28,853	18,916	-	47,770
Downside	30%	21,640	14,187	-	35,827
		72,133	47,291	-	119,424
31 December 2019					
Upside	30%	13,951	12,062	-	26,013
Base case	40%	18,602	16,083	-	34,684
Downside	30%	13,951	12,062	-	26,013
		46,504	40,207	-	86,711

Exposures to credit risks is managed through counterparty risks using instituted limits as approved the MC. These limits are based on counter party credit ratings amongst other factors.

Disclosure of treasury bills of less than 90 days maturity

For the purpose of IFRS 7 disclosures, treasury bills with maturity tenor of less than 90 days have been classified as cash and cash equivalents in the statement of financial position.

4.3.1 Credit quality

Except for staff loans included in loans and receivables, other receivables and trade receivables, all financial assets are neither past due nor impaired. The credit quality of the assets are as analysed below:

Trade receivable and reinsurance assets (claims receivable) subject to credit risk are further assessed below:

Amounts in thousands of Naira	31 Dec. 2020	31 Dec. 2019
Gross premium receivable	12,533	27,346
Recoverable from re-assurers & co-assurers on claims paid	151,537	159,720
Reinsurers' share of outstanding claims	97,408	63,079
Total	261,478	250,145
Neither due nor impaired	148,428	132,942
Individually impaired	113,050	117,203
Gross total	261,478	250,145
Impairment allowance	(113,050)	(117,203)
Carrying amount	148,428	132,942

Other assets at amortised cost and other receivables subject to credit risk are further assessed below:

Neither due nor impaired

Amounts in thousands of Naira	31 Dec. 2020	31 Dec. 2019
Other receivables (less prepayment)	467,450	451,826
Other assets carried at amortised cost	128,368	716,913
Total receivables neither due nor impaired	595,818	1,168,739
Gross total	595,818	1,168,739
Impairment allowance	-	-
Carrying amount	595,818	1,168,739

Notes To The Financial Statements Contd

Credit Quality

The Company's categorization of Trade and Reinsurance receivable (less prepaid reinsurance and IBNR) as at 31 December 2020 is as follows:

Amounts in thousands of Naira	**31 Dec. 2020**	**31 Dec. 2019**
Trade receivables	12,533	27,346
Reinsurance receivable	248,945	222,799
Total	261,478	250,145

31 December 2020 Category	**A**	**B**	**C**	**D**	**Total**
Insurance brokers	12,533	-	-	-	12,533
Insurance companies	-	-	-	-	-
Reinsurance companies	135,895	-	-	113,050	248,945
Policy holders	-	-	-	-	-
	148,428	-	-	113,050	261,478
Impairment	-	-	-	(113,050)	(113,050)
Net carrying amount	148,428	-	-	-	148,428

31 December 2019 Category	**A**	**B**	**C**	**D**	**Total**
Insurance brokers	27,346	-	-	-	27,346
Insurance companies	-	-	-	-	-
Reinsurance companies	105,596	-	-	117,203	222,799
Policy holders	-	-	-	-	-
	132,942	-	-	117,203	250,145
Impairment	-	-	-	(117,203)	(117,203)
Net carrying amount	132,942	-	-	-	132,942

4.3.2 Concentration of credit risk

The Company monitors concentration of credit risk by sector.

Concentration of credit risk	Financial institutions ₦'000	Manufacturing/ telecom ₦'000	Real estate ₦'000	Public sector ₦'000	Wholesale & retail trade ₦'000	Individuals ₦'000	Total ₦'000
31 December 2020							
Cash and cash equivalents	3,333,233	-	-	-	-	-	3,333,233
Financial assets:							
Assets designated at fair value through profit or loss	3,286,308		-	62,041,001	-	-	65,327,309
Assets held at amortised cost	806,521	-	-	14,063,856	-	99,475	14,969,852
Trade receivables	12,533	-	-	-	-	-	12,533
Reinsurance assets	248,945	-	-	-	-	-	248,945
Other receivables	467,450	-	-	-	-	-	467,450
Statutory deposit	-	-	-	260,000	-	-	260,000
Total	8,154,990	-	-	76,364,857	-	99,475	84,619,322

Concentration of credit risk	Financial institutions ₦'000	Manufacturing/ telecom ₦'000	Real estate ₦'000	Public sector ₦'000	Wholesale & retail trade ₦'000	Individuals ₦'000	Total ₦'000
31 December 2019							
Cash and cash equivalents	2,753,293	-	-	-	-	-	2,753,293
Financial assets:							
Assets designated at fair value through profit or loss	3,927,612		-	33,958,222	-	-	37,885,834
Assets held at amortised cost	422,830	-	-	16,535,616	-	85,984	17,044,430
Trade receivables	27,346	-	-	-	-	-	27,346
Reinsurance assets	222,799	-	-	-	-	-	222,799
Other receivables	451,826	-	-	-	-	-	451,826
Statutory deposit	-	-	-	260,000	-	-	260,000
Total	**7,805,706**	**-**	**-**	**50,753,838**	**-**	**85,984**	**58,645,528**

4.3.3 Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar financial assets and liabilities include trade receivables and payables.

None of these agreements met the criteria for offsetting in the statement of financial position. Reinsurance payable and receivables create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following predetermined events as stipulated within the treaty agreements. Also, under the 'IFRS 4 - Insurance contract' requirements, reinsurance assets and liabilities are disclosed gross. Receivables and payables from insurance companies and insurance brokers or agents allow for a net settlement by the counterparties when both elect to settle on a net basis. Each party to the agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. An event of default includes a failure by a party to make payment when due. At the point of payment, the offsetting agreement is used to settle on a net basis with the counterparty.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (not offset in the financial statements)

31 December 2020				Related amounts not offset in the statement of financial position		
In thousands of Nigerian Naira	Gross amount of recognised financial asset	Gross amount of financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement financial of position	Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
Trade receivables	12,533	-	12,533	-	-	12,533
Reinsurance assets (less prepaid reinsurance, IBNR & reserves)	248,945		248,945	-	-	248,945
Total	261,478	-	261,478	-	-	261,478
		-				

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

				Related amounts not offset in the statement of financial position		
In thousands of Nigerian Naira	Gross amount of recognised financial liability	Gross amount of financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement financial of position	Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
Trade receivables	1,114,387	-	1,114,387	-	-	1,114,387
Total	1,114,387	-	1,114,387	-	-	1,114,387

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (not offset in the financial statements)

31 December 2019

In thousands of Nigerian Naira	Gross amount of recognised financial asset	Gross amount of financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement financial of position	Related amounts not offset in the statement of financial position: Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
Trade receivables	27,346	-	27,346	-	-	27,346
Reinsurance assets (less prepaid reinsurance, IBNR & reserves)	222,799		222,799	-	-	222,799
Total	250,145	-	250,145	-	-	250,145
		-				

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

In thousands of Nigerian Naira	Gross amount of recognised financial liability	Gross amount of financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement financial of position	Related amounts not offset in the statement of financial position: Financial instruments not offset in the statement of financial position	Cash collateral received	Net amount
Trade receivables	1,347,889	-	1,347,889	-	-	1,347,889
Total	1,347,889	-	1,347,889	-	-	1,347,889

The gross amount of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

Trade receivables and payables	Amortised cost
Reinsurance receivables and payables	Amortised cost

4.4 Liquidity risk

Liquidity risk is the risk that financial resources may not be available to meet maturing obligations at a reasonable cost. The Company mitigates this risk by monitoring liquidity and expected outflows. The Company's current liabilities arise as claims are made and/or clients request for termination of their investment-linked products. The Company 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 limits are monitored and reported on a weekly and monthly basis to ensure that exposure of the Company's investment portfolio to this risk is properly managed.

Notes To The Financial Statements Contd

Below is a summary of undiscounted contractual cash flows of financial assets matched with financial liabilities.

31 December 2020	Carrying amounts ₦'000	Gross total ₦'000	1-3 months ₦'000	3-6 months ₦'000	6-12 months ₦'000	1-5 years ₦'000	> 5years ₦'000
Cash and cash equivalents	3,333,233	3,405,366	3,405,366	-	-	-	-
Investment securities:							
Assets designated at fair value through profit or loss	65,327,309	65,327,309	-	-	1,604,857	5,725,986	57,996,466
Assets at amortised cost	14,922,561	14,969,852	-	28,893	-	1,899,978	13,040,981
Trade receivables	12,533	12,533	12,533	-	-	-	-
Reinsurance assets (less prepaid reinsurance, IBNR & Reserves)	135,895	248,945	151,537	-	97,408	-	-
Other receivables (less prepayment)	467,450	467,450	467,450	-	-	-	-
Total financial assets	**84,198,981**	**84,431,455**	**4,036,886**	**28,893**	**1,702,265**	**7,625,964**	**71,037,447**
Investment contract liabilities:							
– At amortised cost	6,072,622	6,436,979	-	-	26,799	6,410,180	-
Trade payables	1,114,387	1,114,387	1,114,387	-	-	-	-
Other liabilities (less deferred income and premium received in advance)	(39,281)	(39,281)	(39,281)	-	-	-	-
Total financial liabilities	**7,147,728**	**7,512,085**	**1,075,106**	**-**	**26,799**	**6,410,180**	**-**
Net financial assets/ liabilities	**77,051,253**	**76,919,370**	**2,961,780**	**28,893**	**1,675,466**	**1,215,784**	**71,037,447**
Insurance contract liabilities	77,727,665	77,727,665	277,687	120,539	113,090	790,063	76,426,286
Net policyholders' assets/(liabilities)	**(676,412)**	**(808,295)**	**2,684,093**	**(91,646)**	**1,562,376**	**425,721**	**(5,388,839)**

Notes To The Financial Statements Contd

31 December 2019	Carrying amounts ₦'000	Gross total ₦'000	1-3 months ₦'000	3-6 months ₦'000	6-12 months ₦'000	1-5 years ₦'000	> 5years ₦'000
Cash and cash equivalents	2,753,298	2,799,802	2,799,802	-	-	-	-
Investment securities:							
-Assets designated at fair value through profit or loss	37,885,834	37,885,834	-	-	1,804,197	3,228,276	32,853,361
-Assets carried at amortised cost	17,004,223	17,044,430	-	630,929	85,984	746,229	15,081,116
Trade receivables	27,346	27,346	27,346	-	-	-	-
Reinsurance assets (less prepaid reinsurance, IBNR & reserves)	105,596	222,799	159,720	-	63,079	-	-
Other receivables (less prepayment)	451,826	451,826	451,826	-	-	-	-
Total financial assets	**58,228,123**	**58,432,037**	**3,438,694**	**630,929**	**1,953,260**	**3,974,505**	**47,934,477**
Investment contract liabilities:							
– At amortised cost	3,985,348	4,224,469	-	-	-	4,224,469	-
Trade payables	15,284	15,284	15,284	-	-	-	-
Lease liabilities	744	744	744	-	-	-	-
Other liabilities (less deferred income and premium received in advance)	1,514,316	1,514,316	1,514,316	-	-	-	-
Total financial liabilities	**5,515,692**	**5,754,813**	**1,530,344**	**-**	**-**	**4,224,469**	**-**
Net financial assets/ liabilities	**52,712,431**	**52,677,224**	**1,908,350**	**630,929**	**1,953,260**	**(249,964)**	**47,934,477**
Insurance contract liabilities	47,114,330	47,114,330	338,058	159,126	283,812	773,193	45,560,141
Net policyholders' assets/(liabilities)	**5,598,101**	**5,562,894**	**1,570,292**	**471,803**	**1,669,448**	**(1,023,157)**	**2,374,336**

4.5 Capital management

The National Insurance Commission (NAICOM) sets and monitors capital requirements for insurance companies.

The Company's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Company has complied with all externally imposed capital requirements.

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on the regulatory capital, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The Company ensures it maintains the minimum required solvency capital at all times throughout the year. The Regulatory capital for the life business is determined as the solvency margin. The table below summarises the minimum required solvency capital for the Company and the regulatory capital held against it.

In thousands of Naira	**31 Dec. 2020**	**31 Dec. 2019**
Regulatory capital held	8,383,218	6,352,736
Minimum solvency requirement	2,000,000	2,000,000

Insurance industry regulator measures the financial strength of insurance companies using the capital adequacy requirements for companies. This test compares insurers' capital against the risk profile. The regulator indicated that insurers should produce a minimum solvency capital margin of 100%. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this minimum requirement if deemed necessary.

The Solvency Margin for the Company as at 31 December 2020 is as

	Total		Admissible	
Assets	**31 Dec. 2020 ₦'000**	**31 Dec. 2019 ₦'000**	**31 Dec. 2020 ₦'000**	**31 Dec. 2019 ₦'000**
Cash and cash equivalents	3,333,239	2,753,298	3,333,239	2,753,298
Financial assets:				
-Fair value through profit or loss	69,878,480	39,099,852	69,878,480	39,099,852
-Fair value through OCI	111,503	104,800	111,503	104,800
-Amortised cost	14,922,561	17,004,223	14,922,561	17,004,223
Other receivables	529,605	515,863	-	120,215
Statutory deposit	260,000	260,000	260,000	260,000
Land and building	2,792,696	2,792,696	666,667	666,667
Furniture and fittings	35,444	30,986	35,444	30,986
Office equipment	46,243	41,826	46,243	41,826
Computer equipment	20,007	15,180	20,007	15,180
Motor vehicles	109,624	90,141	109,624	90,141
Work-in-progress	14,566	-	-	-
Current tax assets	190,865	-	-	-
Intangible assets	99,745	165,060	99,745	-
Investment in equity accounted investee	4,179,232	-	4,179,232	-
Investment property	1,002,819	1,002,819	-	-
Right-of-use assets	42,969	3,278	42,969	-
Prepaid reinsurance asset	142,385	160,911	142,385	160,911
Deferred acquisition cost	79,397	124,436	79,397	124,436
Trade receivables	12,533	27,346	12,533	27,346
Reinsurance IBNR/ claims recoverable	538,621	698,273	538,621	698,273
Total assets	**98,342,534**	**64,890,988**	**94,478,650**	**61,198,154**

The Solvency Margin for the Company as at 31 December 2020 is as

	Total		Admissible	
Liabilities	**31 Dec. 2020 ₦'000**	**31 Dec. 2019 ₦'000**	**31 Dec. 2020 ₦'000**	**31 Dec. 2019 ₦'000**
Unearned premium reserve	743,879	744,972	743,879	744,972
Provision for outstanding claims	1,809,234	1,554,191	1,809,234	1,554,191
Provision for claims incurred but not reported (IBNR)	1,621,307	2,127,086	1,621,307	2,127,086
Life and annuity fund liabilities	73,553,245	42,688,081	73,553,245	42,688,081
Investment contract liabilities	6,072,622	3,985,348	6,072,622	3,985,348
Deposit for shares	-	500,000	-	500,000
Lease liabilities	-	744	-	744
Trade payables	1,114,387	1,347,889	1,114,387	1,347,889
Other payables	1,180,758	1,653,668	1,180,758	1,653,668
Current income tax	-	243,439	-	243,439
Deferred tax liability	520,578	495,920	-	-
Total liabilities	**86,616,010**	**55,341,338**	**86,095,432**	**54,845,418**
Solvency Margin			8,383,218	6,352,736
Minimum solvency requirement			2,000,000	2,000,000
Solvency ratio			419%	318%

4.6 Fair value hierarchy

The Company's accounting policy on fair value measurements is discussed under note 2.3.

The fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently, and had little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risk affecting the specific instrument.

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

(a) Financial instruments in level 1

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

Financial instruments in level 2

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

Financial instruments in level 3

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position.

Financial instruments not measured at fair value

The following table sets out the carrying amount of financial instruments not measured at fair value and the analysis per level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2020	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Cash and cash equivalents	-	3,333,239	-	3,333,239
Trade receivables	-	12,533	-	12,533
Assets held at amortised cost	14,794,955	127,606	-	14,922,561
Reinsurance assets (less prepaid reinsurance & reinsurers' share of IBNR)	-	135,895	-	135,895
Other receivables (less prepayment)	-	467,450	-	467,450
Investment in equity accounted investee	4,179,232	-	-	4,179,232
Statutory deposit	-	260,000	-	260,000
Total	18,974,187	4,336,723	-	23,310,910
Investment contracts at amortised cost	-	6,072,622	-	6,072,622
Trade payables	-	1,114,387	-	1,114,387
Other liabilities	-	1,180,758	-	1,180,758
Total	-	8,367,767	-	8,367,767

31 December 2019	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Cash and cash equivalents	-	2,753,298	-	2,753,298
Trade receivables	-	27,346	-	27,346
Assets held at amortised cost	16,298,489	705,734	-	17,004,223
Reinsurance assets (less prepaid reinsurance & reinsurers' share of IBNR)	-	105,596	-	105,596
Other receivables (less prepayment)	-	451,826	-	451,826
Investment in equity accounted investee	-	260,000	-	260,000
Statutory deposit	-		-	
Total	16,298,489	4,303,800	-	20,602,289
Investment contracts at amortised cost	-	3,985,348	-	3,985,348
Trade payables	-	15,284	-	15,284
Other liabilities	-	2,986,273	-	2,986,273
Total	-	6,986,905	-	6,986,905

Non-financial assets measured at fair value

Investment properties are a recurring fair value measurement valued using the income approach. The rental income/prices of comparable buildings in close proximity are adjusted for differences in key attributes such as property size, beta, growth rates, discount rate, inflation rate, holding period and capitalisation rate. The valuation of the investment properties has been determined within level 3 of the fair value hierarchy.

Investment Property	Valuation Technique	Fair value as 31 Dec. 2020
Leasehold property at 23/25 Martins Street, Lagos	Depreciated replacement cost method	682,894
Leasehold property at Plot 5, Block E, CBD, Alausa, Ikeja	Market Value method	220,000
Landed property at Ogombo, Ajah/Epe Expressway, Lekki	Market Value method	28,000
Landed property at 10, Aje Road Sabo Yaba, Lagos	Market Value method	71,925

Determination of fair value

The determination of fair value for each class of financial instruments was based on the particular characteristic of the instruments. The method and assumptions applied are enumerated below:

Cash and cash equivalent and borrowings

The estimated fair value of fixed interest placement with banks, bonds and borrowings is based on the discounted cash flow techniques using prevailing money market interest rates for debts and similar credit risk and remaining maturity.

Quoted Securities

The fair value for treasury bills and bonds assets is based on market prices or brokers/dealers price quotations. Where this information is not available, fair valuation is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Unquoted equity securities available for sale

The fair value of assets held at fair value through other comprehensive income is based on the market approach which considers similar/ identical transactions.

Trade receivables and payables, reinsurance receivables and other liabilities

The estimated fair value of receivables and payables with no stated maturity which includes no interest payables and receivables is the amount repayable or to be received on demand.

The carrying amounts of other liabilities are reasonable approximation of their fair values which are payable on demand.

4.7 Asset and Liability Management (ALM)

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. Within the ALM framework, the Company periodically produces reports at portfolio, legal entity and asset and liability class level that are circulated to the Company's key management personnel. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained. The Company has not changed the processes used to manage its risks from previous periods.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other classes of financial assets and liabilities not directly associated with insurance and investment liabilities (in particular, borrowings and investments in foreign operations). The notes below explain how financial risks are managed using the categories utilized in the Company's ALM framework. In particular, the ALM Framework requires the management of interest rate risk, equity price risk and liquidity risk at the portfolio level. Foreign currency and credit risk are managed on a company-wide basis.

The table below hypothecates the total assets of the Company into assets that represents insurance funds, shareholders' funds and other funds such as investment contracts:

Investments:	Shareholders' Fund ₦'000	Life Policy-holders' Fund ₦'000	Investment Contract ₦'000	Annuity Funds ₦'000	Total ₦'000
Investment property	1,002,819	-	-	-	1,002,819
Property, plant and equipment:					
- Real estate	2,792,696	-	-	-	2,792,696
- Equipment	66,250	-	-	-	66,250
- Motor vehicles	109,624	-	-	-	109,624
- Furniture	35,444	-	-	-	35,444
- Work-in-progress	14,566				14,566
Investment in equity accounted investee	4,179,232				4,179,232
Trade receivables	12,533				12,533
Reinsurance assets	-	681,006	-	-	681,006
Deferred acquisition cost	79,397	-	-	-	79,397
Other receivables and prepayments	529,605	-	-	-	529,605
Current tax assets	190,865				190,865
Right-of-use assets	42,969	-	-	-	42,969
Intangible assets	99,745	-	-	-	99,745
Statutory deposit	260,000	-	-	-	260,000
Financial assets:					-
- Government and corporate bonds	-	7,693,259	6,194,931	66,234,074	80,122,264
- Quoted securities	718,492	-	-	3,832,679	4,551,171
- Unquoted securities (FVOCI)	-	-	111,503	-	111,503
- Treasury Bills	-	-	-	-	-
- Commercial paper	-	28,326	-		28,326
- Loan to policyholders	94,950	-			94,950
- Loan to staff	4,330				4,330
Cash and cash equivalents:					
- Bank placements	-	1,368,889	-	579,985	1,948,874
- Bank and cash balances	48,655	1,065,623	-	270,087	1,384,365
Total assets	10,282,172	10,837,103	6,306,434	70,916,825	98,342,534

4.7 Asset and Liability Management (ALM) - continued

The following tables reconcile the statement of financial position to the classes and portfolios used in the Company's ALM framework.

	Shareholders' Fund ₦'000	Life Policy-holders' Fund ₦'000	Investment Contract ₦'000	Annuity Funds ₦'000	Total ₦'000
ASSETS					
Cash and cash equivalents	48,655	2,434,512	-	850,072	3,333,239
-Fair value through profit or loss	718,492	-	-	69,159,988	69,878,480
-Fair value through OCI	-	-	111,503	-	111,503
-Amortised cost	99,280	7,721,585	6,194,931	906,765	14,922,561
Trade receivables	12,533	-	-	-	12,533
Reinsurance assets	-	681,006	-	-	681,006
Deferred acquisition cost	79,397	-	-	-	79,397
Other receivables	529,605	-	-	-	529,605
Current tax assets	190,865				190,865
Right-of-use assets	42,969				42,969
Intangible assets	99,745	-	-	-	99,745
Property and equipment	3,018,580	-	-	-	3,018,580
Investment in equity accounted investee	4,179,232				4,179,232
Investment property	1,002,819	-	-	-	1,002,819
Statutory deposit	260,000	-	-	-	260,000
TOTAL ASSETS	10,282,172	10,837,103	6,306,434	70,916,825	98,342,534

The following tables reconcile the statement of financial position to the classes and portfolios used in the Company's ALM framework.

	Shareholders' Fund ₦'000	Life Policy-holders' Fund ₦'000	Investment Contract ₦'000	Annuity Funds ₦'000	Total ₦'000
LIABILITIES					
Insurance contract liabilities	-	10,706,625	-	67,021,040	77,727,665
Investment contract liabilities	-	-	6,072,622	-	6,072,622
Trade payables	1,114,387	-	-	-	1,114,387
Other liabilities	1,180,758	-	-	-	1,180,758
Current income tax liabilities	-	-	-	-	-
Deferred income tax liabilities	520,578	-	-	-	520,578
Lease liabilities	-	-	-	-	-
Deposit for shares	-	-	-	-	-
TOTAL LIABILITIES	2,815,723	10,706,625	6,072,622	67,021,040	86,616,010
SURPLUS	7,466,449	130,478	233,812	3,895,785	11,726,524

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
5	**Cash and cash equivalents**		
	Cash in hand	6	5
	Cash at bank (see note (a) below)	1,384,361	449,423
	Bank placements (see note (b) below)	1,948,872	2,303,870
	Treasury bills with maturity of less than 90 days (see note (c) below)	-	-
		3,333,239	2,753,298
(a)	Cash at bank	1,413,347	457,941
	Allowance for impairment	(28,986)	(8,518)
		1,384,361	449,423
(b)	Bank placements	1,992,019	2,341,856
	Allowance for impairment	(43,147)	(37,986)
		1,948,872	2,303,870
(c)	Treasury bills with maturity of less than 90 days	-	-
	Allowance for impairment	-	-
		-	-
(d)	**Reconciliation of cash and cash equivalents**		
	Principal amount investment	3,392,154	2,774,205
	Interest received into investment account	13,218	25,597
	Allowance for impairment	(72,133)	(46,504)
		3,333,239	2,753,298
(e)	**Movement in impairment allowance on cash and cash equivalents is detailed below:**		
(i)	Cash at bank and in hand	28,986	8,518
	Bank placements	43,147	37,986
	Total allowance for impairment	72,133	46,504
(ii)	Balance, beginning of year	46,504	29,542
	Movement for the year (see note 39(I))	25,629	16,962
	Balance, end of year	72,133	46,504

6	Financial assets	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
	Fair value through profit or loss (see note 6(a) below)	69,878,480	39,099,852
	Fair value through OCI (see note 6(b) below)	111,503	104,800
	Amortised cost (see note 6© below)	14,922,561	17,004,223
		84,912,544	56,208,875
	Current	1,633,750	2,521,110
	Non-current	83,278,794	53,687,765

6(a)	Fair value through profit or loss		
	Bonds- FGN	60,331,810	33,044,526
	Bonds- State	1,709,191	913,696
	Bonds- Corporate	3,286,308	2,123,415
	Treasury bills	-	1,804,197
	Quoted equity securities	4,551,171	1,214,018
		69,878,480	**39,099,852**
	Current	1,604,857	1,804,197
	Non-current	68,273,623	37,295,655

6(a)i	Movement in Bonds - FGN		
	Balance, beginning of year	33,044,526	13,306,062
	Addition during the year	17,926,274	14,904,642
	Interest accrued during the year	3,329,849	2,810,980
	Fair value gain during the year	15,713,158	4,214,608
	Coupon received during the year	(5,606,054)	(2,191,766)
	Maturities/liquidation	(4,027,292)	-
	Realised loss during the year	(48,651)	-
	Balance, end of year	60,331,810	33,044,526

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
ii	**Movement in Bonds-State**		
	Balance, beginning of year	913,696	994,063
	Addition during the year	500,000	-
	Interest accrued during the year	365,999	148,580
	Fair value gains/(losses) during the year	188,195	(39,606)
	Coupon received during the year	(225,429)	(148,581)
	Redemption/maturity during the year	(33,270)	(40,760)
	Balance, end of year	1,709,191	913,696
iii	**Movement in Bonds-Corporate**		
	Balance, beginning of year	2,123,415	2,412,002
	Addition during the year	986,330	-
	Interest accrued during the year	474,743	326,579
	Fair value losses during the year	(533,202)	109,157
	Interest received during the year	369,924	(203,491)
	Maturities/liquidation during the year	(134,902)	(520,832)
	Balance, end of year	3,286,308	2,123,415
iv	**Movement in Treasury Bills**		
	Balance, beginning of year	1,804,197	1,577,403
	Addition during the year	-	3,160,232
	Interest accrued during the year	205,002	415,484
	Fair value losses during the year	-	(156)
	Interest received during the year	(68,000)	(254,560)
	Maturities/liquidation during the year	(1,941,199)	(3,094,206)
	Balance, end of year	-	1,804,197

v	Movement in Quoted Equities	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
	Balance, beginning of year	1,214,018	331,021
	Reclassification during the year (See note 6(b)(ii)):		
	- MTN shares	-	1,495,220
	- Chapel Hill NIDF	-	626,818
	Addition during the year	3,638,633	129,473
	Fair value loss during the year	(33,481)	(8,294)
	Redemption/disposal during the year	(331,884)	(1,886,450)
	Realised gain during the year	63,885	526,230
	Balance, end of year	4,551,171	1,214,018

vi Reconciliation of fair value through profit or loss

31 December 2020	Bonds FGN ₦'000	Bonds State ₦'000	Bonds Corporate ₦'000	Treasury Bill ₦'000	Quoted Equities ₦'000	Total ₦'000
Balance, beginning of year	33,044,526	913,696	2,123,415	1,804,197	1,214,018	39,099,852
Reclassification	-	-	-	-	-	-
Addition	17,926,274	500,000	986,330	-	3,638,633	23,051,237
Interest accrued	3,329,849	365,999	474,743	205,002	-	4,375,593
Fair value gain/(loss)	15,713,158	188,195	(533,202)	-	(33,481)	15,334,670
Coupon received	(5,606,054)	(225,429)	369,924	-	-	(5,461,559)
Interest received	-	-	-	(68,000)	-	(68,000)
Maturities / liquidation	(4,027,292)	(33,270)	(134,902)	(1,941,199)	(331,884)	(6,468,547)
Realised (loss)/gain	(48,651)	-	-	-	63,885	15,234
Balance, end of year	**60,331,810**	**1,709,191**	**3,286,308**	**-**	**4,551,171**	**69,878,480**
31 December 2019						
Balance, beginning of year	13,306,062	994,063	2,412,002	1,577,403	331,021	18,620,551
Reclassification	-	-	-	-	2,122,038	2,122,038
Addition	14,904,642	-	-	3,160,232	129,473	18,194,347
Interest accrued	2,810,980	148,580	326,579	415,484	-	3,701,623
Fair value gains/(losses)	4,214,608	(39,606)	109,157	(156)	(8,294)	4,275,709
Coupon received	(2,191,766)	(148,581)	(203,491)	-	-	(2,543,838)
Interest received	-	-	-	(254,560)	-	(254,560)
Maturities / liquidation	-	(40,760)	(520,832)	(3,094,206)	(1,886,450)	(5,542,248)
Realised gain	-	-	-	-	526,230	526,230
Balance, end of year	**33,044,526**	**913,696**	**2,123,415**	**1,804,197**	**1,214,018**	**39,099,852**

6(b) Fair value through other comprehensive income

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Investments at fair value through other comprehensive income	111,503	104,800
	111,503	104,800

i Investments at fair value through other comprehensive income are unquoted equity investments, comprising:

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Investment in Healthcare International Limited	43,910	50,395
Investment in MTN-Linked notes	-	-
Investment in Kakawa Guaranteed Fund	13,907	13,907
Investment in Paramount Equity Fund	320	252
Investment in Afrinvest Nigeria International Debt Fund	53,366	40,246
Investment in Chapel Hill Nigeria Infrastructural Debt Fund	-	-
	111,503	104,800

ii Movement in investments at fair value through other comprehensive income

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Balance, beginning of year	104,800	2,438,608
De-recognition from unquoted equity and reclassification to quoted equity at FVTPL (see note 6(a)(v)):		
- MTN Linked notes	-	(1,495,220)
- Investment in Chapel Hill Nigeria Infrastructural Debt Fund	-	(626,818)
Additions during the period	1,709	513
Reclassification to other receivables	-	(118,970)
Fair value adjustment during the year (see note 28)	4,994	(93,313)
Balance, end of year	111,503	104,800

ii-a Movement in Healthcare International Limited

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Balance, beginning of year	50,395	94,305
Fair value adjustment	(6,485)	(43,910)
Balance, end of year	43,910	50,395

6(b) Fair value through other comprehensive income contd

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
ii-b	Movement in MTN Linked notes		
	Balance, beginning of year	-	1,669,017
	De-recognition of MTN shares from unquoted equity and reclassification to quoted equity at FVTPL	-	(1,495,220)
	Reclassification to other receivables	-	(118,970)
	Fair value adjustment	-	(54,827)
	Balance, end of year	-	-
ii-c	Movement in investment in Paramount Equity Fund		
	Balance, beginning of year	252	232
	Fair value adjustment	68	20
	Balance, end of year	320	252
ii-d	Movement in investment in Afrinvest Nigeria International Debt Fund		
	Balance, beginning of year	40,246	34,329
	Addition during the year	1,709	513
	Fair value adjustment	11,411	5,404
	Balance, end of year	53,366	40,246
ii-e	Movement in investment in Chapel Hill Nigeria Infrastructural Debt Fund		
	Balance, beginning of year	-	626,818
	Derecognition on reclassification to FVTPL	-	(626,818)
	Addition during the year	-	-
	Fair value adjustment	-	-
	Balance, end of year	-	-

6(c) Financial assets held at amortised cost

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Federal Government bonds - Nigeria	13,204,290	14,572,302
State Government bonds - Nigeria	859,566	500,172
Corporate bonds	777,628	508,814
Treasury bills	-	746,229
Other assets at amortised cost (see note (v) below)	128,368	716,913
	14,969,852	17,044,430
Impairment allowance for financial assets held at amortised cost	(47,291)	(40,207)
	14,922,561	17,004,223
Current	28,893	716,913
Non current	14,893,668	16,287,310

Fair values for amortised cost assets are based on market prices or broker/dealer price quotations. At the reporting date, no held-to-maturity assets were past due or impaired.

6.c) Financial assets held at amortised cost

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
i	Movement in Bonds - FGN	14,572,302	11,142,150
	Balance, beginning of year	2,347,046	3,097,760
	Addition during the year	(2,596,379)	(1,023,142)
	Coupon received during the year	2,088,216	1,355,534
	Interest accrued during the year	(4,769,081)	-
	Liquidation/maturities during the year	1,562,186	-
	Realised gain during the year	13,204,290	14,572,302
	Allowance for impairment:		
	Balance, beginning of year	(18,600)	(15,014)
	Movement during the year	(22,841)	(3,586)
		(41,441)	(18,600)
	Balance, end of year	13,162,849	14,553,702
ii	Movement in Bonds - State	500,172	-
	Balance, beginning of year	350,000	500,000
	Addition during the year	(55,472)	-
	Coupon received during the year	64,866	172
	Interest accrued during the year	859,566	500,172
	Allowance for impairment:		
	Balance, beginning of year	(1,295)	-
	Movement during the year	(1,122)	(1,295)
		(2,417)	(1,295)
	Balance, end of year	857,149	498,877

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		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
iii	Movement in Bonds - Corporate		
	Balance, beginning of year	508,814	424,349
	Addition during the year	250,000	100,000
	Coupon received during the year	(20,778)	(40,549)
	Interest accrued during the year	39,592	25,014
		777,628	508,814
	Allowance for impairment:		
	Balance, beginning of year	(8,101)	(6,316)
	Movement during the year	5,430	(1,785)
		(2,671)	(8,101)
	Balance, end of year	774,957	500,713

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
iv	Movement in Treasury Bill		
	Balance, beginning of year	746,229	1,030,346
	Addition during the year	-	2,976,634
	Interest accrued during the year	402,398	569,179
	Interest received during the year	(84,500)	(256,327)
	Maturities/liquidation	(1,064,127)	(3,573,603)
		-	746,229
	Allowance for impairment:		
	Balance, beginning of year	(1,032)	(1,465)
	Movement during the year	1,032	433
		-	(1,032)
	Balance, end of year	-	745,197

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
v	**Other assets at amortised cost**		
	Loans to policy holders	94,950	76,266
	Commercial Papers	28,893	630,929
	Staff loans and advances	4,525	9,718
		128,368	716,913
	Impairment allowance on other assets at amortised cost	(762)	(11,179)
		127,606	705,734
	Current	28,893	630,929
	Non-current	98,713	74,805
v-a	Movement in Commercial papers		
	Balance, beginning of year	630,929	1,378,221
	Addition	965,140	1,540,326
	Interest accrued during the year	56,121	394,134
	Interest received during the year	(271,123)	(219,150)
	Maturities/liquidation during the year	(1,352,174)	(2,462,602)
		28,893	630,929
	Allowance for impairment:		
	Balance, beginning of year	(10,596)	(21,141)
	Movement during the year	10,029	10,545
		(567)	(10,596)
	Balance, end of year	28,326	620,333

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
v-b	Movement in loans to policy holder and staff loan		
	Balance, beginning of year	85,984	42,170
	Addition during the year	46,683	100,719
	Interest accrued during the year	4,252	6,424
	Interest received during the year	(4,713)	(1,054)
	Maturities/liquidation	(32,731)	(62,275)
		99,475	85,984
	Allowance for impairment:		
	Balance, beginning of year	(583)	(722)
	Movement during the year	388	139
		(195)	(583)
	Balance, end of year	99,280	85,401
vi	**Reconciliation of allowance for impairment on amortised cost**		
	Balance, beginning of year	40,207	44,658
	Movement during the year (see note 37(I))	7,084	(4,451)
	Balance, end of year	47,291	40,207
vi-a	Allowance for impairment comprises the following:		
	Federal Government bonds - Nigeria	41,441	18,600
	State Government bonds - Nigeria	2,417	1,295
	Corporate bonds	2,671	8,101
	Treasury bills	-	1,032
	Other assets at amortised cost	762	11,179
		47,291	40,207

6(c)(vi) Reconciliation of Amortised Cost

	Bonds FGN ₦'000	Bonds State ₦'000	Bonds Corporate ₦'000	Treasury Bill ₦'000	Commercial Papers ₦'000	Loan to policyholders and Staff loan ₦'000	Total ₦'000
2020							
Opening balance	14,553,702	498,877	500,713	745,197	620,333	85,401	17,004,223
Addition	2,347,046	350,000	250,000	-	965,140	46,683	3,958,869
Interest accrued	2,088,216	64,866	39,592	402,398	56,121	4,252	2,655,445
Coupon / interest received	(2,596,379)	(55,472)	(20,778)	(84,500)	(271,123)	(4,713)	(3,032,965)
Maturities / liquidation	(4,769,081)	-	-	(1,064,127)	(1,352,174)	(32,731)	(7,218,113)
Realised gain during the year	1,562,186	-	-	-	-	-	1,562,186
Impairment allowance for the year	(22,841)	(1,122)	5,430	1,032	10,029	388	(7,084)
Balance, end of year	13,162,849	857,149	774,957	-	28,326	99,280	14,922,561
2019							
Opening balance	11,127,136	-	418,033	1,028,881	1,357,080	41,446	13,972,576
Addition	3,097,760	500,000	100,000	2,976,634	1,540,326	100,719	8,315,439
Interest accrued	1,355,534	172	25,014	569,179	394,134	6,424	2,350,457
Coupon/interest received	(1,023,142)	-	(40,549)	(256,327)	(219,150)	(1,054)	(1,540,222)
Maturities / liquidation		-	-	(3,573,603)	(2,462,602)	(62,275)	(6,098,480)
Impairment allowance for the year	(3,586)	(1,295)	(1,785)	433	10,545	139	4,451
Balance, end of year	14,553,702	498,877	500,713	745,197	620,333	85,401	17,004,223

7. Trade receivables

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Brokers	12,533	27,346
Agents	-	-
Insurance companies	-	-
	12,533	27,346
Impairment on premium debtors	-	-
	12,533	**27,346**

The age analysis of gross premium receivable as at the end of the year is as follows:

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Within 30 days	12,533	27,346
Above 30 days	-	-
Total	12,533	27,346
Current	12,533	27,346
Non current	-	-

8. Reinsurance assets

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
	97,408	63,079
Reinsurers' share of outstanding claims (see note (a) below)	402,726	592,677
Reinsurance share of IBNR (see note (b) below)	142,385	160,911
Prepaid reinsurance (see note © below)	151,537	159,720
Reinsurers/coassurers' share of claims paid (see note (d) below)	794,056	976,387
Impairment on reinsurers/co-assurers' claims recoverable (see note (e) below)	(113,050)	(117,203)
	681,006	**859,184**
Current	135,895	105,596
Non-current	545,111	753,588

Amount due from reinsurance represent net claims recoverable from reinsurance. They are valued after an allowance for their recoverability, and the carrying amount is a reasonable approximation of fair value.

		31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
8	**Reinsurance assets - continued**		
(a)	**Reinsurers' share of outstanding claims**		
	Balance, beginning of year	63,079	86,282
	Changes during the year	34,329	(23,203)
	Balance, end of year	97,408	63,079
(b)	**Reinsurance share of claims incurred but not reported (IBNR)**		
	Balance, beginning of year	592,677	447,267
	Changes during the year	(189,951)	145,410
	Balance, end of year	402,726	592,677
(c)	**Prepaid reinsurance**		
	Balance, beginning of year	160,911	169,506
	Additions during the year (see note 19(a))	1,362,819	1,360,572
	Amortized in the year - reinsurance expenses	(1,381,345)	(1,369,167)
	Balance, end of year	142,385	160,911
(d)	**Reinsurers/co-assurers' share of claims paid**		
	Balance, beginning of year	159,720	199,099
	Additions during the year	291,794	437,873
	Reinsurers/co-assurers share of claims received during the year	(299,977)	(477,252)
	Balance, end of year	151,537	159,720
(e)	**Movement in impairment for claims recoverable**		
	Balance, beginning of year	117,203	102,372
	Changes in allowance for impairment during the year	(4,153)	14,831
	Balance, end of year	113,050	117,203

9 Deferred acquisition cost

The deferred acquisition cost is only on the group life policies of the business and the movement is as shown below:

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Balance, beginning of year	124,436	62,293
Acquisition costs during the year	1,952,345	1,816,723
Amortised during the year	(1,997,384)	(1,754,580)
Balance, end of year	**79,397**	**124,436**

(a) Movement in deferred acquisition cost during the year is as follows:

Balance, beginning of year	124,436	62,293
Movement during the year	(45,039)	62,143
Balance, end of year	79,397	124,436

10 Other receivables and prepayments

Prepayments (see note (a) below)	48,116	42,692
Other receivables	-	120,215
Prepaid withholding tax (see note (b) below)	14,039	21,345
Sundry debtors (see note (c) below)	467,450	331,611
	529,605	**515,863**

(a) Included in prepayments above are rentals of N17 million (2019: N17 million), property insurance of N4.4 million(2019: N3.6 million) and staff group life insurance of N3.4million(2019: N2.6 million).

(b) **The movement in withholding tax receivable during the year is as follows:**

	1 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Balance, beginning of year	21,345	24,455
Additions during the year	9,062	16,071
WHT utilised	(16,368)	(19,181)
Balance, end of year	14,039	21,345

(c) Included in sundry debtors is the sum of N465.2million (2019: N325million), which represents balance due from related party which relates to unreimbursed amount due to the company from Crusader Sterling Pensions Limited, a Pension Fund Administrator (PFA), in respect of disbursements to legacy pension fund retirees whose accounts were transferred to the PFA. The account is deemed performing based on management assessment and receivable in full. Refer to note 48(i).

11 Leases

11.1 As a lessee

The Company leases buildings for its office branches in various locations within the country. The leases typically run for 2 years certain and include option to renew annually at the end of the initial contract term.

Some of these properties require the Company to make payments that relate to the taxes levied on the lessors as well as service charges, legal and agency fees; these amounts are generally determined annually. The Company sub-leases some of these leased properties under finance leases, see note 11.2 below.

11.1(a) Right-of-use assets

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Right-of-use assets	42,969	3,278
	42,969	3,278
Current	42,969	3,278
Non-current	-	-
Movement during the year		
Balance, beginning of the year	3,278	10,511
New rentals during the year	44,837	-
Depreciation expense on right-of-use assets (see note 43)	(5,146)	(7,233)
Balance, end of year	42,969	3,278

The new rental commenced in December 2020. The rental is for a 2-year lease, with an average depreciation rate of 50% per annum.

11.1(b) Lease liabilities

Lease liabilities	-	744
	-	744
Current		
Non-current	-	744
	-	-

11.1(b) Lease liabilities - continued

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Movement in lease liabilities:		
Balance, beginning of the year	744	4,450
Interest expense on lease liabilities	21	488
Reversal of interest expense on lease liabilities no longer required	(21)	-
New rentals during the year	44,837	-
Lease payments made during the year	(45,581)	(4,194)
Balance, end of year	-	744

During the year, the Company had total cash outflows for leases of N45.581million. There were no non-cash additions to right-of-use assets and lease liabilities.

11.2 As a sub-lessor

One of the properties leased by the Company, which qualified as lease under IFRS 16, was sub-leased to a related party. The lease rental contract is classified as a finance lease because it is for the whole tenure of the head lease.

11.2(a) Net investment in finance lease

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Net investment in finance lease	-	-
	-	-

During the year, the Company had no qualifying sub-leases running.

The movement in net investment in finance lease is as follows:

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Balance, beginning of the year	-	462
Finance lease income during the year (see note 38)	-	46
Lease payments received during the year	-	(508)
Balance, end of year	-	-

There are no undiscounted lease payments due from the sub-lessee after the reporting date as there were no new qualifying subleases during the year.

11.3 As a lessor

The Company has entered into operating leases on its property, plant and equipment and investment property portfolios, consisting of certain office buildings. These leases have terms of between 1 and 2 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Rental income recognised by the Company during the year is N107.6 million (2019: N100.6 million).

Future minimum rentals under its non-cancellable operating lease contracts as a lessor are as follows:

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Within one year	74,725	61,833
After one year but not more than five years	96,679	121,931
More than five years	7,408	16,296
	178,812	200,059

12 Investment in equity accounted investee

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Investment in equity accounted investee	4,179,232	-
	4,179,232	-

Movement in investment in equity accounted investee

Cost:		
Balance, beginning of year	-	-
Cost of acquisition during the year	4,179,232	-
Share of:		
- Profit from continuing operation	-	-
- Other comprehensive income	-	-
Balance, end of year	4,179,232	-

On 31 December 2020, the Company acquired 755,000,000 units of UPDC REIT, a mutual fund listed on the Nigeria Stock Exchange. The Company's holdings represent 28.30% of the issued units of the fund and in line with the requirements of IFRS, the investment was accounted for using the equity method. However, as at the year ended 31 December 2020, no share of the investee's post acquisition profit or other comprehensive income was recognised since the transaction was concluded on year end date and the Company will only be entitled to a share of the post-acquisition profit and other comprehensive income in subsequent years.

The fair value of the investment as at the reporting date was N4.15billion.

The investee's financial performance for the year ended 31 December 2020 showed the net income as N2.188 billion while the profit after tax was N1.692billion. The earnings per share was 63 kobo.

The investee's total assets as at 31 December 2020 was N31.434billion, total liabilities were N771million and unitholders' funds stood at N30.662billion.

13 Investment properties

		31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
i	Leasehold property at 23/25 Martins Street, Lagos	682,894	682,894
ii	Leasehold property - Plot 5, Block E, CBD, Alausa, Ikeja	220,000	220,000
iii	Landed property at Ogombo, Ajah/Epe Expressway	28,000	28,000
iv	Landed property at 10, Aje Road Sabo Yaba, Lagos	71,925	71,925
		1,002,819	1,002,819

Investment properties: status of title

		Title Status
i	Leasehold property at 23/25 Martins Street, Lagos	Perfected
ii	Leasehold property - Plot 5, Block E, CBD, Alausa, Ikeja	Perfected
iii	Landed property at Ogombo, Ajah Expressway, Lekki	Perfection in progress
iv	Landed property at 10 Aje Road, Sabo Yaba, Lagos	Perfection in progress

13. Investment properties - continued

Investment property comprises a commercial property held for the purpose of capital appreciation and rental income. Investment properties are carried at fair value which has been determined by independent professional valuers, Messrs. Barin Epega & Co (FRC/2012/NIESV/0000000597) as at 31 December 2020. The properties have been valued using the income approach. Valuations are performed on an annual basis and the fair value gains and losses are recognised in the profit or loss account. The valuations were based on market data such as discount rates, rental risk and reversionary rates. The Company enters into operating leases for its investment properties. Rental income on investment properties has been included in the "other operating income.

Movement in the fair value of investment properties as at 31 December 2020:

	31 Dec. 2020 ₦'000	1 Dec. 2019 ₦'000
Balance, beginning of year	1,002,819	954,925
Additions during the year	7,836	45,000
Fair value (loss)/gain	(7,836)	2,894
Balance, end of year	1,002,819	1,002,819

Additions during the year include cost of renovation, fencing of some of the properties as well as the cost of perfection of title documents.

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

13(a) Description of properties and movement

	1 Jan 2020 ₦'000	Additions during the year ₦'000	Fair value adjustments ₦'000	31 Dec 2020 ₦'000
Leasehold property at 23/25 Martins Street, Lagos	682,894	3,934	(3,934)	682,894
Leasehold property at Plot 5, Block E, CBD, Alausa, Ikeja	220,000	-	-	220,000
Landed property at Ogombo Along Ajah/Epe Expressway, Lekki	28,000	1,620	(1,620)	28,000
Landed property at 10, Aje Road Sabo Yaba, Lagos	71,925	2,282	(2,282)	71,925
	1,002,819	7,836	(7,836)	1,002,819

13(b) Valuation techniques used for fair valuation of investment properties

Location of Investment properties	Valuation technique	Significant unobservable inputs
Leasehold property at 23/25 Martins Street, Lagos	The investment approach was used based on the income derivable from the property in arriving at the market value of the property.	- Area of about 3,504.48 square meters - Rate of development in the area: the area is infrastructure with good access roads and drainage systems, the neighbourhood is the focal point of the Lagos Island core business district, it is high vehicular and pedestrian density. - The Open Plan design office complex is on seven floors and erected on two wings the property appears structurally sound, wind and water tight, the depreciated replacement cost approach was adopted in arriving at the market value taking into account the quality, standard of constructional details and the present state of the economy at the time of inspection. Also investment approach based on the income derivable from the property in arriving at the market value of the property. - Title was perfected and obtained on May 8, 1960.

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Location of Investment properties	Valuation technique	Significant unobservable inputs
Leasehold property at Plot 5, Block E, CBD, Alausa, Ikeja	Market value of the property was arrived at using value analysis, comparable of similar plots of land in the neighbourhood and cognizance has been taken of recent sales of similar parcels of land in the vicinity was adopted in arriving at the market value.	- Area of 3,353.29 square meters - Rate of development in the area: the area is infrastructure with good access roads and drainage systems. Notable developments within the neighbourhood include Reals Plaza, Beehive School, Ash-mart, Lagos state film and video censors board, Blessed Tansi Mass Centre. The landed property is in close proximity to Blessed Tansi Mass Centre (Catholic Church) - Quality: the landed property is currently being used by mechanics as workshop site. The site is relatively flat and appears well drained.
Landed property at Ogombo Along Ajah/Epe Expressway, Lekki	Market value of the property was arrived at using value analysis, comparable of similar plots of land in the neighbourhood and cognizance has been taken of recent sales of similar parcels of land in the vicinity was adopted in arriving at the market value.	- Title was perfected and obtained on 1991. - Area of 4,052.152 square meters. - Rate of development in the area: the area is bordered on all sides by other underdeveloped parcels of land. Notable developments within the neighbourhood include Ogombo Primary Health Care Centre, Lagos State Central Sand Suppliers Association, Celestial Church of Christ (Zion Parish) and Nigeria Police Post. - Quality: the landed property site terrain is flat and appears well drained.
Landed property at 10, Aje Road Sabo Yaba, Lagos	Market value of the property was arrived at using value analysis, comparable of similar plots of land in the neighbourhood and cognizance has been taken of recent sales of similar parcels of land in the vicinity was adopted in arriving at the market value.	- Area of 647.05 square meters - Rate of development in the area: the neighbourhood is predominantly high class residential development, within the vicinity includes First Bank of Nigeria Plc, Nigerian Army Guest House and Mess, RCCG (Glory Worship Centre), Balux Event and Multipurpose Hall . - Quality: the land is fenced round with sandcrete block walls up to height of about 1.9 meters and provided with double leaf metal entrance gate. The site terrain is relatively flat and appears well drained.

	Significant unobservable valuation input:	Range (weighted average) 2020	2019
Leasehold property at 23/25 Martins Street, Lagos	Estimated rent per annum	N35,044,800 - N 63,080,640	N28,568,200 - N51,422,760
	Rent growth p.a	5%	5%
	Long-term vacancy rate	3%	3%
	Discount rate	10%	10%
Leasehold property at Plot 5, Block E, CBD, Alausa, Ikeja	Estimated rent per annum Rent growth p.a Long-term vacancy rate Discount rate	NIL	NIL
Landed property at Ogombo Along Ajah/Epe Expressway, Lekki	Estimated rent per annum Rent growth p.a Long-term vacancy rate Discount rate	NIL	NIL
Landed property at 10, Aje Road Sabo Yaba, Lagos	Estimated rent per annum Rent growth p.a Long-term vacancy rate Discount rate	NIL	NIL

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

Investment Properties	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
31 December 2019	-	-	1,002,819	1,002,819
31 December 2018	-	-	1,002,819	1,002,819

"The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted. Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.
"

14. Property, plant and equipment

Cost/Valuation	Freehold property ₦'000	Office equipment ₦'000	Computer equipment ₦'000	Furniture and fittings ₦'000	Motor vehicles ₦'000	Work-In-Progress ₦'000	Total ₦'000
At 1 January 2019	2,474,431	284,576	28,180	124,026	177,694	-	3,088,907
Additions	313,919	15,364	7,527	17,205	67,176	1,500	422,691
Reclassification during the year	-	1,500	-	-	-	(1,500)	-
Revaluation during the year	86,697	-	-	-	-	-	86,697
Elimination on revaluation	(82,351)	-	-	-	-	-	(82,351)
Disposal	-	-	-	-	(37,750)	-	(37,750)
At 31 December 2019	2,792,696	301,440	35,707	141,231	207,120	-	3,478,194
Additions	1,234	14,952	12,454	8,539	42,023	42,900	122,102
Reclassification during the year	462	9,170	-	7,611	11,091	(28,334)	-
Revaluation during the year	82,195	-	-	-	-	-	82,195
Elimination on revaluation	(83,891)	-	-	-	-	-	(83,891)
Write-off during the year		(1,177)					(1,177)
Disposal during the year	-	(1,046)	-	(120)	(10,942)	-	(12,108)
At 31 December 2020	2,792,696	323,339	48,161	157,261	249,292	14,566	3,585,315
Accumulated depreciation							
At 1 January 2019	-	241,778	14,688	98,123	118,284	-	472,873
Charge for the year	82,351	17,836	5,839	12,122	35,512	-	153,660
Elimination on revaluation	(82,351)	-	-	-	-	-	(82,351)
Disposal	-	-	-	-	(36,817)	-	(36,817)
At 31 December 2019	-	259,614	20,527	110,245	116,979	-	507,365
Charge for the year	83,891	18,946	7,627	11,692	33,631	-	155,787
Elimination on revaluation	(83,891)	-	-	-	-	-	(83,891)
Write-off during the year		(418)	-				(418)
Disposal during the year	-	(1,046)	-	(120)	(10,942)	-	(12,108)
At 31 December 2020	-	277,096	28,154	121,817	139,668	-	566,735
Net book value at 31 December 2020	2,792,696	46,243	20,007	35,444	109,624	14,566	3,018,580
Net book value at 31 December 2019	2,792,696	41,826	15,180	30,986	90,141	-	2,970,829

Notes To The Financial Statements Contd

(a)	Title Status and Carrying Amount		₦'000	Type of Property
1	16A, Comm.. Avenue, Sabo, Yaba	Perfected	2,100,000	Feehold property
2	27, Comm.. Avenue, Sabo, Yaba	Perfected	336,196	Feehold property
3	29, Comm.. Avenue, Sabo, Yaba	Perfected	216,660	Feehold property
4	No. 9 Onireke Residential layout, Ibadan	Perfected	131,340	Feehold property
5	Shop H4016, Tejuosho Shopping Modern Market	Received letter of allocation	8,500	Feehold property
			2,792,696	

(b) Revaluation of land and building

The land and buildings listed above are revalued annually. Management determined that they constitute a single class of asset under IFRS 13, based on the nature, characteristics and risks of the properties. Fair value of the properties were determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific properties. As at the date of revaluation on 31 December 2020, the fair values of the properties were based on valuations performed by Messrs. Barin Epega & Co., (FRC/2012/NIESV/0000000597, an accredited independent valuer who has experience in valuation of similar properties.

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

None of the property, plant and equipment of the Company has been pledged as security for borrowings or otherwise, as at the end of the year (2019: Nil).

	Analysis of revaluation of land and building	I Jan 2020 ₦'000	Additions ₦'000	Re-classification ₦'000	Fair value ₦'000	Depreciation ₦'000	Write-off/ disposal ₦'000	30 Dec 2020 ₦'000
1	16A, Comm.. Avenue, Sabo, Yaba	2,100,000	35	-	63,029	(63,064)	-	2,100,000
2	27, Comm.. Avenue, Sabo, Yaba	336,196	-	-	10,086	(10,086)	-	336,196
3	29, Comm.. Avenue, Sabo, Yaba	216,660	1,200	462	4,886	(6,549)	-	216,659
4	No. 9 Onireke Residential layout, Ibadan, Shop	131,340	-	-	3,940	(3,940)	-	131,340
	H4016, Tejuosho Shopping	8,500	-	-	255	(254)	-	8,501
5	Modern Market	**2,792,696**	**1,235**	**462**	**82,196**	**(83,893)**	**-**	**2,792,696**

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
15	**Intangible Aassets**		
	Computer software	99,745	165,060
		99,745	**165,060**
	Computer software		
	Cost:		
	Balance, beginning of year	315,760	315,760
	Additions	850	-
	Balance, end of year	316,610	315,760
	Accumulated amortisation and impairment:		
	Balance, beginning of year	150,700	83,997
	Amortisation	66,165	66,703
	Balance, end of year	216,865	150,700
	Carrying amount	**99,745**	**165,060**
16	**Statutory deposit**		
	Statutory deposit with CBN	**260,000**	**260,000**

This represents amounts deposited with the Central Bank of Nigeria (CBN) pursuant to Section 10(3) of the Insurance Act, CAP I17 LFN 2004. This amount is not available for the day-to-day use in the working capital of the Company and so it is excluded from cash and cash equivalents. Interest earned on statutory deposits are included in interest income.

17 Insurance contract liabilities

17.1 Gross insurance contract liabilities

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Outstanding claims- reported (see note (a))	1,809,234	1,554,191
Outstanding claims - IBNR - Group Life (see note (b))	1,621,307	2,127,086
Unearned premium reserve - Group Life (see note (c))	743,879	744,972
Individual life fund (see note (d))	6,532,205	4,488,920
Annuity fund - Liabilities under PRA (see note (e) below)	67,021,040	38,199,161
Total	**77,727,665**	**47,114,330**
Reinsurance assets		
Reinsurers' share of outstanding claims (see note 8 (a))	97,408	63,079
Reinsurers' share of IBNR (see note 8(b))	402,726	592,677
Prepaid reinsurance (see note 8(c))	142,385	160,911
Total	**642,519**	**816,667**
Net insurance contract liabilities	**77,085,146**	**46,297,663**

(a) Outstanding claims- reported

Group life	1,580,209	1,352,254
Individual life and annuity	229,025	201,937
	1,809,234	**1,554,191**

Notes To The Financial Statements Contd

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
(a-i)	**Outstanding claims - Group life**		
	Balance, beginning of year	1,352,254	1,432,619
	Increase/(decrease) during the year	227,955	(80,365)
	Balance, end of year	1,580,209	1,352,254
(a-ii)	**Outstanding claims - Individual life**		
	Balance, beginning of year	201,937	103,446
	Increase during the year	27,088	98,491
	Balance, end of year	229,025	201,937

All duly documented claims are paid immediately their Executed Discharge Vouchers (EDV) are received. The outstanding claims as at 31 December 2020 relate to those claims with incomplete document or awaiting receipt of Executed Discharge Vouchers (EDV) from the policyholder or nominated beneficiaries.

17.1Gross insurance contract liabilities - continued

(a-iiii)The aging analysis of the outstanding claims by amount for the year ended 31 December 2020 is as follows:

Outstanding claims per claimant	0 - 90 days ₦	91 - 180 days ₦	180 - 270 days ₦	270 - 365 days ₦	366 days + ₦	Total ₦
1 - 250,000	10,398,041	3,278,760	1,717,934	6,726,152	24,278,194	46,399,081
250,001- 500,000	13,012,046	4,454,782	3,441,985	7,370,395	37,235,428	65,514,636
500,001 - 1,500,000	86,110,556	33,503,538	21,721,922	30,263,727	135,332,827	306,932,570
1,500,001 - 2,500,000	56,211,559	17,154,568	13,250,874	15,678,777	90,497,899	192,793,677
2,500,001 - 5,000,000	66,762,556	26,362,603	22,331,440	19,694,453	75,600,818	210,751,870
5,000,001 - Above	275,361,351	192,932,389	58,074,660	33,356,310	427,117,456	986,842,166
Total	**507,856,109**	**277,686,640**	**120,538,815**	**113,089,814**	**790,062,622**	**1,809,234,000**

The aging analysis of the outstanding claims by amount for the year ended 31 December 2019 is as follows:

Outstanding claims per claimant	0 - 90 days ₦	91 - 180 days ₦	180 - 270 days ₦	270 - 365 days ₦	366 days + ₦	Total ₦
1 - 250,000	20,142,429	4,274,916	3,255,108	7,336,893	23,399,206	58,408,552
250,001- 500,000	20,061,771	4,355,149	12,236,162	6,832,260	36,228,624	79,713,966
500,001 - 1,500,000	78,426,912	35,888,808	26,177,474	27,014,118	128,257,787	295,765,099
1,500,001 - 2,500,000	50,589,372	16,126,640	20,103,874	23,872,233	82,285,497	192,977,616
2,500,001 - 5,000,000	39,146,442	40,352,850	17,777,480	24,497,210	43,523,728	165,297,710
5,000,001 - Above	129,690,796	58,127,820	83,920,444	30,790,229	459,498,768	762,028,057
Total	**338,057,722**	**159,126,183**	**163,470,542**	**120,342,943**	**773,193,610**	**1,554,191,000**

Notes To The Financial Statements Contd

(a-iv) The aging analysis of the outstanding claims by class of business for the year ended 31 December 2020 is as follows:

Outstanding claims per claimant	0 - 90 days ₦	91 - 180 days ₦	180 - 270 days ₦	270 - 365 days ₦	366 days + ₦	Total ₦
Group Life	365,613,007	245,522,706	115,074,258	98,798,796	755,199,858	1,580,208,625
Individual Life	65,209,402	9,202,478	4,028,967	10,524,142	22,830,727	111,795,716
Annuilty	77,033,700	22,961,456	1,435,590	3,766,876	12,032,037	117,229,659
Total	507,856,109	277,686,640	120,538,815	113,089,814	790,062,622	1,809,234,000

(a-v)The aging analysis of the outstanding claims by processing stage and reason for the year ended 31 December 2020 is as follows:

Outstanding claims per claimant	0 - 90 days ₦	91 - 180 days ₦	180 - 270 days ₦	270 - 365 days ₦	366 days + ₦	Total ₦
Awaiting documentation	421,481,249	268,781,121	116,509,848	108,896,275	734,131,008	1,649,799,501
Incomplete documentation	-	-	-	-	43,003,741	43,003,741
Discharge voucher not yet signed and returned by client	86,374,860	8,905,519	4,028,967	4,193,539	12,927,873	116,430,758
Total	507,856,109	277,686,640	120,538,815	113,089,814	790,062,622	1,809,234,000

(a-vi) Analysis of number of claimants per period

Outstanding claims per claimant	0 - 90 days ₦	91 - 180 days ₦	180 - 270 days ₦	270 - 365 days ₦	366 days + ₦	Total ₦
31 December 2020	338	119	72	96	652	1,277
31 December 2019	413	128	121	163	542	1,367

17 Insurance contract liabilities

All claims are recorded as outstanding claims upon receipt of notification from the broker / beneficiary. Claims are settled within the stipulated timelines in accordance with Section 70 of the Insurance Act, 2003 upon receipt of signed discharged voucher from the beneficiary. As at 31 December 2020, the balance of outstanding claims represents claims which are unpaid due to incomplete documentation on ongoing claims verification exercise.

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
(b) Movement in Group Life IBNR		
Balance, beginning of year	2,127,086	1,804,158
Movement during the year	(505,779)	322,928
Balance, end of year	**1,621,307**	**2,127,086**
(c) Movement in Group Life Unearned Premium Reserve		
Balance, beginning of year	744,972	574,914
Premiums written during the year	5,046,349	4,324,696
Premiums earned during the year	(5,047,442)	(4,154,638)
Balance, end of year	**743,879**	**744,972**
(d) Movement in individual life fund		
Balance, beginning of year	4,488,920	3,559,775
Movement during the year	2,043,285	929,145
Balance, end of year	**6,532,205**	**4,488,920**

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
(e)	**Movement in annuity fund**		
	Balance, beginning of year	38,199,161	21,757,085
	Movement during the year	28,821,879	16,442,076
	Balance, end of year	**67,021,040**	**38,199,161**
(f)	**Movement in PRA Annuity fund is analysed below:**		
	Balance, beginning of year	38,199,161	21,757,085
	Annuity premium written during the year	16,413,005	14,462,022
	Annuity payout during the year	(6,749,453)	(4,624,208)
	Accretion to/ (release from) annuity fund	19,158,327	6,604,262
	Balance, end of year	**67,021,040**	**38,199,161**

The accretion to/(release from) annuity fund resulted from the changes in the assumptions (largely interest rate and longevity) used in the calculation of the liability between the two valuation dates. Additional disclosures have been provided on the PRA annuity fund in note 3 to the financial statements.

(g) Reconciliation of insurance contract liabilities	Insurance contracts ₦'000	Re-insurance ₦'000	Net ₦'000
At 1 January 2019	29,231,997	(703,055)	28,528,942
Premium received	22,189,831	(1,369,167)	20,820,664
Liabilities paid for deaths, benefits, claims	(3,154,729)	437,873	(2,716,856)
Benefits and claims experience variations	(1,152,769)	817,682	(335,087)
At 31 December 2019	47,114,330	(816,667)	46,297,663
Premium received	26,058,468	(1,381,345)	24,677,123
Liabilities paid for deaths, benefits, claims	(3,887,085)	291,794	(3,595,291)
Benefits and claims experience variations	8,441,952	1,263,699	9,705,651
At 31 December 2020	**77,727,665**	**(642,519)**	**77,085,146**

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
18.	**Investment contract liabilities**		
	Welfare scheme fund (see note (a) below)	2,223,096	2,068,998
	Individual DA (see note (b) below)	3,849,526	1,916,350
		6,072,622	3,985,348
(a)	**Movement in welfare scheme fund**		
	Balance, beginning of year		
	Deposit during the year	2,068,998	2,088,599
	Withdrawals during the year	409,199	430,771
	Guaranteed interest charge	(443,865)	(618,934)
	Balance, end of year	188,764	168,562
		2,223,096	2,068,998
(b)	**Individual DA**		
	Balance, beginning of year		
	Movement during the year	1,916,350	1,001,059
	Balance, end of year	1,933,176	915,291
		3,849,526	1,916,350

This represents the actuarially determined liability on the premium element of the individual deposit administration portion of the Company's investment contract liability.

19 Trade payables

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Reinsurance premium payable (see note (a))	46,380	15,284
Commission payable	26,780	60,707
Deposit for premium (see note (b))	1,041,227	1,271,898
	1,114,387	**1,347,889**
Current	1,114,387	1,347,889
Non-current	-	-

(a) Movement in reinsurance premium payable

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Balance, beginning of year	15,284	29,686
Reinsurance premium during the year (see note 8(c))	1,362,819	1,360,572
Reinsurance premium paid during the year	(1,331,723)	(1,374,974)
Balance, end of year	46,380	15,284

(b) Premium deposit represents premium received in advance but which the policy risk period is yet to commence as at reporting date.

20 Other payables

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Deferred rental income	178,812	200,059
Non-trade payables (see note (a))	930,567	973,866
Dividend payable	-	400,000
Statutory payables (see note (b))	38,422	41,899
Information technology development levy	32,957	37,844
	1,180,758	**1,653,668**

Commission payable and deposit for premium have been included in trade payables.

Current	1,180,758	1,653,668
Non-current	-	-

(a) Breakdown of non-trade payables

Audit fees	6,937	7,284
NAICOM Levy	279,965	241,934
Consulting and other professional fees	183,727	126,469
Advert and publicity	210,615	283,456
Nigeria Insurers Association dues payable	100,809	106,651
Provision for staff performance pay	148,514	208,072
	930,567	973,866

(b) Statutory payables consist of amounts due to be paid in respect of withholding tax (WHT), value added tax (VAT), industrial training fund (ITF) levy and payroll - related taxes.

21 Taxation

Current income tax	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Balance, beginning of year	243,439	75,439
Current income tax charge	23,168	240,000
Prior period over-provision for tax	(217,036)	-
Withholding tax credits	(16,368)	(19,181)
Payments during the year	(224,068)	(52,819)
Balance, end of year	**(190,865)**	**243,439**

22 Deferred tax liabilities

Balance, beginning of year	495,920	551,339
Tax (reversal)/charge relating to components of other comprehensive income	24,658	(55,419)
Balance, end of year	**520,578**	**495,920**

(a) **Movement in deferred tax liability**

31 December 2020	At 1 January ₦'000	Income statement ₦'000	Other comprehensive income ₦'000	At 31 December ₦'000
Property, plant and equipment	403,769	-	24,658	428,427
Unrealised gains on foreign currency translation	10,895	-	-	10,895
Charged to other comprehensive income on fair value gains	-	-	-	-
Fair value gains on investment property	81,256	-	-	81,256
	495,920	-	24,658	520,578
31 December 2019				
Property, plant and equipment				
Unrealised gains on foreign currency translation	377,760	-	26,009	403,769
Charged to OCI on fair value gains	10,895	-	-	10,895
Fair value gains on investment property	81,428	-	(81,428)	-
	81,256	-	-	81,256
	551,339	-	(55,419)	495,920

(b) **Unrecognised deferred tax assets**

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Deductible temporary differences	48,639	64,456
Unrelieved tax losses (will never expire)	24,388,498	12,721,282
	24,437,137	12,785,738

Deferred tax assets have not been recognised in respect of unrelieved tax losses and other deductible temporary differences, because it is not probable that future taxable profits will be available against which the Company can benefit therefrom.

(c) **Movement in unrecognised deferred tax assets**

Deferred tax assets relating to the Company's business, which have not been recognised in respect of tax losses, are as stated below:

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
In thousands of Naira	12,785,738	6,434,555
Balance, beginning of year	11,651,399	6,351,183
Additional credit during the year	24,437,137	12,785,738
Balance, end of year		

23 Deposit for shares

Balance, beginning of year	500,000	-
Deposit made during the year	-	500,000
Refund of deposit for shares	(500,000)	-
Balance, end of year	-	500,000

Custodian Investment Plc., the parent company paid the sum of N500million to the Company in 2019 as deposit for shares to be issued by way of rights. At the time of capitalisation, the Company's retained earnings and share premium were deemed adequate to make up the required capitalisation requirement, hence the deposit made by the parent company was refunded.

24 Share capital

Share capital comprises:

Authorised capital- 16,000,000,000 ordinary shares of 50 kobo each	**31 Dec. 2020 ₦'000**	**31 Dec. 2019 ₦'000**
Balance, beginning of year	8,000,000	4,000,000
Additional authorised shares registered during the year	-	4,000,000
Balance, end of year	**8,000,000**	**8,000,000**

Issued and fully paid - 16,000,000,000 (2019: 5,000,000,000) ordinary shares of 50 kobo each

Balance, beginning of year	2,500,000	2,500,000
Shares issued during the year	5,500,000	-
Balance, end of year	8,000,000	2,500,000

Movement in ordinary shares in issue	**Units ₦'000**	**Units ₦'000**
Balance, beginning of year	5,000,000	5,000,000
Shares issued during the year	11,000,000	-
Balance, end of year	16,000,000	5,000,000

In September 2020, the Company executed the increase of its issued share capital through the capitalisation of its retained earnings and share premium, in compliance with the proposed new minimum capital requirement by NAICOM. The increase of N 5.5 billion in issued share capital was met by way of capitalization of reserves.

25 Share premium

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Balance, beginning of year	1,594,668	1,654,693
Conversion to issued share capital	(1,594,668)	-
Cost of registration of increase in authorised share capital	-	(60,025)
Balance, end of year	**-**	**1,594,668**

Share premium comprises additional paid-in capital in excess of the par value. This reserve is not ordinarily available for distribution. During the year, the Company had its share premium converted to issued share capital (see note 24 for details).

26 Contingency reserve

In compliance with Section 21 (1) of Insurance Act 2003, the contingency reserve 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.

The movement in this account during the year is as follows:	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Balance, beginning of year	1,094,107	872,209
Transfer from retained earnings	260,605	221,898
Balance, end of year	**1,354,712**	**1,094,107**

27 Asset revaluation reserve

Asset revaluation reserve warehouses the net accumulated change in the fair value of the Company's freehold land and building which is carried at fair value through other comprehensive income until the asset is derecognized or impaired.

Movements in the asset revaluation reserve:	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Balance, beginning of year	543,711	483,023
Revaluation gains on PPE during the year	82,195	86,697
Deferred tax impact of the gains	(24,658)	(26,009)
Balance, end of year	**601,248**	**543,711**

28 Fair value reserve

Fair value reserve includes the net accumulated change in the fair value through OCI asset until the investment is derecognized or impaired.

Movement in the fair value reserve:	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Balance, beginning of year	85,132	602,664
Changes in equities at fair value through OCI	4,994	(93,313)
Realised gains transferred to retained earnings	-	(489,089)
Reclassification due to re-designation of assets at FVOCI	-	(16,558)
Deferred tax impact on change in FVOCI	-	81,428
Balance, end of year	90,126	85,132

28 Fair value reserve - continued

Net changes on equities classified at fair value through other comprehensive income	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Changes in equities at fair value through OCI	4,994	(93,313)
Deferred tax impact on change in FVOCI	-	81,428
	4,994	(11,885)

On transition to IFRS 9, the Company designated its quoted equities at fair value through profit or loss. This was previously carried at fair value through other comprehensive income. The related fair value losses for the quoted equities on date of transition was re-classified from the fair value reserves to the retained earnings.

29 Retained earnings

Retained earnings represent the amount available for distribution to the equity shareholders of the Company. See statement of changes in equity for movement in retained earnings.

30 Contingencies and commitments

Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

Capital commitments and operating leases

The Company had no capital commitments at the reporting date.
The Company entered into lease rental contracts on certain properties for its branches. These leases have an average lifespan of 1 to 2 years, with an annual renewal option. There are no restrictions placed on the Company by entering into the leases.

There are no future lease payments for its non-cancellable lease rental contracts as a lessee.

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
31	**Gross premium income**		
	Gross premium written-Group life	5,046,349	4,324,696
	Gross premium written-Individual life traditional	4,599,114	3,403,113
	Gross premium written-Annuity	16,413,005	14,462,022
	Gross written premium	26,058,468	22,189,831
	Movement in unearned premium reserve	1,093	(170,058)
		26,059,561	**22,019,773**
32	**Reinsurance expenses**		
	Reinsurance premium cost	1,362,819	1,360,572
	Changes in prepaid reinsurance expenses	18,526	8,595
		1,381,345	1,369,167
33	**Fees and commission income**		
	Insurance contracts	235,653	175,820
	Investment contracts	-	-
		235,653	**175,820**

34 Claims expense	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Death	1,912,933	1,975,183
Maturities	1,544,439	879,426
Annuity Payout	6,749,453	4,624,208
Surrenders	429,713	300,120
Gross claims paid	10,636,538	7,778,937
Change in provision for outstanding claims	227,955	(80,365)
Change in provision for outstanding claims-Individual life	27,088	98,491
Change in outstanding claims - IBNR	(505,779)	322,929
Gross claims incurred	10,385,802	8,119,992
Reinsurers' share of insurance liability:		
Reinsurance/co-insurance recovery	(291,794)	(437,873)
Changes in incurred but not reported claims (IBNR)	189,951	(145,410)
Changes in reinsurance/co-insurance recoverable	(34,329)	23,203
	(136,172)	(560,080)
Net insurance benefits and claims	**10,249,630**	**7,559,912**

Notes To The Financial Statements Contd

35	**Changes in life/ annuity fund estimate**	**31 Dec. 2020 ₦'000**	**31 Dec. 2019 ₦'000**
	Changes in individual life fund (see note 17.1(d))	2,043,285	929,145
	Changes in individual DA (see note 18(b))	1,933,176	915,291
	Changes in annuity fund (see note 17.1(e))	28,821,879	16,442,076
		32,798,340	**18,286,512**

a) Included in the changes in life fund is the change in the premium element of the actuarially determined individual life deposit administration liability.

36	**Underwriting expense**	**31 Dec. 2020 ₦'000**	**31 Dec. 2019 ₦'000**
	Acquisition (commission) expenses (see note (a) below)	1,997,384	1,754,580
	Maintenance expenses	49,117	5,455
		2,046,501	**1,760,035**
(a)	**Acquisition (commission) expenses**		
	Brokers commission	428,516	322,013
	Agents allowance and commission	1,523,829	1,494,710
	Total commission paid	1,952,345	1,816,723
	Change on deferred acquisition costs	45,039	(62,143)
		1,997,384	1,754,580
37	**Investment income**		
	Dividend income	182,791	213,885
	Income on cash and cash equivalents (see note (a) below)	154,882	388,461
	Income on bonds and treasury bills (see note (b) below)	7,031,038	5,404,808
	Income on statutory deposits	31,709	37,214
		7,400,420	**6,044,368**

Notes To The Financial Statements Contd

(a) Income on cash and cash equivalents includes interest received of N 13.218 million as disclosed in note 5(d).

(b) Income on bond and treasury bills comprises income of N 6.948 billion on bonds and N83 million on treasury bills.

		31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
38	**Profit on investment contracts**		
	Investment income on investment contracts	290,000	270,000
	Guaranteed interest on investment contracts	(188,764)	(168,562)
		101,236	**101,438**
39	**Fair value gain/(loss)**		
	Fair value through profit or loss assets	(7,836)	2,894
	Fair value (loss)/gain on investment properties	15,334,670	4,275,709
	Fair value gain on financial assets	**15,326,834**	**4,278,603**
39(i)	**Impairment allowance**		
	Impairment charge on cash and cash equivalents	25,629	16,962
	Fair value through OCI Impairment charge/(write-back) on financial assets (ECL)	7,084	(4,451)
	Impairment (write-back)/charge on claims recoverable	(4,153)	14,832
		28,560	27,344
39(ii)	**Net realised gains and losses**		
	Realised gain on fair value instruments	15,234	526,230
	Realised gain on financial assets at amortised cost	1,562,186	-
		1,577,420	526,230

40	Other operating income	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
	Rental Income	107,554	101,372
	Recovery on balances with CBN	-	60,000
	Foreign exchange gain/(loss)	(56,989)	1,521
	Other income	26,429	16,577
	Profit on disposal of fixed assets	1,061	1,425
	Finance lease income	-	46
		78,055	**180,941**

a) Foreign exchange gain is derived from certain transactions denominated in foreign currency such as bank balances, fixed deposit, etc.

b) Other income includes interest from staff loan, policy loans, etc.

41	Employee benefit expenses	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
	Salaries & wages	350,792	322,526
	Pension contribution	16,089	14,790
	Other HR costs	20,981	21,149
		387,862	**358,465**

42	Marketing and administrative expenses		
	Advertising	259,425	368,401
	Travelling expenses	2,506	8,270
	Office maintenance	50,592	54,052
	Vehicle repairs and maintenance	14,810	17,511
	AGM expenses	-	13
		327,333	**448,247**

43	Other operating expenses	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
	Depreciation of property, plant and equipment	155,787	153,660
	Amortisation of intangible assets	66,165	66,703
	Auditors' remuneration	13,000	13,000
	Directors' expenses (see note 45(b))	32,851	27,404
	Bank charges	26,530	13,163
	Information technology expenses	11,523	10,576
	Rent and rates	66,596	101,479
	Training	37,152	46,588
	NIA Levy	8,375	8,375
	Depreciation expense on right-of-use assets	5,146	7,233
	Interest expense on lease liabilities	-	488
	NAICOM Supervisory levy	264,737	226,270
	Contract service costs	40,121	52,783
	Shared service cost	300,513	311,412
	Write-off of fixed assets	760	-
	Legal and professional fees	85,672	87,994
		1,114,928	**1,127,128**

Impairment allowance on claims recoverable has been included in impairment allowance (see note 39(l).

44 Income tax expense

Per profit and loss account:	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Company income tax expense	23,168	240,000
ITF levy	24,205	37,665
Education tax	-	-
Capital gains tax	-	-
Prior period over-provision of tax	(217,036)	-
Deferred tax expense	(169,663)	277,665
Income tax (write-back) / expense	-	-
	(169,663)	**277,665**

Tax on the Company's profit before tax differ from the theoretical amount that would arise using the weighted average tax rate applicable to profit as follows:

Effective tax rate reconciliation analysis	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Profit before income tax	2,444,680	2,390,363
Tax calculated at domestic rate applicable in Nigeria at 30% (2019:30%).	733,404	717,109
Effect of:		
Tax exempt income	(4,134,545)	(2,966,319)
Non-deductible expenses	82,904	116,903
Impact of industry tax law	(177,183)	(3,108,950)
Unrecognised temporary difference	3,495,420	3,980,747
Minimum tax impact	23,168	240,000
Changes in estimate relating to prior year	-	1,260,510
Prior period over-provision for tax	(217,036)	-
ITF levy	24,205	37,665
Total	**(169,663)**	**277,665**

45 Supplementary income statement information:

a) Employees

(i) Employees, other than the executive Directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contribution and other allowances) in the following ranges:

	31 Dec. 2020 Numbers	31 Dec. 2019 Numbers
N700,001 - N1,000,000	-	1
N1,000,001 - N1,250,000	1	11
N1,250,001 - N2,500,000	10	22
N2,500,001 - N4,000,000	21	7
Above N4,000,000	17	6
	49	**47**

(ii) The average number of full time persons employed by the Company during the year was as follows:

	31 Dec. 2020 Numbers	31 Dec. 2019 Numbers
Executive	2	2
Management staff	6	6
Non-management staff	41	39
Total	**49**	**47**

b) Directors remuneration

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

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Directors' fees	2,150	4,262
Directors' sitting allowance	5,200	7,100
Travelling allowances	25,501	16,042
	32,851	27,404
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	3,694	3,694
Highest paid Director	8,320	8,320

46 Earnings per share

Net profit attributable to shareholders	2,614,343	2,112,698
Weighted average number of ordinary shares in issue:		
- Opening balance	5,000,000	5,000,000
- Effect of additional bonus issue	11,000,000	-
Weighted average number of ordinary shares in issue	16,000,000	5,000,000
Basic earnings per share (kobo)	16	13*

*The earnings per share (EPS) for prior period has been restated based on the number of shares outstanding as at current reporting date.

47 Dividend

During the year under review, the Company paid interim dividend in the sum of 10 kobo (2019: 7 kobo) per ordinary share on the issued and paid-up capital of 5,000,000,000 (2019: 4,000,000,000) ordinary shares of 50kobo each, subject to the appropriate withholding tax deduction.

A final dividend in the sum of 3.375 kobo (2019: 12 kobo) per ordinary share on the issued and paid-up capital of 16,000,000,000 (2019: 5,000,000,000) ordinary shares of 50 kobo each was also proposed, subject to the appropriate withholding tax deduction.

	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Dividend payable, beginning of year	400,000	-
Gross dividend declared during the year	500,000	1,200,000
Gross dividend paid during for the year	(900,000)	(800,000)
Dividend payable, end of year	-	400,000

Included in the dividend paid during the year is the sum of N400million which was the final dividend declared in 2019. This amount had already been provided for in the prior year.

48 Related parties

Parent

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

Entities under common control

Transactions between Custodian Life Assurance Limited and other entities under common control also meet the definition of related party transactions.

Transactions with key management personnel

The Company's key management personnel, and persons connected with them are 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 Company. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Custodian Life Assurance Limited.

The volume of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

		31 Dec. 2020	31 Dec. 2019
(i)	Receivable from Crusader Sterling Pensions Limited (under common control)	₦'000	₦'000
	Amounts in thousands of Naira		
	Balance, beginning of year	325,879	350,095
	Net payment made / (amount received) during the year	141,571	(24,216)
	Balance, end of year	467,450	325,879

This balance represents amount due from Crusader Sterling Pensions Limited, being the amount disbursed to retirees under the old Pension Act. Refer to note 10(d). In compliance with the requirements of the Pension Reform Act (2007) that Life Assurance Companies should transfer legacy pension assets to licensed pension fund administrators (PFAs), Custodian Life Assurance Limited transferred its legacy pension portfolio to Crusader Sterling Pensions Limited (CSP) in 2007. Based on the Service Level Agreement (SLA) with the pension clients, the Company undertook to promptly pay the retirees as the demand comes while CSP would reimburse the Company afterwards.

(1) **Income statement**

Gross premium written

The Company provided group life assurance services for members within the Custodian Investment Plc Group within the year. The services were charged at the arms' length rate which would have been charged to a third party under the same condition during the year.

Rental income

During the year, the Company provided lease services to entities within the Group on its various freehold and investment properties located within the country. These Companies are Custodian and Allied Insurance Limited, Custodian Trustees Limited and the parent company, Custodian Investment Plc. The rent received in respect of the lease arrangements compares favourably with the amount charged to third parties at arms length. The rental income recognised from these related parties are as follows:

- (1) Custodian Investment Plc- N10.707million
- (2) Custodian & Allied Insurance Limited - N 25.730million
- (3) Custodian Trustees Limited - N 2.888million
- (4) Crusader Sterling Pension Limited = N527,810

Shared service cost

During the year, in line with the transfer pricing policy of the Custodian Investment Plc, certain group costs were allocated to the company based on parameters defined in the group transfer pricing policy. These costs have been reported as part of other operating expenses.

Intercompany balances	31 Dec. 2020 ₦'000	31 Dec. 2019 ₦'000
Gross premium written	13,192	12,562
Other income - rental income	39,853	40,500
Group allocated cost- other operating expenses	300,513	311,412

49 Change in the Board of Directors

Mr. Akintunde Odunsi, a Non-executive Director, retired during the year after reaching the mandatory retirement age of 70 years. The retirement was approved by the Board on 28 April 2020.

Mr. Kofo Majekodunmi's appointment as Director was approved by the Board on 28 April 2020, subject to NAICOM's approval.

Mr. Oluwole Oshin's retirement, after completing his tenure, was approved by the Board on 27 October 2020.

50 Compliance with insurance regulations: contraventions and fines

During the year, the Company did not contravene any regulations. No fines or penalties were charged or paid (2019: N 250,000).

	31 Dec. ₦'000	31 Dec. ₦'000
Appointment of Head, Human Resources prior to the Commission's approval	-	250
	-	250

51 Impact of COVID - 19 on the Company's performance

The COVID-19 pandemic has developed rapidly in 2020, with a significant increase in the number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home), automation of most of our processes and optimization of our online payment channels.

The changes in macro-economic variables resulting from the impact of COVID-19 have been adequately incorporated in the assessment of significant increase in credit risk, the estimation of the expected credit loss (ECL), valuation of financial instruments and impairment assessment of non-financial assets.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

In order to reduce the adverse effect of the pandemic on companies and businesses in Nigeria, the federal government put in place various economic stimulus packages, including the provision in the Finance Act 2020, which reduced the minimum tax from 0.5% to 0.25% for the period 01 January 2020 to 31 December 2021. The Company has accounted for the reduction in tax rate using the new minimum tax rate, resulting in a reduced tax burden for the Company.

Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

52 Events after the reporting date

There were no events after the reporting date which could have a material effect on the financial position of the Company as at 31 December 2020 or the financial performance for the year then ended that have not been adequately provided for or disclosed.

53 Pension Reform Act (PRA) Regulated Annuity Fund

Statement of Assets and Liabilities
As at 31 December 2020

Assets	Units	₦'000
Quoted securities	35,583,317	**3,832,679**

Cash and cash equivalents:	Carrying amount
- Bank placements	762,181
- Cash at bank	87,890
	850,071

Bonds

Corporate bonds	Maturity Date	Coupon Rate	Fair Value
FCMB S1 BOND (6 NOV 2021)	20-Nov-21	14.25%	106,706
MIXTA NIGERIA 17% BOND	16-Jan-22	17.00%	77,376
NMRC BOND SERIES 1	29-Jul-30	14.90%	342,290
UPDC BOND 2023 SERIES 1	26-Apr-23	16.00%	557,126
FLOURMILLS OF NIG 3Y BOND S1 - 2021	30-Oct-21	15.50%	260,879
STANBIC IBTC BOND S1 2023	5-Dec-23	15.75%	649,294
ACCESS BANK GREEN BOND 2024	18-Mar-24	15.50%	136,031
FBNQ BOND 2023	24-Jan-23	10.50%	153,371
LAPO MFB BOND 2025	30-Mar-25	13.00%	378,443
DANGOTE CEMENT 5 YR BOND	17-Apr-25	12.50%	164,572
NOVAMBL INVESTMENT SPV PLC BOND 2027	17-Jul-27	12.00%	39,695
NIGERIA EUROBOND 2049 9.248%	29-Jan-49	9.25%	420,524
			3,286,307

Bonds

State Government Bonds	Maturity Date	Coupon Rate	Fair Value
15.50% ONDO STATE FEB 2022	14-Feb-22	15.50%	2,223
16.50% LAGOS STATE DEC 2023	30-Dec-23	16.50%	110,466
16.75% LAGOS STATE AUG 2024	11-Aug-24	16.75%	314,722
15.85% LAGOS STATE AUG 2027	11-Aug-27	15.85%	645,892
12.25% LAGOS STATE JAN S2030	23-Jan-30	12.25%	635,889
			1,709,192
Federal Government Bonds			
14.50% FGN JUL 2021	15-Jul-21	14.50%	1,237,271
16.39% FGN JAN 2022	27-Jan-22	16.39%	245,815
12.75% FGN APR 2023	27-Apr-23	12.75%	874,240
14.20% FGN MAR 2024	14-Mar-24	14.20%	560,075
13.53% FGN MAR 2025	23-Mar-25	13.53%	1,117,311
16.29% FGN MAR 2027	17-Mar-27	16.29%	3,971,199
13.98% FGN FEB 2028	23-Feb-28	13.98%	6,773,253
14.55% FGN APR 2029	26-Apr-29	14.55%	112,180
10.00% FGN JUL 2030	23-Jul-30	10.00%	386,279
12.15% FGN JUL 2034	18-Jul-34	12.15%	6,446,248
12.40% FGN MAR 2036	18-Mar-36	12.40%	7,190,736
16.25% FGN APR 2037	18-Apr-37	16.25%	8,554,626
14.80% FGN APR 2049	26-Apr-49	14.80%	19,808,831
12.98% FGN MAR 2050	27-Mar-50	12.98%	2,668,824
16.47% FGN SUKUK SEP 2024	25-Sep-24	16.47%	143,405
15.74% FGN SUKUK DEC 2025	28-Dec-25	15.74%	241,516
			60,331,809

Notes To The Financial Statements Contd

Bonds	Maturity Date	Coupon Rate	Amortised Cost
12.15% FGN JULY 2034	18-Jul-34	12.15%	906,764
			906,764
Government and corporate bonds			66,234,072
Total assets			70,916,822
Liabilities - Annuity Reserve			67,021,040

54 Revenue Account

For the year ended 31 December 2020

	Individual life ₦'000	Group life ₦'000	Annuity ₦'000	2020 Total ₦'000	2019 Total ₦'000
Gross Premium Written	4,599,114	5,046,349	16,413,005	26,058,468	22,189,831
Gross premium income	4,599,114	5,047,442	16,413,005	26,059,561	22,019,773
Reinsurance expenses	(14,109)	(1,367,236)	-	(1,381,345)	(1,369,167)
Net premium income	**4,585,005**	**3,680,206**	**16,413,005**	**24,678,216**	**20,650,606**
Fees and commission income	3,145	232,508	-	235,653	175,820
Net underwriting income	4,588,150	3,912,714	16,413,005	24,913,869	20,826,426
Net insurance benefits and claims	(2,040,619)	(1,459,558)	(6,749,453)	(10,249,630)	(7,559,912)
Changes in life/ annuity fund estimate	(3,976,461)	-	(28,821,879)	(32,798,340)	(18,286,512)
Underwriting expense	(625,139)	(508,762)	(912,600)	(2,046,501)	(1,760,035)
Underwriting loss	**(2,054,069)**	**1,944,394**	**(20,070,927)**	**(20,180,602)**	**(6,780,033)**

Other National Disclosures

Five-Year Financial Summary

Statement of Financial Position and Income Statement

Assets	2020 ₦'000	2019 ₦'000	2018 ₦'000	2017 ₦'000	2016 ₦'000
Cash and cash equivalents	3,333,239	2,753,298	2,211,751	3,079,548	2,392,055
Financial assets	84,912,544	56,208,875	35,031,736	24,834,798	17,706,838
Trade receivables	12,533	27,346	24,056	6,627	12,600
Reinsurance assets	681,006	859,184	799,782	768,598	388,484
Deferred acquisition cost	79,397	124,436	62,293	49,408	56,779
Other receivables and prepayments	529,605	515,863	480,087	558,331	539,672
Current tax assets	190,865	-	-	-	-
Right-of-use assets	42,969	3,278	-	-	-
Investment in equity accounted investee	4,179,232	-	-	-	-
Investment properties	1,002,819	1,002,819	954,925	963,425	961,500
Property, plant and equipment	3,018,580	2,970,829	2,616,034	2,568,749	2,400,944
Intangible assets	99,745	165,060	231,763	131,119	8,185
Statutory deposit	260,000	260,000	200,000	200,000	200,000
Total assets	**98,342,534**	**64,890,988**	**42,612,427**	**33,160,603**	**24,667,057**
Insurance contract liabilities	77,727,665	47,114,330	29,231,997	22,922,415	15,795,913
Investment contract liabilities	6,072,622	3,985,348	3,089,658	3,514,935	3,487,613
Lease liabilities	-	744	-	-	-
Trade payables	1,114,387	1,347,889	29,686	6,548	118,582
Other payables	1,180,758	1,653,668	986,252	796,142	753,936
Current income tax	-	243,439	75,439	196,404	135,650
Deferred tax liability	520,578	495,920	551,339	447,651	329,341
Deposit for shares	-	500,000	-	-	-
Total liabilities	**86,616,010**	**55,341,338**	**33,964,371**	**27,884,095**	**20,621,035**
Equity					
Share capital	8,000,000	2,500,000	2,500,000	2,000,000	2,000,000
Share premium	-	1,594,668	1,654,693	184,717	184,717
Contingency reserve	1,354,712	1,094,107	872,209	735,413	613,794
Asset revaluation reserve	601,248	543,711	483,023	431,081	277,327
Fair value reserve	90,126	85,132	602,664	686,271	304,142
Retained earnings	1,680,438	3,732,032	2,535,467	1,239,026	666,042
Total equity	**11,726,524**	**9,549,650**	**8,648,056**	**5,276,508**	**4,046,022**
Total liabilities and equity	**98,342,534**	**64,890,988**	**42,612,427**	**33,160,603**	**24,667,057**

Five-Year Financial Summary

Income Statement

	2020 ₦'000	2019 ₦'000	2018 ₦'000	2017 ₦'000	2016 ₦'000
Gross premium written	26,058,468	22,189,831	13,679,683	12,161,883	12,601,041
Investment and other income	24,455,405	11,104,236	3,283,337	3,693,610	1,828,167
Profit before taxation	2,444,680	2,390,363	1,442,475	1,247,772	1,035,753
Income tax write-back/(expense)	169,663	(277,665)	(113,933)	(233,170)	(120,000)
Profit/(loss) after taxation	2,614,343	2,112,698	1,328,542	1,014,602	915,753
Total comprehensive income	2,676,874	2,161,501	1,570,482	1,550,485	834,994
Basic earnings per share (kobo) (as previously reported)		42	27	25	23
Basic earnings per share (kobo)	16	13*	8*	6*	6*

*The earnings per share (EPS) for prior periods have been restated based on the number of shares outstanding as at current reporting date.

Statement Of Value Added

For the year ended 31 December 2020

	2020 ₦'000	%	2019 ₦'000	%
Gross premium income	26,059,561		22,019,773	
Fees and commission income	235,653		175,820	
Investment and related income	24,377,350		10,938,127	
Other income	78,055		180,941	
	50,750,619		33,314,661	
Claims incurred, commission paid and other operating expenses - Local	(47,479,089)		(30,386,471)	
Value added	**3,271,530**	**100%**	**2,928,190**	**100%**
Applied as follows:				
To pay employees:				
Salaries, wages and benefits	387,862	12%	358,465	13%
To Government as taxes:				
Taxes	23,168	1%	240,000	8%
IT development levy	24,205	1%	37,665	2%
Retained for asset replacement and future expansion of business:				
- Depreciation and amortization	221,952	7%	179,362	7%
- Profit for the year	2,614,343	79%	2,112,698	70%
	3,271,530	**100%**	**2,928,190**	**100%**

Value added is the wealth created by the efforts of the Company and its employees and the allocation between employees, shareholders, government and that retained in the future for the creation of more wealth.

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