



A NEW ORDER

Custodian Life Assurance Ltd. 2021 Annual Report And Accounts

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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 |
| Mr. Kofoworola Majekodunmi | - Non Executive Director |
| Chief (Mrs.) Margaret Giwa | - Non Executive Director(Retired on 30 April 2021) |
| Mrs . Mimi Ade-Odiachi | - Non Executive Director (Appointed on 30 April 2021) |

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 Limited
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 Plc.
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
P. O. Box 2101, Lagos
Email: carecentre@custodianinsurance.com
Website: www.custodianplc.com.ng

Branch Offices

Owerri

No 37 Ekwema Crescent,
Ikenegbu Layout Road,
Owerri, Imo State

Abuja

Plot 273, UACN Commercial complex,
central business district, Garki, Abuja

Kano

15, Bank Road, Kano,
Kano State

Sabo

27, Commercial Avenue,
Sabo, Yaba, Lagos State

Port Harcourt

180 Aba Road, Port Harcourt,
Rivers State

Benin

4th Floor, West Wing, 34, Akpakpava Road
By Igbesamwan Road Junction,
Benin City, Edo state

Ibadan

9, Onireke Residential Layout,
Ibadan, Oyo State.

Akure

2nd and 3rd Floor (left wing),
Bank of Industry (BOI) Building,
Alagbaka, Akure, Ondo State

Kaduna

3 Turaki Ali House,
Kanta Road, Kaduna, Kaduna State

Onitsha

20, Awka Road, Onitsha,
Anambra State

Osogbo

37b Gbongan/Ibadan Road,
Osogbo, Osun state

Calabar

45 Murtala Muhammed Way,
Calabar, Cross River State

Abeokuta

36 Totoro road, Abeokuta,
Ogun state

Apapa

27, Wharf Road,
Atlantic House Apapa, Lagos

Ikeja

8, Obafemi Awolowo way,
Central Business District, Alausa,
Ikeja, Lagos State

Asaba

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

Festac

Plot 129, Block 10, Festac Link Road,
Amuwo Odofin, Lagos State

Ikorodu

60 Lagos road, Ikorodu, Lagos state.

Tejuosho

H4016, Tejuosho Ultramodern
Shopping Complex,
Yaba, Lagos State.

Warri

6, Airport Road, Effurun,
Delta State

Lekki

Golden Crest Plaza, Lekki-Epe Expressway,
By Mega Chicken, Ikota, Lagos State

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Custodian Life Assurance Ltd (the Company) will hold on March 10, 2022 at 10:00am, to transact the following:

ORDINARY BUSINESS

1. To receive the report of the Directors and Audited Financial Statements together with the Auditors Report for the year ended December 31, 2021.
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 remuneration of Managers in the employment of the Company.

Special Business

To fix the remuneration of the Directors

By Order of the Board



Adeyinka Jafojo
Company Secretarial Services

Dated this February 10, 2022

- 
- Chairman's Statement
 - Board of Directors

A black and white portrait of Mr. Richard Asabia, the Chairman. He is a middle-aged man with short hair, wearing a dark pinstripe suit, a white shirt, and a patterned tie. He is looking directly at the camera with a neutral expression. The background is a light, textured wall.

Chairman's Statement

Distinguished shareholders, members of the Board of Directors, ladies, and gentlemen.

It is my pleasure to welcome you to the Annual General Meeting of our Company, Custodian Life Assurance Limited and to present to you the Annual Report and Accounts for the year ended 31 December 2021

Mr. Richard Asabia (Chairman)

Chairman's Statement Contd

Distinguished shareholders, members of the Board of Directors, ladies, and gentlemen. It is my pleasure to welcome you to the Annual General Meeting of our Company, Custodian Life Assurance Limited and to present to you the Annual Report and Accounts for the year ended 31 December 2021, the macroeconomic developments that shaped the period and an outlook for the current year.

The year 2021 was another year of global economic turbulence, with recovery from COVID-19 presenting a mixed picture across the globe. With the emergence of new variants and multiple waves of the viral infection, we had to adapt to a constantly changing landscape. Throughout this time, our Company remained committed to safeguarding the interests of shareholders while also maintaining the safety of our employees and supporting our clients and communities. Despite the challenging environment, morale was high, and I am pleased to report that our Company weathered the storm.

Global Economy

The start of the administration of COVID-19 vaccines in the United States and Europe in Q1 of 2021 heralded the opening-up of economic activities which, in turn, drove positive sentiments across global markets and a rise in commodity prices. In the US, the much-awaited stimulus bill of US\$1.9trillion was signed into law, driving further optimism across US markets.

By Q2 2021, global economy discourse was dominated by the progress in COVID-19 vaccination and the consequent economic recovery as seen in positive macro data from US, China and other major economies. In the US, conversation also revolved around the infrastructure stimulus, expected inflationary pressure and the possibility of adjusting the FED rate from 0.25% to upwards of 0.6% by 2023.

Vaccine optimism was however dampened in Q3 by concerns over new COVID-19 variants and inflationary pressure which weighed on global financial and commodity markets. This saw crude oil prices fall to \$63 per barrel from the high of \$76 per barrel. In a bid to boost global liquidity, the International Monetary Fund (IMF) approved the \$650bn Special Drawing Rights (SDR) to member countries of which Nigeria's portion of \$3.35bn came in August 2021.

Q4 saw continued progress in the administration of vaccines and improved economic activities which drove Brent crude oil to a peak of \$86.88 per barrel. The quarter also saw the US Federal Reserve begin the unwinding of its massive stimulus program. This, combined with persistent inflationary pressure, drove the view that the start of a global interest rate tightening cycle is here. Expectation is that fiscal and monetary support from governments will continue to boost aggregate demand across world economies. Global Gross Domestic Product (GDP) was expected to increase by 5.9% in 2021; while 2022 estimate is put at 4.9% according to the IMF

Chairman's Statement Contd

Domestic Economy

On a year-on-year basis, the Nigerian economy expanded by 4% in the third quarter of 2021. Growth in Q3 was slightly lower than the 5% recorded in Q2 due to the gradual fading out of the base effect. The growth in GDP was driven by the non-oil sector which grew by 5.4% in the quarter. The oil sector, on the other hand continued its negative trend, declining by 10.73% in the quarter. While the services sector expanded by 8.41%, growth in agriculture sector slowed further to 1.2% in the quarter. The industrial sector declined by 1.6% due to contraction in the oil sector. In the first three quarters of 2021, GDP growth averaged 3.18%. The IMF had projected that the Nigerian economy would grow by 2.6% in 2021 and 2.7% in 2022.

For eight consecutive months, headline inflation rate declined to 15.4% in November 2021 from 18.2% in March 2021, driven by reduced pressure on food inflation rate. December inflation figures however showed an increase in year-on-year inflation to 15.63%. Average inflation rate on an annual basis remained high at 16.98% in 2021 relative to 13.2% recorded in full year 2020. Insecurity, infrastructure deficit and foreign exchange remain the driving forces for inflation in Nigeria.

Foreign reserves peaked at US\$41.8billion in November 2021 and closed the year at US\$40.5billion, a decline of 3% for the month.

In May, the CBN adopted the I&E Window rate as the official exchange rate. As a result, the performance of the Naira on the I&E Window showed some stability. By the end of 2021, exchange rate on the I&E Window stood at ₦412.99/US\$. This represents a 9% depreciation in 2021. Improved reserve condition, following the external inflows from borrowings, stabilized rates in the short term. However, higher importation of goods and foreign exchange demand to finance services will continue to add pressure on reserves and exchange rate.

Foreign reserves peaked at US\$41.8billion in November 2021 and closed the year at US\$40.5billion, a decline of 3% for the month. Foreign loans contributed to the growth witnessed in the nation's foreign reserves. Going into 2022, this trend of declining reserves is expected to continue as FX demand for imported goods and services continue without corresponding FX earnings.

The NGX-ASI recorded a gain of 5.27%, increasing from 40,270.72 index in January to 42,716.44 as of 31 December 2021. This is an upside; however, substantially lower than the 50.03% gain recorded in 2020 - the peak year of COVID-19. The gain in the year was driven by 54.38% and 1.72% gains in large-cap stocks in Oil & Gas and Industrial indices, respectively. Also, the Banking and Insurance indices recorded gains of 0.89% and 0.27%, respectively. Consumer Goods Index on the other hand lost 3.97%.

Chairman's Statement Contd

Financial Result

Despite the turbulent economic conditions, our Company grew top line revenue by 25% for the year ended 31 December 2021. Gross revenue grew from ₦26.1 billion in 2020 to ₦32.5 billion in 2021. Profit after tax also recorded a 31% increase to close the year at ₦3.4 billion from ₦2.6 billion recorded in 2020. With a total asset base of ₦98.5 billion as at 31 December 2021, total assets remained steady year-on-year with ₦98.3 billion recorded in 2020. Similarly, equity attributable to owners of the parent grew by 20% to close the year at ₦14.1 billion from ₦11.7 billion recorded in 2020. The Company will continue to adopt strategies that will ensure steady returns to our shareholders.

Dividend

In keeping with our practice of consistent dividend payout to our shareholders, the Board approved an interim dividend of 3.50kobo for every share of 50kobo held. After due consideration of the need of

the Company for continuous growth and compliance with regulatory capitalization directives, the Board has proposed a final dividend of 6.50kobo per share for every share of 50kobo held. If approved, this will bring the total dividend on the year's result to 10kobo per share.

Board developments and corporate governance

In 2021, we continued to ensure that our corporate governance policies and standards remain congruent with statutory requirements and consistent with our core values. Since the last Annual General Meeting, there has been one retirement from and one appointment to the Board.

Chief (Mrs.) Margaret Giwa retired from the Board in April 2021, after many years of meritorious service. Please join me in expressing our sincere appreciation to her for her commitment and contributions to our growth and progress, and we wish her the very best in both current and future endeavours.



In keeping with our practice of consistent dividend payout to our shareholders, the Board approved an interim dividend of 3.50kobo for every share of 50kobo held.

Chairman's Statement Contd

The Board welcomed Mrs. Mimi Ade-Odiachi to its fold as a Non-Executive Director effective 30 April 2021.

Mrs. Mimi Ade-Odiachi joins our Board as a seasoned professional and entrepreneur with over three decades of experience in non-banking financial services (insurance), hospitality management and landscape architecture. She holds a Bachelor's Degree in Insurance from the University of Lagos and is a chartered insurer. She currently serves on the board and management of several other companies. The appointment of Mrs. Mimi Ade-Odiachi has been granted regulatory approval.

Corporate Social Responsibility

The Company remains unwavering in its commitment towards contributing positively to the development of its host communities, the natural environment and the economy at large.

A total sum of ₦7.8million (2020: ₦39.6million) was disbursed as donations and charitable contributions during the year to several organisations, some of which are listed below:

- i) African Insurance Organisation (AIO)
- ii) Nigerian Security & Civil Defence Corps (NSCDC)

The Company remains unwavering in its commitment towards contributing positively to the development of its host communities, the natural environment and the economy at large.

- iii) National Association of Insurance & Pension Correspondents (NAIPCO)
- iv) Nigerian British Chamber of Commerce (NBCC)

Outlook

The general consensus is that global economic recovery is sustainable despite the lingering scare of COVID-19. Increasing inflationary pressure however remains a downside risk. Recent developments between Ukraine and Russia have the potential of impacting negatively on energy prices across the world.

On the domestic scene, expected improvement in contribution from the oil sector should provide support for economic output, although rising inflation currently suggests weaker purchasing power.

Conclusion

Though macroeconomic challenges and uncertainties persist, I believe that we will work together to achieve even greater results in the years ahead.

Chairman's Statement Contd

On behalf of the Board of Directors, I would like to thank all our stakeholders for their unwavering commitment to Custodian Life Assurance Limited.

God bless you and God bless the Federal Republic of Nigeria.



Mr. Richard G. Asabia
Chairman



Though macroeconomic challenges and uncertainties persist, I believe that we will work together to achieve even greater results in the years ahead.

Board of Directors



Mr. Richard Asabia
(Chairman)



Mr. Larry Ademeso



Mr. Adeniyi Falade



Mr. Ibrahim Dikko



Mr. Ngozi Nlebemuo



Mr. Kofoworola Majekodunmi



Mrs. Mimi Ade-Odiachi

- 
- Executive Management Team
 - Directors' 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 Koshodo
Head, Corporate



Kehinde Ariyibi
Head, Retail Enterprise



Bolatito Oni
Head, Human Resources

Directors' Report

For the year ended December 31, 2021

The Directors have the pleasure of presenting their report on the affairs of Custodian Life Assurance Limited ("the Company") together with the audited financial statements and the auditors' report for the year ended 31 December 2021.

Legal form and principal activity

The Company was incorporated on 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 contract 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 3.50kobo (2020: 10 kobo) per ordinary share on the issued and paid-up capital of 16,000,000,000 (2020: 5,000,000,000) ordinary shares of 50 kobo each.

The Directors recommended the payment of a final dividend of 6.50 kobo (2020: 3.375 kobo) per ordinary share on the issued and paid-up capital of 16,000,000,000 (2020: 16,000,000,000) ordinary shares of 50 kobo each, bringing the total dividend for the financial year ended 31 December 2021 to 10 kobo (2020: 13.375 kobo per share), subject to the appropriate withholding tax deduction.

Directors' Report Contd

Operating results

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

| | 31-Dec-2021 | 31-Dec-2020 |
|--|-------------|-------------|
| | ₦'000 | ₦'000 |
| Profit before tax | 3,540,969 | 2,444,680 |
| Taxation | (107,116) | 169,663 |
| Profit after tax | 3,433,853 | 2,614,343 |
| Transfer to contingency reserve | (343,386) | (260,605) |
| Dividend paid | (1,100,000) | (900,000) |
| Earnings per share – Basic (in kobo) | 21 | 16 |
| Dividend per share - Interim (in kobo) | 3.50 | 10 |
| Dividend per share - Final (in kobo) | 6.50 | 3.375 |

Directors' Report 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, 2020 are as follows:

| | | 31-Dec-2021 | 31-Dec-2020 |
|----------------------------|---|-------------|-------------|
| Mr. Richard Asabia | Chairman | Nil | Nil |
| Mr. Larry Ademeso | Managing Director / Chief Executive Officer | Nil | Nil |
| Mr. Ngozi Nlebemuo | Executive Director | Nil | Nil |
| Mr. Ibrahim Dikko | Non Executive Director | Nil | Nil |
| Mr. Adeniyi Falade | Non Executive Director | Nil | Nil |
| Chief (Mrs.) Margaret Giwa | Non Executive Director | Nil | Nil |
| Mr. Kofoworola Majekodunmi | Non Executive Director | Nil | Nil |
| Mrs. Mimi Ade-Odiachi | Non Executive Director | Nil | Nil |

Resignation/Retirement of Directors

Chief (Mrs.) Margaret Giwa, a Non-executive Director, retired during the year after completing her tenure. Her retirement was approved by the Board on 30 April 2021.

Appointment of Directors

Mrs. Mimi Ade-Odiachi's appointment as Director was approved by the Board on 30 April 2021.

The appointments of Mr. Kofoworola Majekodunmi and Mrs. Mimi Ade-Odiachi have been subsequently approved by the National Insurance Commission (NAICOM).

Directors' interests in contracts

In compliance with Section 303 of the Companies and Allied Matters Act of Nigeria, 2020, none of the Directors have notified the Company of any declarable interest in contracts with the Company during the year under review.

Directors' Report 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 2021:

| | 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 ₦7,795,650 (2020 : ₦39,642,500) was given out as donations and charitable contributions during the year. Details of the donations and charitable contributions are as follows:

| | 2021 ₦ | 2020 ₦ |
|---|-----------|------------|
| African Insurance Organisation (AIO) 2021 Day 1 sponsorship | 7,170,600 | - |
| Nigerian Security & Civil Defence Corps (NSCDC) sponsorship | 50,050 | - |
| National Association of Insurance & Pension Correspondents (NAIPCO) | 150,000 | - |
| end-of-year award | 150,000 | - |
| The Nigerian Golf Cup Tournament 2021 | 150,000 | - |
| Nigerian British Chamber of Commerce (NBCC) | 125,000 | - |
| Ibadan Golf Club 30th anniversary celebration | - | 20,000,000 |
| Contribution to Nigerian Insurers' Association on COVID-19 | - | 2,572,500 |
| Contribution to Ogun State Govt. COVID-19 Volunteers | - | 17,000,000 |
| Contribution to Lagos State Govt. COVID-19 Volunteers | - | 20,000 |
| Sponsorship of Mansfield School sports fiesta | - | 50,000 |
| Donation towards Corona Schools Staff Day | 7,795,650 | 39,642,500 |

Directors' Report 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 covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2014.

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.

Directors' Report 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 % |
|------|----------------|------------------|-----------|-------------|
| 2021 | 34 | 20 | 63% | 37% |
| 2020 | 31 | 18 | 63% | 37% |

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 2021 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, 2020.

BY ORDER OF THE BOARD

CUSTODIAN TRUSTEES LTD

AUTHORISED

Mr. Adeyinka Jafojo

FRC/2013/NBA/00000002403

For: Custodian Trustees Limited

[Company Secretarial Services]

16A Commercial Avenue,

Sabo, Yaba, Lagos.

10 February 2022

Statement Of Directors' Responsibilities

In Relation To The Financial Statements For The Year Ended 31st December, 2021

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, 2020 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:

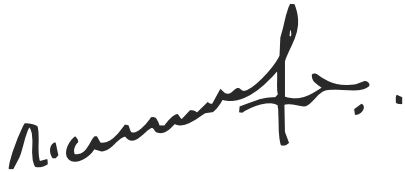
- International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)
- the requirements of the Insurance Act CAP I17 LFN 2004;
- relevant guidelines and circulars issued by the National Insurance Commission (NAICOM);
- the requirements of the Companies and Allied Matters Act, 2020; 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

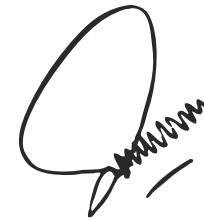
The Directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



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

10 February 2022



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

10 February 2022

Certification Pursuant to Section 405 of the Companies and Allied Matters Act, 2020

For the year ended 31 December 2021

We the undersigned hereby certify the following, with regards to our audited financial statements for the year ended 31 December 2021, that:

We have reviewed the audited financial statements and based on our knowledge:

- i. the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- ii. the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the periods covered by the audited financial statements ;

We:

- i. are responsible for establishing and maintaining internal controls
- ii. have designed such internal controls to ensure that material information relating to the Company is made known to us by other officers of the Company, particularly during the period in which the audited financial statement report is being prepared,
- iii. have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of the audited financial statements, and
- iv. certify that the Company's internal controls are effective as of that date ;

We have disclosed the following to the Company's auditors and Board audit committee:

- I. all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and

Certification Pursuant to Section 405 of the Companies and Allied Matters Act, 2020 Contd

- ii. any fraud, whether material or not, that involved management or other employees who have a significant role in the Company's internal control ; and

We have identified in our report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.



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

10 February 2022



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

10 February 2022

Corporate Governance Report

At Custodian Life Assurance Limited, we 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.

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 and the Nigerian Code of Corporate Governance 2018 issued by the National Insurance Commission (NAICOM) and Financial Reporting Council of Nigeria respectively. 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.

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

Ethical Standards

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

- Companies and Allied Matters Act, 2020
- Nigerian Code of Corporate Governance, 2018
- Financial Reporting Council of Nigeria Act, 2011
- Insurance Act, 2003
- Audit Regulations, 2020
- International best practices
- The Company's Memorandum and Articles of Association.

Corporate Governance Report Contd

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

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

The Board

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

Corporate Governance Report Contd

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

Delegation to Management

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

Directors' Independence

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

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 Report 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 Director's 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 reports are sent to Directors in order to keep them informed of the Company's undertakings.

The Company 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. Ibrahim Dikko and Mr. Richard Asabia 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.

Corporate Governance Report Contd

Directors Access to Management and Independent Advisers

Custodian Life Assurance Ltd 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

As at December 31 , 2021 , Custodian’s Board comprised of seven (7) Directors.

Board of Directors

- | | | |
|----|----------------------------|---|
| 1. | Mr. Richard Asabia | |
| 2. | Mr. Larry Ademeso | |
| 3. | Mr. Kofo Majekodunmi | Appointment approved by NAICOM on December 16, 2021 |
| 4. | Mr. Ibrahim Dikko | |
| 5. | Mr. Adeniyi Falade | |
| 6. | Mr. Ngozi Nlebemuo | |
| 7. | Mrs. Mimi Ade-Odiachi | Appointment approved by NAICOM on December 16, 2021 |
| 8. | Chief (Mrs.) Margaret Giwa | Retired 30 April, 2021 |

The effectiveness of the Board derives from the appropriate balance and mix of skills and experience of Directors, both Executive and Non-Executive. The Company’s Board is made up of seasoned professionals, who have excelled in their various professions and possess the requisite integrity, skills and experience to bring to bear independent judgment on the deliberations of the Board.

Corporate Governance Report Contd

The Board meets quarterly and additional meetings are convened as needed. Material decisions may be taken between meetings by way of written resolutions, as provided for in the Articles of Association of the Company. The Directors are provided with comprehensive group information at each of the quarterly Board meetings and are also briefed on business developments between Board meetings. The Board met four (4) times during the year ended December 31, 2021.

Attendance at Board meetings

The table below shows the frequency of meetings of the Board of Directors for the year ended 31 December 2021. The Board met four (4) times during the year under review:

| Directors | Composition | Meeting attended | February 5, 2021 | April 30, 2021 | July 28, 2021 | October 27, 2021 |
|-----------------------------|-------------|------------------|------------------|----------------|---------------|------------------|
| Mr. Richard Asabia | Chairman | 4 | ✓ | ✓ | ✓ | ✓ |
| Mr. Larry Ademeso | Director | 4 | ✓ | ✓ | ✓ | ✓ |
| Mr. Ngozi Nlebemuo | Director | 4 | ✓ | ✓ | ✓ | ✓ |
| Chief (Mrs.) Margaret Giwa* | Director | 2 | ✓ | ✓ | X | X |
| Mr. Ibrahim Dikko | Director | 4 | ✓ | ✓ | ✓ | ✓ |
| Mr. Adeniyi Falade | Director | 4 | ✓ | ✓ | ✓ | ✓ |
| Mr Kofoworola Majekodunmi | Director | 4 | ✓ | ✓ | ✓ | ✓ |
| Mrs Mimi Ade-Odiachi** | Director | 2 | X | X | ✓ | ✓ |

* Retired on 30 April 2021

** Appointed on 30 April 2021

Corporate Governance Report Contd

Responsibilities of the Board

The Board determines the strategic objectives of the Company in delivering long-term growth and short-term goals. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conformance to governance principles and economic performance.

The powers reserved for the Board include the following;

- a) determination of Board structure, size and composition, including appointment and removal of Directors, succession planning for the Board and senior management and Board Committee membership;
- b) approval of mergers and acquisitions, branch expansion and establishment of subsidiaries; approval of remuneration policy and packages of the Board members;
- c) approval of policy documents on significant issues including Enterprise-wide Risk Management, Human Resources, Corporate governance and Anti – money laundering;
- d) approval of resolutions and corresponding documentation for shareholders in general meeting(s), shareholders circulars, prospectus and principal regulatory filings with the regulators;
- e) approval of major change to the Company's corporate structure (excluding internal reorganizations) and changes relating to the Company's capital structure or its status as a limited liability Company;
- f) approval of quarterly, half-yearly and full year financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices;
- g) approval of the Company's strategy, medium- and short-term plan and its annual operating and capital expenditure budget;
- h) recommendation to shareholders of the appointment or removal of auditors and the remuneration of auditors;

Roles of key members of the Board

The positions of the Chairman of the Board and the Managing Director are separate and held by different persons. The Chairman and the Managing Director are not members of the same extended family.

Corporate Governance Report Contd

The Chairman

The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information to enable the Board take informed decisions: monitor effectively and provide advice to promote the success of the Company. The Chairman also facilitates the contribution of Non-executive Directors to promote effective relationships and open communications, both inside and outside the Boardroom, between Executive and Non-executive Directors. The Chairman strives to ensure that any disagreements on the Board are resolved amicably.

Managing Director/ Chief Executive Officer

The Board has delegated the responsibility for the day-to-day management of the Company to the Managing Director (MD), who is responsible for leading management and for making and implementing operational decisions. The MD is responsible to the Board of Directors and ensures that the Company complies strictly with regulations and policies of both the Board and Regulatory Authorities. The MD ensures that optimization of the Company's resources is achieved at all times and has the overall responsibility for the Company's financial performance.

Company Secretary

The Company Secretary is a point of reference and support for all Directors. It is her responsibility to update the Directors with all requisite information promptly and regularly. The Board may obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, via the Company Secretary or directly.

The Company Secretary has a further responsibility to assist the Chairman and Chief Executive Officer to formulate an annual Board Plan and with the administration of other strategic issues at the Board level; organize Board meetings and ensure that the minutes of Board meetings clearly and properly capture Board's discussions and decisions.

Corporate Governance Report Contd

Director nomination process

The Board agrees upon the criteria for the desired experience and competencies of new Directors. The Board has power under the Articles of Association to appoint a Director to fill a casual vacancy or as an additional Director. The criteria for the desired experience and competencies of new Non-executive Directors are agreed upon by the Board.

The balance and mix of appropriate skills and experience of Non-executive Directors is taken into account when considering a proposed appointment. In reviewing the Board composition, the Board ensures a mix with representatives from different industry sectors.

The shareholding of an individual in the Company is not considered a criterion for the nomination or appointment of a Director. The appointment of Directors is subject to the approval of NAICOM.

The following core values are considered critical in nominating a new Director;

- (i) Integrity
- (ii) Professionalism
- (iii) Career success
- (iv) Recognition
- (v) Ability to add value to the organization

Induction and continuous training of Board members

On appointment to the Board and to Board Committees, all Directors receive a formal induction tailored to meet their individual requirements. The new Directors are oriented about the Company and its operations through the Company Secretary via the provision of the Company's Articles of Association, relevant statutory books and regulations and adequate information on the operations.

Corporate Governance Report Contd

The Directors are also given a mandate and terms of reference to aid in performance of their functions. the Management further strives to acquaint the new Directors with the operations of the Company via trainings and seminars to the extent desired by new Directors to enable them function in their position.

The training and education of Directors on issues pertaining to their oversight functions is a continuous process, in order to update their knowledge and skills and keep them informed of new developments in the insurance industry and operating environment.

Changes on the Board

Chief (Mrs.) Margaret Giwa, a Non-Executive Director, retired during the year after completing her tenure. Her retirement was approved by the Board on 30 April 2021. Mrs. Mimi Ade-Odiachi's appointment as Director was approved by the Board on 30 April 2021. The appointments of Mr. Kofoworola Majekodunmi and Mrs. Mimi Ade-Odiachi were subsequently approved by NAICOM on December 16, 2021.

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

The Board Audit and Compliance Committee comprised the following members during the year under review;

- | | |
|-------------------------------|---------------------------------|
| 1. Mrs. Mimi Ade-Odiachi | Non-Executive Director Chairman |
| 2. Mr. Ibrahim Dikko | Non-Executive Director Member |
| 3. Mr. Kofoworola Majekodunmi | Non-Executive Director Member |
| 4. Chief (Mrs.) Margaret Giwa | Non-Executive Director Member |

Corporate Governance Report Contd

The Committee met four (4) times during the year under review:

| Directors | Composition | Meeting attended | February 4, 2021 | April 26, 2021 | July 26, 2021 | October 25, 2021 |
|-----------------------------|-------------|------------------|------------------|----------------|---------------|------------------|
| Mrs Mimi Ade-Odiachi** | Chairman | 2 | X | X | ✓ | ✓ |
| Mr. Ibrahim Dikko | Member | 4 | ✓ | ✓ | ✓ | ✓ |
| Mr Kofoworola Majekodunmi | Member | 2 | X | X | ✓ | ✓ |
| Chief (Mrs.) Margaret Giwa* | Member | 2 | ✓ | ✓ | X | X |

* Retired on 30 April 2021.

** Appointed on 30 April 2021

(ii) Board Finance, Investment and General Purpose Committee

The Board Finance, Investment and General Purpose Committee is responsible for the approval of investment decisions and portfolio limits by Management of the Company. This Committee shall have supervisory functions over investment and other finance-related issues such as capital & funding requirements.

The main functions of the Committee shall be to approve all investment above the limit of the management. Where it is not expedient for the members of the committee to meet, an investment approval can be obtained through circularization. The Committee is also responsible for the review and approval of the investment manual on a periodic basis and to further identify specific areas for review as approved by the Board, in particular the financial implications of new and major investment strategies/initiatives.

Corporate Governance Report Contd

The Committee shall make recommendations of investment policies for consideration and adoption by the Board, including proposed ethical positions with respect to appropriate investments and shall conduct a review of the performance of the major assets in the Company's investment portfolios on a quarterly basis.

The Board Finance, Investment and General Purpose Committee comprised the following members during the year under review;

| | | |
|-------------------------------|------------------------|----------|
| 1. Mr. Ibrahim Dikko | Non-Executive Director | Chairman |
| 2. Mr. Larry Ademeso | Managing Director | Member |
| 3. Chief (Mrs.) Margaret Giwa | Non-Executive Director | Member |
| 4. Mrs. Mimi Ade-Odiachi | Non-Executive Director | Member |
| 5. Mr. Adeniyi Falade | Non-Executive Director | Member |

The Committee met four (4) times during the year under review:

| Directors | Composition | Meeting attended | February 3, 2021 | April 27, 2021 | July 27, 2021 | October 26, 2021 |
|-----------------------------|-------------|------------------|------------------|----------------|---------------|------------------|
| Mr. Ibrahim Dikko | Chairman | 4 | ✓ | ✓ | ✓ | ✓ |
| Mr Larry Ademeso | Member | 4 | ✓ | ✓ | ✓ | ✓ |
| Chief (Mrs.) Margaret Giwa* | Member | 2 | ✓ | ✓ | X | X |
| Mrs Mimi Ade-Odiachi** | Member | 2 | X | X | ✓ | ✓ |
| Mr. Adeniyi Falade | Member | 4 | ✓ | ✓ | ✓ | ✓ |

* Retired on 30 April 2021 .

** Appointed on 30 April 2021

Corporate Governance Report Contd

(iii) Board Enterprise Risk Management and Governance Committee

The Committee shall have supervisory functions over the Company's recruitment and ensuring corporate governance compliance. The main functions of the Committee shall be to establish the criteria for Board and Board committee memberships, review candidates' qualifications and any potential conflict of interest, assess the contribution of current Directors in connection with their re-nomination and make recommendations to the Board. The Committee also ensures compliance with the Code of Corporate Governance adopted by the Company. The Committee shall further ensure that a succession planning policy exists for the positions of Chairman, Chief Executive Officer / Managing Director and Executive Director.

This Committee has supervisory functions over risk management, the risk profile, the enterprise-wide risk management framework, underwriting functions of the Company and the risk-reward strategy determined by the Board. The Committee is also charged with the review of large underwritten risks for adequacy of reinsurance and other risk management techniques including environmental & social management system.

The Committee performs oversight on the review and approval of the Company's risk management policy including risk appetite and risk strategy; to oversee management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms.

The Board Enterprise Risk Management and Governance Committee comprised the following members during the year under review;

| | |
|-------------------------------|---------------------------------|
| 1. Mr. Ibrahim Dikko | Non-Executive Director Chairman |
| 2. Chief (Mrs.) Margaret Giwa | Non-Executive Director Member |
| 3. Mr. Kofoworola Majekodunmi | Non-Executive Director Member |
| 4. Mrs. Mimi Ade-Odiachi | Non-Executive Director Member |

Corporate Governance Report Contd

The Committee met four (4) times during the year under review:

| Directors | Composition | Meeting attended | February 4, 2021 | April 26, 2021 | July 26, 2021 | October 25, 2021 |
|-----------------------------|-------------|------------------|------------------|----------------|---------------|------------------|
| Mr. Ibrahim Dikko | Chairman | 4 | ✓ | ✓ | ✓ | ✓ |
| Chief (Mrs.) Margaret Giwa* | Member | 2 | ✓ | ✓ | X | X |
| Mr Kofoworola Majekodunmi | Member | 2 | X | X | ✓ | ✓ |
| Mrs Mimi Ade-Odiachi** | Member | 2 | X | X | ✓ | ✓ |

* Retired on 30 April 2021.

Profile Of Directors

Mr. Richard Asabia (Chairman)

Mr. Richard Asabia is a 1983 graduate of the London School of Economics [University of London] and 1989 graduate of the University of Wales, Cardiff, UK. He holds a Bachelor's degree in Law and a Masters degree in Business Administration.

He is a qualified Barrister and a Fellow of the Chartered Institute of Stockbrokers. He served at various times as a Director on the Boards of First Interstate Bank Plc, Banque Internationale Du Benin, Future Unity Glanvilles Ltd, Unity Bank Plc and as Chairman, Crusader Nigeria Plc. He is Managing Director/CEO of Interstate Securities Limited and currently sits as a Director on the Board of CrusaderSterling Pensions Limited.

Corporate Governance Report Contd

Mr. Larry Ademeso (Managing Director)

Mr. Ademeso is the Managing Director of Custodian Life Assurance Limited. He commenced his career with Perpetual Assurance Company Limited in 1993 and moved to Custodian and Allied Insurance Limited in 2001. Mr. Ademeso joined Phoenix Nigeria Assurance PLC in 2005 from where he moved to Royal Exchange PLC in 2007. He joined Royal Exchange Prudential Life PLC in 2009 and was the Managing Director/CEO until he joined Crusader Life Insurance Limited in 2011 [now Custodian Life Assurance].

He is an Associate of the Chartered Insurance Institute of Nigeria and alumni of the Lagos Business School. He is also a member of the International Insurance Society.

Mrs. Mimi Ade-Odiachi (Independent Director)

Mrs. Mimi Ade-Odiachi is a seasoned professional and entrepreneur with over three decades experience in Non-Bank Financial Services (Insurance), Hospitality Management and Landscape Architecture. She is a chartered insurer with a Bachelor's degree in Insurance from the University of Lagos.

She serves as an Executive Director on the Board of Whispering Palms Hotels & Resort. She is also the Founder and Chief Executive Officer of Omar Gardens Floral Company. She currently serves as the Chairman of Custodian Social Responsibility Foundation.

Mr. Kofoworola Majekodunmi (Independent Director)

Kofo Majekodunmi is a Director on the Board of Custodian Life Assurance Limited. He is a Legal Practitioner and accomplished Investment/Corporate Banker and Capital Market Expert who brings to the Board over three decades' experience in deal origination and structuring and vastly experienced in treasury, corporate banking, corporate finance and syndication, operations and information technology as well as privatization advisory structures having been involved in a couple of landmark transactions in the financial services sector of the Nigerian economy.

Kofo is an alumnus of the Lagos Business School, Nigerian Law School, London School of Economics and Political Science and Cranleigh School, Surrey England where he bagged his MBA, BL. and LL. B degrees respectively.

Corporate Governance Report Contd

He is a member of the Nigerian Economic Summit (active participation in the Committee for the improvement of the Nigerian Ports) and Institute of Directors (IoD). He currently sits on the Boards of Leadway Pensure, St. Nicholas Hospitals, MBC Securities and he is the Group Managing Director of MBC Capital Limited.

Mr. Adeniyi Falade (Non-Executive Director)

Mr. Adeniyi Falade is a Chartered accountant, Chartered Stockbroker and an Investment Banker. He had his professional accountancy training at PricewaterhouseCoopers, and Coopers & Lybrand Limited, Lagos. Before his appointment as Managing Director- CrusaderSterling Pensions Ltd, he had served as the Managing Director of Lead Capital and Head of Investment Banking Group of Ecobank Nigeria Plc and Lead Bank Plc. He had also at various times served as Head of Internal Control/ Chief Inspector and Head of Risk Management Department of Lead Bank Plc. He holds a Master of Business Administration (MBA) from the University of Warwick, United Kingdom and a Bachelor of Science degree (Bsc), from the University of Ibadan (UI). He was appointed onto the Board of CrusaderSterling Pensions Ltd on February 7, 2007, where meritoriously served as the PFA's Managing Director/ Chief Executive Officer up until December 31, 2021. He is also a member of the Board of Directors of Custodian Life Assurance Limited, Custodian Trustees Limited, UPDC Plc, UPDC FM Ltd and Interstate Securities Limited.

Mr. Ibrahim Dikko (Non-Executive Director)

Mr. Dikko is a Legal Practitioner and has worked in a variety of roles and industries that span corporate finance, banking and information technology and telecommunications. He worked in Kenneth Michael & Co between 1991 and 1992 and was on the team responsible for setting up the first discount house in Nigeria. Mr. Dikko was also Chairman of the discount house from 2002 – 2012 and is currently Vice President [Regulatory & Corporate Affairs] with EMTS Ltd [trading as Etisalat Nigeria].

Corporate Governance Report Contd

Mr. Ngozi Nlebemuo (Executive Director)

Mr. Nlebemuo is an associate of the Chartered Insurance Institute of Nigeria, Chartered Institute of Stockbrokers, the Certified Pension Institute of Nigeria and the Nigeria Institute of Management [Chartered]. He is also an alumnus of AMP of Lagos Business School.

He started his insurance career with Crusader Insurance [Nigeria] Plc in 1993 as an Assistant Superintendent in the Department of Group Life and Pensions. He later rose to become the Manager, Group Life and Pensions. He left Crusader Insurance [Nigeria] Plc as the Head of Actuarial Services, Research and Product Development Department in 2001 to join Hallmark Assurance Plc as the Controller [Life & Pensions] where he rose to Assistant General Manager [Life Business Group].

Mr. Nlebemuo, a consummate life and pensions professional, returned to Crusader Insurance [Nigeria] Plc in 2006 as the Deputy General Manager [Life Operations]. He currently serves as the Executive Director/Head Technical Operations of the Company.

Communication with Third Parties

It is the responsibility of Executive Management under the direction of the Board, to ensure that the Board receives adequate information on a timely basis, about the Company's businesses and operations at appropriate intervals and in an appropriate manner, to enable the Board to carry out its responsibilities. Furthermore, the Board and Management of the Company ensures that communication and dissemination of information regarding the operations and management of the Company to shareholders, stakeholders and the general public is timely, accurate and continuous, to give a balanced and fair view of the Company's financial and non-financial matters. Such information, which is in plain language, readable and understandable, is available on the Company's website, www.custodianplc.com.ng

In order to reach its overall goal on information dissemination, the Company is guided by the principles, legislation and codes of corporate governance of the jurisdictions within which it operates. These include the Insurance Act, the NAICOM Operational Guidelines, the Companies and Allied Matters Act (CAMA) and the codes of Corporate Governance issued by NAICOM.

Corporate Governance Report Contd

The principles that guide the Company's information dissemination include the following;

- Efficiency: The Company uses modern communication technologies in a timely manner to convey its messages to its target groups. The Company responds without unnecessary delay to information requests by the media and the public.
- Transparency: The Company strives in its communication to be as transparent and open as possible while taking into account the concept of confidentiality between the Company, its customers and Company secretary. This contributes to maintaining a high level of accountability.
- Clarity: The Company aims at clarity, i.e. to send uniform and clear messages on key issues
- Cultural awareness: The Company operates in a multicultural environment and accordingly recognizes the need to be sensitive to the cultural peculiarities of its operating environment.
- Feedback: The Company actively and regularly seeks feedback on its image and communication activities both from the media as well as from its key target groups. This feedback is used in future activities.

Independent advice

The Board of Directors are at their own discretion and at the Company's expense required to seek Independent professional advice when required to enable a Member of the Board effectively perform certain responsibilities.

Management committees

The Company has a Committee which comprises management staff.

The Management Committee (MC) is the Committee set up to identify and make recommendations on strategies that will aid the long term objectives of the Company.

The MC also ensures that risk investment limits as contained in the Board Investment manual are complied with at all times. They provide inputs from the Board Committee and also ensure that recommendations of the Board Committees are effectively and efficiently implemented.

Corporate Governance Report Contd

Monitoring compliance with corporate governance

i) **Chief Compliance Officer**

The Chief Compliance Officer monitors compliance with money laundering requirements and the implementation of the Corporate Governance Code of the Company. The Chief Compliance Officer together with the Managing Director/Chief Executive Officer certifies each year to NAICOM that they are not aware of any other violation of the Corporate Governance Code, other than as disclosed during the year.

ii) **Whistle blowing procedures**

In line with the Company's commitment to instil the best corporate governance practices, a whistle blowing procedure was established that ensures anonymity on any reported incidence(s).

Performance Monitoring and Evaluation

In Custodian's customary manner of imbibing the best corporate governance practices, the Board engaged the services of an Independent Consultant, Society for Corporate Governance Nigeria, to carry out the annual Board and Directors appraisal for the 2021 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 Nigerian Code of Corporate Governance and the Corporate Governance Guidelines for Insurance & Reinsurance Companies in Nigeria issued by NAICOM and the Financial Reporting Council of Nigeria. The result also confirmed that the individual Directors and the Board continue to operate at a high level of effectiveness and efficiency.

Corporate Governance Report Contd

Code of professional conduct for employees

The Company has an internal Code of Professional Conduct, which all members of staff are expected to subscribe to upon assumption of duties. Employees are also required to reaffirm their commitment to the Code annually. Members of staff are expected to strive to maintain the highest standards of ethical conduct and integrity in all aspects of their professional lives as contained in the Code of Professional Conduct which prescribes the common ethical standards, culture and policies of the Company relating to employee values.

Internal management structure

The Company operates an internal management structure where all officers are accountable for duties and responsibilities attached to their respective offices and there are clearly defined and acceptable lines of authority and responsibility.

An appraisal of the duties assigned and dedicated to each person is done bi-annually.

Share capital history

As at 31 December 2021, the Company's share capital was ₦8,000,000,000 divided into 16,000,000,000 Ordinary shares of 50 kobo each, while the issued and fully paid-up share capital was ₦8,000,000,000 divided into 16,000,000,000 ordinary shares of 50 kobo each. The initial share capital upon incorporation and subsequent changes therein are as follows:

Corporate Governance Report Contd

| Date Issued | Authorized increase '000 | Cumulative '000 | Issued increase ₦'000 | Cumulative ₦'000 |
|-------------|--------------------------------|--------------------|--------------------------|---------------------|
| 2007 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| 2008 | - | 2,000,000 | - | 2,000,000 |
| 2009 | - | 2,000,000 | - | 2,000,000 |
| 2010 | - | 2,000,000 | - | 2,000,000 |
| 2011 | - | 2,000,000 | - | 2,000,000 |
| 2012 | - | 2,000,000 | - | 2,000,000 |
| 2013 | - | 2,000,000 | - | 2,000,000 |
| 2014 | - | 2,000,000 | - | 2,000,000 |
| 2015 | - | 2,000,000 | - | 2,000,000 |
| 2016 | 2,000,000 | 4,000,000 | - | 2,000,000 |
| 2017 | - | 4,000,000 | - | 2,000,000 |
| 2018 | 4,000,000 | 8,000,000 | 500,000 | 2,500,000 |
| 2019 | 8,000,000 | 16,000,000 | - | 2,500,000 |
| 2020 | - | 16,000,000 | 5,500,000 | 8,000,000 |
| 2021 | - | 16,000,000 | - | 8,000,000 |



Board Evaluation Report

Board Evaluation Report

For the Board of Custodian Life Assurance Limited



SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

8 Onigefun Road, Palace Way, Oniru, P.O. Box 73302, Victoria Island, Lagos.
Phone: +234 1154681733, 8158390740
Website: www.socrgovernigeria.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 2021 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 a Non-Executive Director and 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 100% in the period under review. Meetings held were constructive, aligned to the agenda and Directors gave meaningful contributions. Board packs were circulated to Directors to better prepare for meetings. The Board adequately performed its oversight and other functions on the Company.

Board Composition & Capacity: The Board comprises of a total of six (6) male Directors and one (1) female Director. The Board composition is as follows- Two (2) Executive Directors, three (3) Non-Executive Directors and two (2) Independent Non-Executive Directors. We recommend that the Board considers the appointment of an additional female Director for diversity in line with the applicable Codes of Corporate Governance.

Board Committees: The Board has duly constituted committees.

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.

Transparency and Accountability

Board ensures timely disclosures are made to provide stakeholders with relevant and reliable information about the quality of the Company's governance practices. The Company communications are in plain language, readable and understandable. Dealings of the Company and Board are transparent and in the best interest of the Company. Stakeholders have a true picture of the Company's financial position as reflected in its Annual Reports and published on its official website.

Director Appointment & Development: Directors have shown commitment to regular training to update their knowledge and skill. Board members participated in trainings beneficial to the quality of contributions during Board meeting discussions.

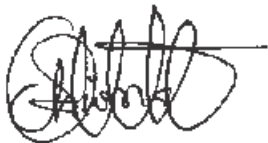
Board Evaluation Report Contd

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 Nigerian Code of Corporate Governance (NCCG), we have found Custodian Life Assurance Limited to be compliant with regulatory requirements and recommended best practices for the period under review (2021).

In all, we are pleased to state that the Board of Custodian Life Assurance Limited conducted its affairs in an acceptable and satisfactory manner in 2021.

SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

A handwritten signature in black ink, appearing to read 'Chioma Mordi', with a horizontal line extending from the right side of the signature.

Chioma Mordi (Mrs.)

Chief Executive Officer

FRC/2014/NIM/00000007899

- 
- Risk Management
 - HSE Report
 - Management Discussion and Analysis
 - Independent Auditors' 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 practices.
- 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 Contd

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.

We operate and maintain the 'three lines of defense 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 | <ul style="list-style-type: none"> -Oversight of financial reporting and accounting -Oversight of the external auditors -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 | <ul style="list-style-type: none"> -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 | <ul style="list-style-type: none"> -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
- 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 <ul style="list-style-type: none"> · Mortality/longevity risks · Pricing risk · Underwriting risk · Under-reserving risk · Catastrophe risk · Reinsurers treaty agreement | <ul style="list-style-type: none"> · Improvement factors on mortality table consistent with portfolio experience · Segmented tariff · Policy and underwriting governance and guidelines/underwriting limits · Follow up on excess and inadequate reserves · Follow up on catastrophe events · Regular review of reinsurance treaty agreement |
| Market risk | <ul style="list-style-type: none"> · Investment approval limits · Policy on volume and quality of investment assets · Counter party placement limits. · Asset allocation limits etc. |
| Operational risk | <ul style="list-style-type: none"> · Clear policy on recruitment · Tolerance limits for errors and breaches and operational threats · Business Continuity Policy · Service level consultations · Loss event reporting · Information security policy etc. |
| Credit risk | <ul style="list-style-type: none"> · Counter-party financial analysis - Credit rating |
| Liquidity risk | <ul style="list-style-type: none"> · 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 instruments in general will change due to moves in the market factors. Such movements may be occasioned market factors (volatilities) that directly relate 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, this risk arises from 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 Moody's 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 Moody's 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 Expected Credit Losses (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.

Risk Management Contd

Amounts arising from expected credit loss (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 Moody's ratings, which is equivalent to an internal risk grade.

Risk Management Contd

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 (OECD), the International Monetary Fund (IMF) and selected private-sector and academic forecasters.

The base case represents the 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.

Risk Management Contd

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 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 a parameter is carried out on an individual basis.

To ensure completeness and accuracy, the Company obtains the data used from third party sources (Moody's, Standard and Poor etc).

Risk Management Contd

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 ECLs 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 default study and the LGDs provided in Moody's recovery studies.

Liquidity risk

The characteristic nature of our business requires adequate cash flow to meet our contractual obligations in the event of claims 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:

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.

Risk Management Contd

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.

Risk Management Contd

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.

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.

Risk Management Contd

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.

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.

Health, Safety And Environment Report

In order to maintain the culture of workplace safety, health and well-being, the organization has continued to promote the safety culture. Employee training, hazard identification and leadership participation has been a driver of the culture.

It is our belief that a safe and healthy workplace protects workers from injury and illness, it can also cost, reduce absenteeism, employee turnover, as well as increase productivity and raise employee morale.

The Company has established and maintained a system for the identification of its operations and activities which are associated with known hazards, when the implementation of controls is needed to manage Health, Safety And Environment (HSE) risk.

The Company's safety culture is designed to maintain safe operation and avoid compromises, it is built on values, constant training, feedback from all levels of employees, employee involvement and constant support from management.

It is designed to enable all employees, visitor, contractors and subcontractors participate in the program.

As part of the policy, it is mandatory for all new joiners to meet with the Health and Safety team during their induction program, whilst existing staff are continuously trained in-house or externally to achieve reinforcement of the culture.

In order to ensure that the Company's safety policy is up-to-date and in tune with current realities, there are periodic reviews of the established system with management involvement.

The effectiveness of the Company's safety culture was rigorously tested during the peak of the pandemic as employees were concerned about their safety at work at a time normal routine was removed from the workplace.

In response to the concerns shown by employees, management deployed strategies which included daily meeting by executive management to review the safety requirements of the organization in reaction to daily developments regarding the pandemic.

Health, Safety And Environment Report Contd

Daily updates were communicated and employees were educated about the virus; how to stay safe even outside of the workplace, the pharmaceutical and non-pharmaceutical measures for the prevention of spread, information about vaccination and where to get vaccinated and other matters relating to support during the pandemic.

The achievement of a healthier and safer work environment that promotes the well-being of employees remains an important focus of management at Custodian.

Management Discussion and Analysis

This "management discussion and analysis" (MD&A) has been prepared as at 31 December 2021 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 2021 | Dec 2020 | % change |
|---|--------------|--------------|----------|
| Gross premium written | 32,464,843 | 26,058,468 | 25% |
| Net premium income | 30,389,696 | 24,678,216 | 23% |
| Underwriting profit/(loss) | 16,636,828 | (20,180,602) | -182% |
| Investment and other income | (10,473,322) | 24,455,405 | -143% |
| Profit before tax | 3,540,969 | 2,444,680 | 45% |
| Profit after tax | 3,433,853 | 2,614,343 | 31% |
| Total comprehensive income | 3,494,101 | 2,676,874 | 31% |
| Earnings per share (kobo) | 21 | 16 | 31% |



Independent Auditors' Report To The Shareholders 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 84 to 266 which comprise the statements of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement 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 2021, and its financial performance and statement 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 117 LFN 2004, circulars and guidelines issued by the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigeria Act.

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.

Independent Auditor's Report Contd

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 was 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 | |
| <p>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.</p> <p>As disclosed in notes 17 and 18 to the financial statements, the insurance contract liabilities and investment contract liabilities for the Company amounted to ₹71.876 billion [2020: ₹77.728 billion] and ₹8.616 billion [2020: ₹6.073 billion] respectively. This represents about 95% of the of the Company total liabilities as at 31 December, 2021.</p> | <p>Our procedures included the following among others:</p> <ul style="list-style-type: none">• 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 and investment 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. |

Independent Auditors' Report Contd

| Key Audit Matter | How the matter was addressed in the audit |
|--|--|
| <p>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. These are the key inputs used to estimate these long-term liabilities</p> <p>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 liabilities 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.</p> | <ul style="list-style-type: none"> •We validated the data used in the valuation of the insurance contract and investment contract liabilities. •We engaged Deloitte Actuary in the review of the assumptions and estimates used by management and assessment of the adequacy of the insurance and investment 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. <p>We found that the assumptions used by management were comparable with the market, reasonable, the key input data used in estimating the fair value of the insurance and investment contract liabilities were reasonable in the circumstances. We consider the disclosure of the liabilities to be adequate, relevant and useful.</p> |

Independent Auditors' Report Contd

Other Information

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 (IFRS), the requirements of the Companies and Allied Matters Act (CAMA), the Financial Reporting Council Act and the Insurance Act CAP 117 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.

Independent Auditors' Report Contd

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.

Independent Auditors' Report Contd

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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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.

Independent Auditors' Report Contd

Report on Other Legal and Regulatory Requirements

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

- i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) The 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 (NOCLAR) came to our attention during our audit of the financial statements for the year.



For: Deloitte & Touché
Chartered Accountants
Lagos, Nigeria
11 February, 2022

Engagement partner: Joshua Ojo
FRC/2013/ICAN/00000000849



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- Summary Of Significant Accounting Policies
 - Financials

Summary Of Significant Accounting Policies

1 General information

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 10 February 2022.

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.

Summary Of Significant Accounting Policies Contd

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 IFRS 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 2.4.

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 effective for periods beginning on or after January 2021

The Company applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(a) Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and 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).

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

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.

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 also required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39 Financial Instruments: Recognition and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

Summary Of Significant Accounting Policies Contd

Relief from discontinuing hedging relationships

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.

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.

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 cease to apply once all changes have been made to financial instruments and hedging relationships, as required by IBOR reform.

Separately identifiable risk components

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.

Summary Of Significant Accounting Policies Contd

Additional disclosures

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

Transition

The amendments are mandatory, with earlier application permitted. 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.

(b) COVID- 19 - Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS

Effective for annual periods beginning on or after 1 April 2021 .

Key requirements

In March 2021 , the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to 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.

Summary Of Significant Accounting Policies Contd

A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

Transition

Lessees will apply the amendment retrospectively, recognising the cumulative effect of initially applying it as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which they first apply the amendment. In the reporting period in which a lessee first applies the 2021 amendment, the lessee will not be required to disclose the information required by paragraph 28(f) of IAS 8.

In accordance with paragraph 2 of IFRS 16, a lessee is required to apply the relief consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient before or after the amendment.

Impact

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the COVID-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary. This amendment had no impact on the financial statements of the Company.

Summary Of Significant Accounting Policies Contd

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 2021 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.

| New or amended standards | Summary of the requirements | Possible impact on financial statements |
|-----------------------------|--|---|
| IFRS 17 Insurance Contracts | <p>Effective for annual periods beginning on or after 1 January 2023</p> <p>Background</p> <p>In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts.</p> <p>In June 2020, the IASB issued amendments to IFRS 17. These amendments included changing the effective date to 2023. In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyse implementation-related questions. The TRG met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria.</p> | <p>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.</p> <p>The Company already commenced a project implementation exercise and has performed 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.</p> |

Summary Of Significant Accounting Policies Contd

| New or amended standards | Summary of the requirements | Possible impact on financial statements |
|---|--|---|
| IFRS 17 Insurance Contracts - continued | <p>Scope</p> <p>IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.</p> <p>Key requirements</p> <p>In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:</p> <ul style="list-style-type: none"> • A specific adaptation for contracts with direct participation features (the variable fee approach) • A simplified approach (the premium allocation approach) mainly for short-duration contracts. The main features of the new accounting model for insurance contracts are as follows: • The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows) | |

Summary Of Significant Accounting Policies Contd

| New or amended standards | Summary of the requirements | Possible impact on financial statements |
|---|---|---|
| IFRS 17 Insurance Contracts - continued | <ul style="list-style-type: none"> • A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss based on insurance contract services provided over the coverage period. • Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period • The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice • The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period • Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet • Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense • A loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognises a recovery of a loss on initial recognition of an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses. | |

Summary Of Significant Accounting Policies Contd

| New or amended standards | Summary of the requirements | Possible impact on financial statements |
|---|--|---|
| IFRS 17 Insurance Contracts - continued | <ul style="list-style-type: none"> Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held. <p>Transition</p> <p>IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17 The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application is impracticable, an entity is required to choose from:</p> <ul style="list-style-type: none"> Modified retrospective approach - based on reasonable and supportable information available without undue cost and effort to the entity Fair value approach - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date). Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. | |

Summary Of Significant Accounting Policies Contd

| New or amended standards | Summary of the requirements | Possible impact on financial statements |
|--|---|--|
| | <p>Finalisation of amendment to IFRS 17</p> <p>In December 2021, the IASB amended IFRS 17 to add a transition option for a “classification overlay” to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies IFRS 17 (i.e., from transition date to the date of initial application of IFRS 17).</p> | |
| Classification of Liabilities as Current or Non-current: Amendments to IAS 1 | <p>In January 2021, 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:</p> <ul style="list-style-type: none"> - 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 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 |
|--|--|---|
| | <p>- 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.</p> <p>The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.</p> <p>In July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.</p> | |
| Reference to the Conceptual Framework – Amendments to IFRS 3 | <p>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.</p> <p>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. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.</p> | <p>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.</p> |

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 | <p>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.</p> <p>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. There is no transition relief for first-time adopters.</p> | 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 | <p>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.</p> <p>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.</p> <p>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.</p> | The amendments are not expected to have a material impact on the Company |
| IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter | <p>As part of its 2018-2021 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.</p> <p>The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.</p> | 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 |
|--|---|--|
| IAS 41 Agriculture – Taxation in fair value measurements | <p>As part of its 2018-2021 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.</p> <p>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.</p> | 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 | <p>As part of its 2018-2021 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.</p> <p>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.</p> | 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 |
|---|---|---|
| <p>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28</p> | <p>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.</p> <p>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.</p> <p>The amendments must be applied prospectively. Early application is permitted and must be disclosed.</p> <p>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.</p> | <p>The amendments are not expected to have any impact on the Company.</p> |

Summary Of Significant Accounting Policies Contd

| New or amended standards | Summary of the requirements | Possible impact on financial statements |
|---|--|--|
| Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 | <p>Effective for annual periods beginning on or after 1 January 2023</p> <p>Key requirements</p> <p>In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.</p> <p>The amendments aim to help entities provide accounting policy disclosures that are more useful by:</p> <ul style="list-style-type: none"> • Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and • Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. <p>Replacement of the term 'significant' with 'material'</p> <p>In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board.</p> <p>In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.</p> | 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 |
|---|---|--|
| Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 | <p>Disclosure of standardised information</p> <p>Although standardised information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed.</p> <p>Transition</p> <p>Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed. Since the amendments to the PS provide non-mandatory guidance on the application of the definition of material to accounting policy information, the Board concluded that transition requirements and an effective date for these amendments were not necessary.</p> <p>Impact</p> <p>The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully</p> | 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 |
|--|--|--|
| | consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance its usefulness. | |
| Definition of Accounting Estimates - Amendments to IAS 8 | <p>Effective for annual periods beginning on or after 1 January 2023</p> <p>Key requirements</p> <p>In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.</p> <p>Changes in accounting estimates</p> <p>The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.</p> | 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 |
|---|---|--|
| | <p>Transition</p> <p>The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.</p> | |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 | <p>Impact</p> <p>The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.</p> <p>Key requirements</p> <p>In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.</p> <p>Determining the tax base of assets and liabilities</p> <p>The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are</p> | 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 |
|--------------------------|--|---|
| | <p>attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense).</p> <p>Changes to the initial recognition exception</p> <p>Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.</p> <p>Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.</p> | |

Summary Of Significant Accounting Policies Contd

| New or amended standards | Summary of the requirements | Possible impact on financial statements |
|--------------------------|---|---|
| | <p>Transition</p> <p>An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.</p> | |

Except where otherwise stated, 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'). Except where otherwise indicated, the financial statements are presented in thousands of Naira (N'000) which is the Company's presentation currency.

Summary Of Significant Accounting Policies Contd

(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 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.

Summary Of Significant Accounting Policies Contd

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:

- 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.

Summary Of Significant Accounting Policies Contd

(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.

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.

Summary Of Significant Accounting Policies Contd

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.

Summary Of Significant Accounting Policies Contd

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(vi).

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 closing 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 other comprehensive income (OCI) in the investments revaluation reserve;

Summary Of Significant Accounting Policies Contd

- 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.

Summary Of Significant Accounting Policies Contd

(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.

Summary Of Significant Accounting Policies Contd

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 unlikelihood to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Summary Of Significant Accounting Policies Contd

(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.

Summary Of Significant Accounting Policies Contd

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 increase 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.

Summary Of Significant Accounting Policies Contd

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.

Summary Of Significant Accounting Policies Contd

(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.

Summary Of Significant Accounting Policies Contd

- 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.

Summary Of Significant Accounting Policies Contd

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.

(iii) 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.

Summary Of Significant Accounting Policies Contd

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applied the policies on accounting for modifications to the additional changes."

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.

Summary Of Significant Accounting Policies Contd

(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.

Summary Of Significant Accounting Policies Contd

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.

(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;

Summary Of Significant Accounting Policies Contd

- 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.

Summary Of Significant Accounting Policies Contd

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 is 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 2021 (2020: Nil).

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.

Summary Of Significant Accounting Policies Contd

(i) 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.

Summary Of Significant Accounting Policies Contd

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 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 50% per annum with an average lease rental of 2 years.

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 liabilities, the Company discounted lease payments using its incremental borrowing rate. The weighted-average rate applied is 11.93%.

Summary Of Significant Accounting Policies Contd

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Company remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

b) 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, the sublease shall be classified as an operating lease.

Summary Of Significant Accounting Policies Contd

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.

Summary Of Significant Accounting Policies Contd

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.

Summary Of Significant Accounting Policies Contd

(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.

Summary Of Significant Accounting Policies Contd

(iii) **Deferred 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 commission income (DCI)**

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.

- **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.

Summary Of Significant Accounting Policies Contd

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:

Summary Of Significant Accounting Policies Contd

(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.

Summary Of Significant Accounting Policies Contd

(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.

Summary Of Significant Accounting Policies Contd

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.

Summary Of Significant Accounting Policies Contd

(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.

(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.

Summary Of Significant Accounting Policies Contd

(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.

Summary Of Significant Accounting Policies Contd

(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 cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(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.

Summary Of Significant Accounting Policies Contd

(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

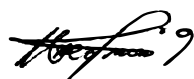
As at 31 December, 2021

| Assets | Notes | 31 Dec. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|--|---------|-----------------------|-----------------------|
| Cash and cash equivalents | 5 | 4,433,390 | 3,333,239 |
| Financial assets: | | | |
| -Fair value through profit or loss | 6(a) | 65,928,268 | 69,878,480 |
| -Fair value through other comprehensive income | 6(b) | 115,119 | 111,503 |
| -Amortised cost | 6c | 18,139,990 | 14,922,561 |
| Trade receivables | 7 | 19,019 | 12,533 |
| Reinsurance assets | 8 | 425,811 | 681,006 |
| Deferred acquisition cost | 9 | 111,589 | 79,397 |
| Other receivables and prepayments | 10 | 593,355 | 529,605 |
| Current tax assets | 21 | 119,159 | 190,865 |
| Right-of-use assets | 11.1(a) | 25,938 | 42,969 |
| Investment in equity accounted investee | 12 | 4,117,991 | 4,179,232 |
| Investment properties | 13 | 1,002,819 | 1,002,819 |
| Property, plant and equipment | 14 | 3,106,145 | 3,018,580 |
| Intangible assets | 15 | 82,766 | 99,745 |
| Statutory deposit | 16 | 260,000 | 260,000 |
| Total assets | | 98,481,359 | 98,342,534 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Insurance contract liabilities | 17 | 71,875,856 | 77,727,665 |
| Investment contract liabilities | 18 | 8,616,191 | 6,072,622 |
| Trade payables | 19 | 1,685,441 | 1,114,387 |
| Other payables | 20 | 1,637,518 | 1,180,758 |
| Deferred tax liabilities | 22 | 545,728 | 520,578 |
| Deposit for shares | 23 | - | - |
| | | 84,360,734 | 86,616,010 |
| Equity | | | |
| Issued share capital | 24 | 8,000,000 | 8,000,000 |
| Contingency reserve | 26 | 1,698,098 | 1,354,712 |
| Asset revaluation reserve | 27 | 659,931 | 601,248 |
| Fair value reserve | 28 | 91,691 | 90,126 |
| Retained earnings | | 3,670,905 | 1,680,438 |
| Total equity | | 14,120,625 | 11,726,524 |
| Total equity and liabilities | | 98,481,359 | 98,342,534 |

These financial statements were approved by the Board of Directors on 10 February 2022 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, 2021

| | Notes | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|--|-------|-----------------------|-----------------------|
| Gross premium written | 31 | 32,464,843 | 26,058,468 |
| Gross premium income | 31 | 32,473,000 | 26,059,561 |
| Reinsurance expenses | 32 | (2,083,304) | (1,381,345) |
| Net premium income | | 30,389,696 | 24,678,216 |
| Fees and commission income | 33 | 278,603 | 235,653 |
| Net underwriting income | | 30,668,299 | 24,913,869 |
| Net insurance benefits and claims | 34 | (15,477,946) | (10,249,630) |
| Changes in life/ annuity fund estimate | 35 | 4,865,306 | (32,798,340) |
| Underwriting expense | 36 | (3,418,831) | (2,046,501) |
| Underwriting result | | 16,636,828 | (20,180,602) |
| Investment income | 37 | 8,811,852 | 7,400,420 |
| Profit on investment contracts | 38 | 110,111 | 101,236 |
| Net fair value (loss)/gain | 39 | (22,681,088) | 15,326,834 |
| Impairment allowance | 40 | (49,339) | (28,560) |
| Net realised gain | 41 | 2,677,413 | 1,577,420 |
| Share of profit of equity accounted investee | 42 | 224,146 | - |
| Other operating income | 43 | 433,583 | 78,055 |
| Total investment and other (loss)/ income | | (10,473,322) | 24,455,405 |
| Employee benefit expenses | 44 | (598,969) | (387,862) |
| Marketing and administrative expenses | 45 | (452,787) | (327,333) |
| Other operating expenses | 46 | (1,570,781) | (1,114,928) |
| Total operating expenses | | (2,622,537) | (1,830,123) |
| Profit before taxation | | 3,540,969 | 2,444,680 |
| Income tax (expense)/write-back | 47 | (107,116) | 169,663 |
| Profit after taxation | | 3,433,853 | 2,614,343 |
| Other comprehensive income: | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Asset revaluation on property, plant and equipment, net of tax | | 58,683 | 57,537 |
| Net change on equities classified at fair value through other comprehensive income, net of tax | 28 | 1,565 | 4,994 |
| Items that may be reclassified subsequently to profit or loss | | - | - |
| Other comprehensive income for the year, net of tax | | 60,248 | 62,531 |
| Total comprehensive income for the year | | 3,494,101 | 2,676,874 |
| Earnings per share (kobo) - Basic | 49 | 21 | 16 |

Statement Of Changes In Equity

For the year ended 31 December, 2021

Attributable to equity holders

| | Share Capital N'000 | Share Premium N'000 | Retained Earnings N'000 | Contingency Reserve N'000 | Fair Value Reserve N'000 | Asset Revaluation Reserve N'000 | Total Equity N'000 |
|--|---------------------------|---------------------------|-------------------------------|---------------------------------|--------------------------------|--|--------------------------|
| For the year ended 31 December 2021 | | | | | | | |
| Balance, beginning of year | 8,000,000 | - | 1,680,438 | 1,354,712 | 90,126 | 601,248 | 11,726,524 |
| Profit for the year | - | - | 3,433,853 | - | - | - | 3,433,853 |
| Transfer to contingency reserves | - | - | (343,386) | 343,386 | - | - | - |
| Other comprehensive income | - | - | - | - | 1,565 | 58,683 | 60,248 |
| Dividend declared and paid | - | - | (1,100,000) | - | - | - | (1,100,000) |
| Balance, end of year | 8,000,000 | - | 3,670,905 | 1,698,098 | 91,691 | 659,931 | 14,120,625 |

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) | | | | - |
| Transfer to contingency reserves | - | - | (260,605) | 260,605 | - | - | - |
| Other comprehensive income | - | - | - | - | 4,994 | 57,537 | 62,531 |
| Dividend declared and paid | - | - | (500,000) | - | - | - | (500,000) |
| Balance, end of year | 8,000,000 | - | 1,680,438 | 1,354,712 | 90,126 | 601,248 | 11,726,524 |

Statement Of Cash Flows

For the year ended 31 December, 2021

| | | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|---|--------------|-----------------------|-----------------------|
| Cash flows from operating activities | Notes | | |
| Cash premium received | | 31,417,130 | 26,085,814 |
| Cash paid as reinsurance premium | 19(a) | (2,007,487) | (1,331,723) |
| Fee and commission income received | | 271,080 | 235,653 |
| Cash received on investment contract liabilities | 18 | 1,016,356 | 409,199 |
| Cash paid to investment contract holders | 18 | (503,435) | (443,865) |
| Claims paid | 34 | (15,208,688) | (10,636,538) |
| Cash received from re-assurers and co-assurers as recoveries on claims paid | 8(d) | 708,962 | 299,977 |
| Underwriting expenses paid | | (3,381,067) | (2,001,462) |
| Employee benefits paid | 44 | (598,969) | (387,862) |
| Rent received | | 58,879 | 86,307 |
| Net cash payments received /(paid) on behalf of Legacy Fund | 51 | 50,833 | (141,571) |
| Deposit for premium | 19 | 1,567,501 | 1,041,227 |
| Other operating expenses paid | | (1,325,307) | (2,438,123) |
| Other operating income received | | 326,544 | 26,047 |
| Cash flows generated from operating activities | | 12,392,332 | 10,803,080 |
| Income tax paid | 21 | - | (224,068) |
| Net cash provided by operating activities | | 12,392,332 | 10,579,012 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 14 | (198,313) | (122,102) |
| Purchase of intangible assets | 15(b) | (49,299) | (850) |
| Proceeds on sale of property, plant and equipment | | 800 | 1,061 |
| Acquisition of investment in equity accounted investee | 12 | - | (4,179,232) |
| Purchase of investment securities | | (42,919,287) | (27,011,815) |
| Proceeds on sale of investments/redemption | | 23,877,708 | 13,686,660 |
| Purchase of investment properties | 13(a) | (2,200) | (7,836) |
| Interest received | | 8,915,859 | 8,897,451 |
| Dividend received from financial assets | | 189,083 | 182,791 |
| Dividend received from investment in equity accounted investee | 12 | 285,387 | - |
| Net cash used in investing activities | | (10,185,649) | (8,553,872) |

Statement Of Cash Flows Contd

For the year ended 31 December, 2021

| | Notes | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|---|---------|-------------------------|-------------------------|
| Cash flows from financing activities | | | |
| Principal portion of lease liabilities paid | 11.1(b) | (8,620) | (45,581) |
| Refund of deposit for shares | 23 | - | (500,000) |
| Dividend paid to shareholders | 50 | (1,100,000) | (900,000) |
| Net cash used in financing activities | | <u>(1,108,620)</u> | <u>(1,445,581)</u> |
| Net increase in cash and cash equivalents | | 1,098,063 | 579,559 |
| Cash and cash equivalents at 1 January | | 3,333,239 | 2,753,298 |
| Effect of exchange rate changes in cash & cash equivalent | | 2,088 | 382 |
| Cash and cash equivalents at 31 December | 5 | <u>4,433,390</u> | <u>3,333,239</u> |

Notes to the Financial Statements

For the year ended 31 December 2021

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):

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):

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.

Notes To The Financial Statements

(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 ₦343 million (2020 : ₦647 million) 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, a total impairment of ₦19 million (2020 : ₦12.5 million) would have been recognised in the income statement. See note 7 for details.

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.

Notes To The Financial Statements Contd

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 2021, the Company has underwritten 15,484 (2020 : 12,380) annuity policies with annual annuity payment of ₦8.738 billion (2020 : ₦6.699 billion).

The movement in the annuity portfolio is analysed below:

| | Number of annuity policies | Annual Annuity (₦'000) |
|---------------------------------------|-------------------------------|---------------------------|
| 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 |
| New entrants | 3,335 | 2,170,900 |
| Adjustments on opening annual annuity | - | 13,734 |
| Deaths / exits | (231) | (145,839) |
| At 31 December 2021 | 15,484 | 8,737,843 |

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.

Notes To The Financial Statements Contd

IBNR reserves were calculated using a loss ratio approach, where the underlying rates were based on an analysis of historical group life claims experience and triangulation approach. No separate reserve was proposed for claims handling costs for Group Life business as these were typically insignificant in size. Any costs incurred was absorbed as part of general business management costs.

d) Assumptions used

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

(i) Valuation interest rate

The Company adopted a yield curve approach for the 2021 year end valuation. There was a general steady increase in market yields across all terms in the Nigerian bond market during the inter-valuation period. Both yields at the long (maturity 15 years and above) and short end of the bond spectrum increased by more than 500bps.

We adopted the Smith-Wilson Yield-Curve extrapolation approach with the Ultimate Forward Rate (UFR) set in accordance with the current Yield to maturity of the longest available tenor bond (FGN 2050) in the Nigerian bond market at the value date (31 December 2021) under the assumption that yields stay flat after the longest available tenor bond. Convergence to the UFR is also proposed to be set to the tenor of the longest available bond – 29years.

This approach is the most used method because of its simplicity, can be applied to raw market data and it provides perfect fit to liquid market data.

The Smith-Wilson method uses the available data to exactly fit bond prices where data are available and to extrapolate them by using a weighted average of the last observable data point and the predetermined Ultimate Forward Rate (UFR).

The model uses the following parameters:

For the annuity and non – annuity businesses:

- The Ultimate Forward Rate will be set equal to the YTM of the 2050-FGN Bond of 13.28% under the assumption that yields stay flat after the longest available tenor bond
- Alpha parameter of 18bp
- Convergence parameter of 30 years

Notes To The Financial Statements Contd

However, in the Constant VIR, the bond yield that are assumed to match the annuity and non-annuity businesses are selected and an average of the yield rate is taken less the prudence and reinvestment risk margin as the valuation interest rate (VIR).

A prudence margin of 10bp, as well as a further reinvestment risk margin of 10bp, will be added to reflect the degree of mismatch between the assets and the liabilities.

We adopted net valuation interest rates (VIR) of 12.85% per annum for all long term businesses including annuity. These rates are to be applied as single long term rates of return.

(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 ₦5,500 per annum for individual life, deposit administration and annuity business, while group schemes (credit life, mortgage and paid-up endowments) were reserved for at an expense of ₦555 per annum.

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 (Consumer Price Inflation as at 31 December 2021 was 15.75%). In the long term, we anticipate a fall in the consumer price inflation (CPI) index and more efficiency in the Company's operations.

Notes To The Financial Statements Contd

(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. For annuity books, we use UK PA90 Ultimate Mortality Tables with an age rating of -2 for both males and females.

The proposed mortality table for the current valuation remains at the UK's Mortality of Assured Lives 1967-70 (A67-70) without adjustment for individual risk business.

The industry analysis shows that the A67-70 table appears prudent based on recent experience, however, the Company will continue to build up a picture of experience before the tables are adjusted. Further the reserves are less sensitive to the mortality basis - with discount rate and expense being more dominant assumptions.

(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.

Notes To The Financial Statements Contd

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 ₦3.245 billion, whilst a - 1% change in VIR will result in additional Life fund liability by ₦3.606 billion.

A movement of expenses by + 10% will result in an increase the Life fund liability by ₦174 million whilst a - 10% change will reduce the Life fund liability by ₦173 million. Expense inflation moving by + 2% will increase the life fund by ₦315 million whilst a - 2% will produce a reduced Life fund liability by ₦242 million.

Notes To The Financial Statements Contd

Sensitivity Of Liabilities To Changes In Long Term Valuation Assumptions For The 31 December 2021 Valuation

| | Base ₹'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 | 5,670,285 | - | - | - | - | - | - | - | - | - | - |
| Investment Linked Plans - Risk Reserve | 139,648 | (4,719) | 5,184 | 8,433 | (8,411) | 4,425 | (3,830) | - | - | 2,320 | (2,354) |
| Traditional Plans (excluding PRA Annuity) | 3,647,292 | (126,894) | 139,876 | 22,953 | (22,419) | 11,238 | (10,126) | 21,461 | (21,044) | 8,851 | (8,707) |
| PRA Annuity | 62,190,998 | (3,108,568) | 3,455,595 | 135,575 | (135,575) | 294,582 | (223,887) | - | - | 334,702 | (324,618) |
| Additional reserves | 889,243 | - | - | - | - | - | - | - | - | - | - |
| Group DA | 2,945,906 | - | - | - | - | - | - | - | - | - | - |
| Group Life – UPR | 578,432 | - | - | - | - | - | - | - | - | - | - |
| Group Life – IBNR | 2,340,215 | - | - | - | - | - | - | - | - | - | - |
| Outstanding Claims | 1,932,738 | - | - | - | - | - | - | - | - | - | - |
| Other Group Risk | 157,290 | (4,858) | 5,423 | 7,109 | (6,978) | 4,497 | (3,699) | - | - | 7,251 | (7,222) |
| Reinsurance | (425,811) | - | - | - | - | - | - | - | - | - | - |
| Net liability | 80,066,237 | (3,245,038) | 3,606,078 | 174,070 | (173,383) | 314,742 | (241,541) | 21,461 | (21,044) | 353,124 | (342,900) |
| % Change in net liability | | -4.1% | 4.5% | 0.2% | -0.2% | 0.4% | -0.3% | 0.0% | 0.0% | 0.4% | -0.4% |
| Summary | | | | | | | | | | | |
| Individual | 72,537,466 | (3,240,181) | 3,600,655 | 166,961 | (166,405) | 310,244 | (237,842) | 21,461 | (21,044) | 345,874 | (335,678) |
| Group | 7,528,771 | (4,858) | 5,423 | 7,109 | (6,978) | 4,497 | (3,699) | - | - | 7,251 | (7,222) |
| Net liability | 80,066,237 | (3,245,038) | 3,606,078 | 174,070 | (173,383) | 314,742 | (241,541) | 21,461 | (21,044) | 353,124 | (342,900) |
| % Change in liability | 0.0% | -4.1% | 4.5% | 0.2% | -0.2% | 0.4% | -0.3% | 0.0% | 0.0% | 0.4% | -0.4% |

Notes To The Financial Statements Contd

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

| | Base ₹'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 | 83,800,287 | (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% |

Notes To The Financial Statements Contd

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, Investment and General Purpose Committee.

Notes To The Financial Statements Contd

Price risk sensitivity

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

31 December 2021

| Amounts in thousands of Naira | Gross Amount ₦'000 | Increase by 13.5% ₦'000 | Increase by 20% ₦'000 | Decrease by 13.5% ₦'000 | Decrease by 20% ₦'000 |
|-------------------------------|--------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Investment securities: | | | | | |
| Government & corporate bonds | 61,050,703 | 8,241,845 | 12,210,141 | (8,241,845) | (12,210,141) |
| Equity securities | 4,877,565 | 658,471 | 975,513 | (658,471) | (975,513) |
| Other unquoted securities | 115,119 | 15,541 | 23,024 | (15,541) | (23,024) |
| Impact on profit before tax | | 8,915,857 | 13,208,677 | (8,915,857) | (13,208,677) |

31 December 2020

| | | | | | |
|------------------------------|------------|------------------|-------------------|--------------------|---------------------|
| Investment securities: | | | | | |
| Government & corporate bonds | 65,327,309 | 8,819,187 | 13,065,462 | (8,819,187) | (13,065,462) |
| 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) |

Notes To The Financial Statements Contd

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 2021 | | | 31 December 2020 | | |
|---------------------------|------------------|-------|-------|------------------|-------|-------|
| | USD | EUR | GBP | USD | EUR | GBP |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Cash and cash equivalents | 55,061 | - | 4,827 | 13,324 | - | 4,511 |
| Investment securities | 2,101,792 | - | - | 1,613,934 | - | - |

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.

Notes To The Financial Statements Contd

The following table details the effect of foreign exchange risk on the profit as at 31 December 2021 :

Foreign exchange sensitivity

| 31 December 2021 | Increase by 10% ₦'000 | Increase by 20% ₦'000 | Decrease by 10% ₦'000 | Decrease by 15% ₦'000 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents | | | | |
| Investment securities | 5,989 | 11,978 | (5,989) | (8,983) |
| Financial assets held to maturity at amortised cost | | | | |
| Effect on profit before tax | 210,179 | 420,358 | (210,179) | (315,269) |
| Taxation @ 30% | 5,989 | 11,978 | (5,989) | (8,983) |
| Effect on profit after tax | 1,797 | 3,593 | (1,797) | (2,695) |
| | 4,192 | 8,384 | (4,192) | (6,288) |
| | | | | |
| 31 December 2020 | Increase by 10% ₦'000 | Increase by 20% ₦'000 | Decrease by 10% ₦'000 | Decrease by 15% ₦'000 |
| Cash and cash equivalents | | | | |
| Investment securities | 1,784 | 3,567 | (1,784) | (2,675) |
| Financial assets held to maturity | | | | |
| Effect on profit before tax | 161,393 | 322,787 | (161,393) | (242,090) |
| Taxation @ 30% | 1,784 | 3,567 | (1,784) | (2,675) |
| Effect on profit after tax | 535 | 1,070 | (535) | (803) |
| | 1,248 | 2,497 | (1,248) | (1,873) |

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.

Notes To The Financial Statements Contd

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 details the maturity profile of the interest rate sensitivity analysis of Custodian Life Assurance Limited as at 31 December 2021, 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.

Notes To The Financial Statements Contd

31 December 2021

| | Non interest bearing | 1-3 months | 3-6 months | >6 months | Total |
|---------------------------------|-------------------------|------------------|------------|-------------------|-------------------|
| | Interest earning assets | | | | |
| Cash and cash equivalents | 7 | 4,433,383 | - | - | 4,433,390 |
| Bonds | - | - | - | 78,631,576 | 78,631,576 |
| Loans and receivables | - | - | - | 625,878 | 625,878 |
| Statutory deposit | - | - | - | 260,000 | 260,000 |
| Total interest earning assets | 7 | 4,433,383 | - | 79,517,454 | 83,950,844 |
| Interest bearing liabilities | | | | | |
| Investment contract liabilities | | | | | |
| – At amortised cost | - | - | - | 8,616,191 | 8,616,191 |
| | - | - | - | 8,616,191 | 8,616,191 |
| Gap | | 4,433,383 | - | 70,901,263 | 75,334,653 |
| Cumulative gap | | 4,433,383 | 4,433,383 | 75,334,646 | |
| Increase by 100bp | | 44,334 | - | 709,013 | 753,347 |
| Increase by 500bp | | 221,669 | - | 3,545,063 | 3,766,733 |
| Decrease by 100bp | | (44,334) | - | (709,013) | (753,347) |
| Decrease by 500bp | | (221,669) | - | (3,545,063) | (3,766,733) |

Notes To The Financial Statements Contd

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 | | | | | |
| 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

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 ₦'000 | % Exposure |
|----------------------------|-----------------|------------|
| Investment property | 1,002,819 | 1% |
| Interest generating assets | 83,950,844 | 99% |
| | 84,953,663 | |

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.

Notes To The Financial Statements Contd

- 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.
- 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.
- 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.

Notes To The Financial Statements Contd

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 impairment is determined using the Expected Credit Loss (ECL) model in line with the requirement of IFRS 9.

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.

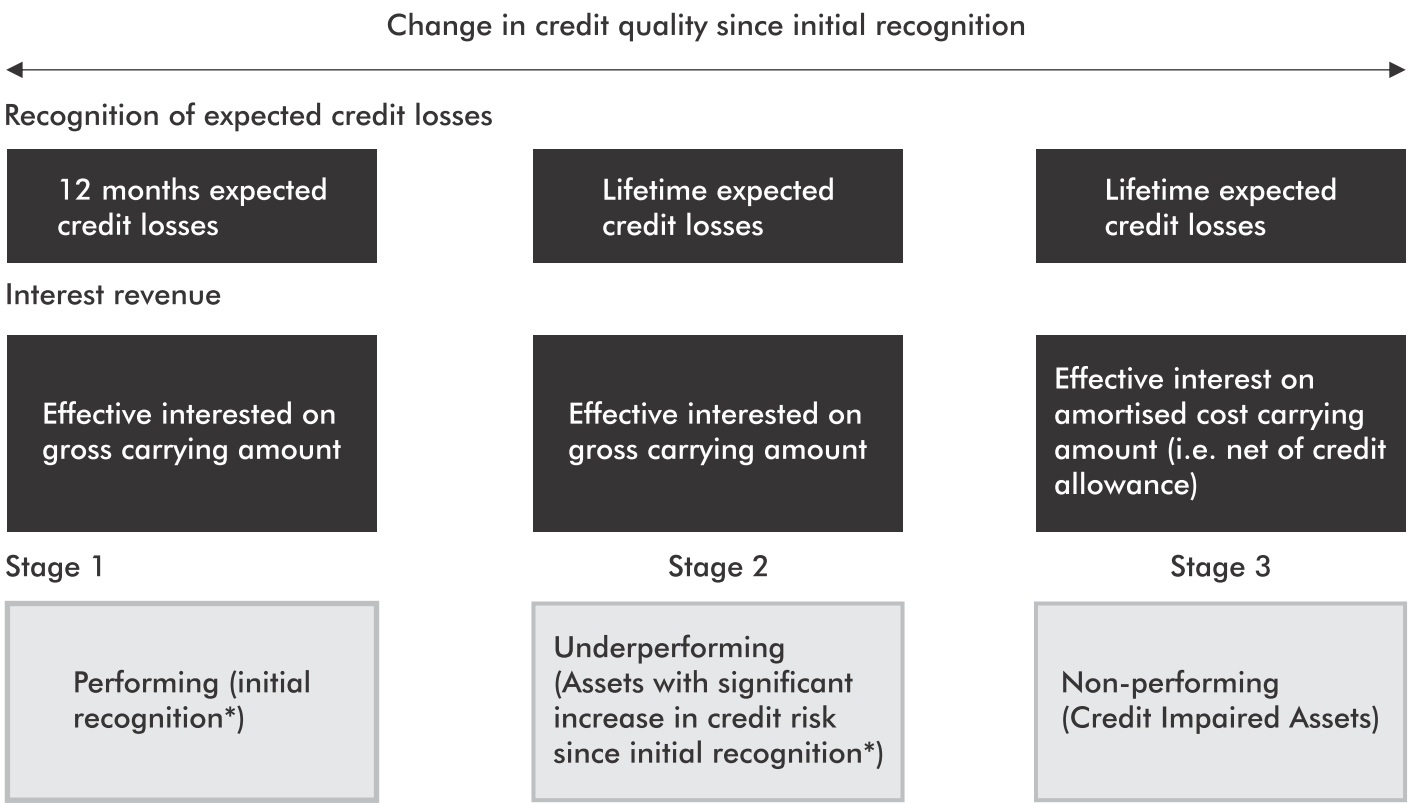
The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost or FVOCI, and to off-balance sheet lending commitments such as loan commitments and financial guarantees (hereafter collectively referred to as financial assets).

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.

Notes To The Financial Statements Contd

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:



*Except for purchased or originated credit impaired assets

Notes To The Financial Statements Contd

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 (ECL)

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) |

Notes To The Financial Statements Contd

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 credit-worthiness 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.
- 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 range 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.

Notes To The Financial Statements Contd

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 unlikelihood 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 (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL. 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.

Notes To The Financial Statements Contd

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.

Notes To The Financial Statements Contd

| Internal rating grade | Moody's rating | 2021 | | | 2020 | | |
|---------------------------|----------------|-----------------|----------------|----------------|-----------------|----------------|----------------|
| | | 12mECL ₦'000 | LTECL ₦'000 | Total ₦'000 | 12mECL ₦'000 | LTECL ₦'000 | Total ₦'000 |
| Performing | | | | | | | |
| Cash and cash equivalents | | | | | | | |
| High grade | AAA-A+ | - | - | - | - | - | - |
| Standard grade | BBB-B+ | 4,433,383 | - | 4,433,383 | 3,333,233 | - | 3,333,233 |
| Past due but not impaired | C-CCC | - | - | - | - | - | - |
| Default | D | - | - | - | - | - | - |
| Total gross amount | | 4,433,383 | - | 4,433,383 | 3,333,233 | - | 3,333,233 |
| ECL | | (83,608) | - | (83,608) | (72,133) | - | (72,133) |
| Total net amount | | (148,018) | - | 4,349,775 | 3,261,100 | - | 3,261,100 |
| | | | | | | | |
| Financial assets | | | | | | | |
| - amortised cost | | | | | | | |
| High grade | AAA-A+ | - | - | - | - | - | - |
| Standard grade | BBB-B+ | 18,206,751 | - | 18,206,751 | 14,969,852 | - | 14,969,852 |
| Past due but not impaired | C-CCC | - | - | - | - | - | - |
| Default | D | - | - | - | - | - | - |
| Total gross amount | | 18,206,751 | - | 18,206,751 | 14,969,852 | - | 14,969,852 |
| ECL | | (66,761) | - | (66,761) | (47,291) | - | (47,291) |
| Total net amount | | 18,139,990 | - | 18,139,990 | 14,922,561 | - | 14,922,561 |

Notes To The Financial Statements Contd

Collateral for other receivables

Some of the Company's receivables (e.g. mortgage loans and car loans) are collateralised with assets ranging from properties and vehicles. As at 31 December 2021, 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 ₹56 million (2020: ₹4.5 million).

As at 31 December 2021, the Company had no asset reposed as security against asset. The Company 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 2021, the Company has not pledged any of its assets as collateral for any liability or payable balance (2020: 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.

Notes To The Financial Statements Contd

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

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.

Notes To The Financial Statements Contd

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 (OECD) and the International Monetary Fund (IMF) 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 cost of any collateral that is integral to the financial asset. For loans secured with properties or asset, loan to value ratios are key parameter in determining LGD. LGDs are calculated on a discounted cash flow basis using effective interest rate as the discounting factor.

Notes To The Financial Statements Contd

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 2021.

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.

Notes To The Financial Statements Contd

Analysis of inputs to the ECL model under multiple economic scenarios

31 December 2021

| Key drivers | ECL Scenario | Assigned Probabilities | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------------------------------|--------------|------------------------|--------|--------|--------|--------|--------|
| Macroeconomic variable | | | | | | | |
| GDP Growth rate (%) | | | | | | | |
| | Upside | 12% | 4.08 | 2.71 | 2.69 | 2.60 | 2.68 |
| | Base case | 79% | 4.04 | 2.67 | 2.65 | 2.56 | 2.64 |
| | Downside | 9% | 4.00 | 2.63 | 2.61 | 2.52 | 2.60 |
| Inflation rates (%) | | | | | | | |
| | Upside | 12% | 14.44 | 13.29 | 11.81 | 11.54 | 11.54 |
| | Base case | 79% | 14.40 | 13.25 | 11.77 | 11.50 | 11.50 |
| | Downside | 9% | 14.36 | 13.21 | 11.73 | 11.46 | 11.46 |
| Oil Prices "USD"(price per barrel) | | | | | | | |
| | Upside | 12% | 112.39 | 100.85 | 101.81 | 102.79 | 103.79 |
| | Base case | 79% | 71.54 | 60.00 | 60.96 | 61.94 | 62.94 |
| | Downside | 9% | 46.61 | 35.07 | 36.03 | 37.01 | 38.01 |
| Unemployment rates (%) | | | | | | | |
| | Upside | 12% | 23.36 | 23.16 | 22.46 | 22.16 | 21.96 |
| | Base case | 79% | 32.70 | 32.50 | 31.80 | 31.50 | 31.30 |
| | Downside | 9% | 48.80 | 48.60 | 47.90 | 47.60 | 47.40 |

Notes To The Financial Statements Contd

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 |

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.

Notes To The Financial Statements Contd

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

| Amounts are in thousands of Naira | | Cash and cash equivalents N'000 | Financial assets - amortised cost N'000 | Other receivables N'000 | Total N'000 |
|-----------------------------------|-----|---------------------------------------|---|-------------------------------|----------------|
| 31 December 2021 | | | | | |
| Upside | 30% | 25,082 | 20,028 | - | 45,111 |
| Base case | 40% | 33,443 | 26,704 | - | 60,148 |
| Downside | 30% | 25,082 | 20,028 | - | 45,111 |
| | | <u>83,608</u> | <u>66,761</u> | <u>-</u> | <u>150,369</u> |
| 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 |
| | | <u>72,133</u> | <u>47,291</u> | <u>-</u> | <u>119,424</u> |

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.

Notes To The Financial Statements Contd

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:

| Amounts in thousands of Naira | 31 Dec. 2021 | 31 Dec. 2020 |
|---|--------------|--------------|
| Gross premium receivable | 19,019 | 12,533 |
| Recoverable from re-assurers & co-assurers on claims paid | 131,444 | 151,537 |
| Reinsurers' share of outstanding claims | 119,067 | 97,408 |
| Total | 269,530 | 261,478 |
| Neither due nor impaired | 138,086 | 148,428 |
| Individually impaired | 131,444 | 113,050 |
| Gross total | 269,530 | 261,478 |
| Impairment allowance | (131,444) | (113,050) |
| Carrying amount | 138,086 | 148,428 |

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. 2021 | 31 Dec. 2020 |
|---|--------------|--------------|
| Other receivables (less prepayment) | 422,577 | 467,450 |
| Other assets carried at amortised cost | 625,878 | 128,368 |
| Total receivables neither due nor impaired | 1,048,455 | 595,818 |
| Gross total | 1,048,455 | 595,818 |
| Impairment allowance | (11,133) | (762) |
| Carrying amount | 1,037,322 | 595,056 |

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 2021 is as follows:

Amounts in thousands of Naira

31 Dec. 2021 31 Dec. 2020

| | | |
|------------------------|----------------|----------------|
| Trade receivables | 19,019 | 12,533 |
| Reinsurance receivable | 250,511 | 248,945 |
| Total | <u>269,530</u> | <u>261,478</u> |

31 December 2021

| Category | A | B | C | D | Total |
|----------------------------|----------------|----------|----------|----------------|----------------|
| Insurance brokers | 19,019 | - | - | - | 19,019 |
| Insurance companies | - | - | - | - | - |
| Reinsurance companies | 119,067 | - | - | 131,444 | 250,511 |
| Policy holders | - | - | - | - | - |
| | <u>138,086</u> | <u>-</u> | <u>-</u> | <u>131,444</u> | <u>269,530</u> |
| Impairment | - | - | - | (131,444) | (131,444) |
| Net carrying amount | <u>138,086</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>138,086</u> |

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 | - | - | - | - | - |
| | <u>148,428</u> | <u>-</u> | <u>-</u> | <u>113,050</u> | <u>261,478</u> |
| Impairment | - | - | - | (113,050) | (113,050) |
| Net carrying amount | <u>148,428</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>148,428</u> |

Notes To The Financial Statements Contd

4.3.2 Concentration of credit risk

The Company monitors concentration of credit risk by sector.

| Concentration of credit risk | Financial institutions N'000 | Manufacturing/ telecom N'000 | Real estate N'000 | Public sector N'000 | Wholesale & retail trade N'000 | Individuals N'000 | Total N'000 |
|--|---------------------------------|------------------------------------|----------------------|------------------------|--------------------------------------|----------------------|-------------------|
| 31 December 2021 | | | | | | | |
| Cash and cash equivalents | 4,433,383 | - | - | - | - | - | 4,433,383 |
| Financial assets: | | | | | | | |
| Assets designated at fair value through profit or loss | 2,011,015 | - | - | 59,039,688 | - | - | 61,050,703 |
| Assets held at amortised cost | 2,534,318 | - | - | 15,545,878 | - | 126,555 | 18,206,751 |
| Trade receivables | 19,019 | - | - | - | - | - | 19,019 |
| Reinsurance assets | 250,511 | - | - | - | - | - | 250,511 |
| Other receivables | 422,577 | - | - | - | - | - | 422,577 |
| Statutory deposit | - | - | - | 260,000 | - | - | 260,000 |
| Total | 9,670,823 | - | - | 74,845,566 | - | 126,555 | 84,642,944 |

| Concentration of credit risk | Financial institutions N'000 | Manufacturing/ telecom N'000 | Real estate N'000 | Public sector N'000 | Wholesale & retail trade N'000 | Individuals N'000 | Total N'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 |

Notes To The Financial Statements Contd

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.

Notes To The Financial Statements Contd

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

31 December 2021

| <i>In thousands of Nigerian Naira</i> | Related amounts not offset in the statement of financial position | | | | | |
|---|--|---|---|--|--------------------------------|---------------|
| | 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 of financial position | Financial instruments not offset in the statement of financial position | Cash collateral received | Net amount |
| Trade receivables | 19,019 | - | 19,019 | - | - | 19,019 |
| Reinsurance assets (less prepaid reinsurance, IBNR & reserves) | 250,511 | - | 250,511 | - | - | 250,511 |
| Total | 269,530 | - | 269,530 | - | - | 269,530 |

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

| <i>In thousands of Nigerian Naira</i> | Related amounts not offset in the statement of financial position | | | | | |
|---|--|---|---|---|--------------------------------|---------------|
| | 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 of financial position | Financial instruments not offset in the statement of financial position | Cash collateral received | Net amount |
| Trade receivables | 1,685,441 | - | 1,685,441 | - | - | 1,685,441 |
| Total | 1,685,441 | - | 1,685,441 | - | - | 1,685,441 |

Notes To The Financial Statements Contd

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 | | | | | |
|--|---|---|--|---|--------------------------|------------|
| | 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 of financial position | Financial instruments not offset in the statement of financial position | Cash collateral received | Net amount |
| <i>In thousands of Nigerian Naira</i> | | | | | | |
| 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

| 31 December 2020 | Related amounts not offset in the statement of financial position | | | | | |
|---------------------------------------|---|--|---|---|--------------------------|------------|
| | 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 of financial position | Financial instruments not offset in the statement of financial position | Cash collateral received | Net amount |
| <i>In thousands of Nigerian Naira</i> | | | | | | |
| Trade receivables | 1,114,387 | - | 1,114,387 | - | - | 1,114,387 |
| Total | 1,114,387 | - | 1,114,387 | - | - | 1,114,387 |

Notes To The Financial Statements Contd

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 2021 | Carrying amounts N'000 | Gross total N'000 | 1-3 months N'000 | 3-6 months N'000 | 6-12 months N'000 | 1-5 years N'000 | > 5years N'000 |
|---|------------------------------|----------------------|---------------------|---------------------|----------------------|--------------------|-------------------|
| Cash and cash equivalents | 4,433,383 | 4,516,991 | 4,516,991 | - | - | - | - |
| Investment securities: | | | | | | | |
| Assets designated at fair value through profit or loss | 61,050,703 | 61,050,703 | 25,120 | - | | 2,744,673 | 58,280,910 |
| Assets at amortised cost | 18,139,990 | 18,206,751 | - | 499,323 | - | 6,236,853 | 11,470,575 |
| Trade receivables | 19,019 | 19,019 | 19,019 | - | - | - | - |
| Reinsurance assets (less prepaid reinsurance, IBNR & Reserves) | 119,067 | 250,511 | 131,444 | - | 119,067 | - | - |
| Other receivables (less prepayment) | 422,577 | 422,577 | 422,577 | - | - | - | - |
| Total financial assets | 84,184,739 | 84,466,552 | 5,115,151 | 499,323 | 119,067 | 8,981,526 | 69,751,485 |
| Investment contract liabilities: | | | | | | | |
| – At amortised cost | 8,616,191 | 9,133,162 | - | - | 2,945,906 | 6,187,256 | - |
| Trade payables | 1,685,441 | 1,685,441 | 1,685,441 | - | - | - | - |
| Other liabilities (less deferred income) | 1,506,066 | 1,506,066 | 970,038 | 536,028 | | - | - |
| Total financial liabilities | 11,807,698 | 12,324,669 | 2,655,479 | 536,028 | 2,945,906 | 6,187,256 | - |
| Net financial assets/(liabilities) | 72,377,041 | 72,141,883 | 2,459,672 | (36,705) | (2,826,839) | 2,794,270 | 69,751,485 |
| Insurance contract liabilities | 71,875,856 | 71,875,856 | 216,392 | 116,728 | 67,879 | 947,516 | 70,527,341 |
| Net policyholders' assets/(liabilities) | 501,185 | 266,027 | 2,243,280 | (153,433) | (2,894,718) | 1,846,754 | (775,856) |

Notes To The Financial Statements Contd

| 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 | 3,405,372 | 3,405,372 | - | - | - | - |
| 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 carried 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 | 84,431,461 | 4,036,892 | 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) | 39,281 | 39,281 | 39,281 | - | - | - | - |
| Total financial liabilities | 7,226,290 | 7,590,647 | 1,153,668 | - | 26,799 | 6,410,180 | - |
| Net financial assets | 76,972,691 | 76,840,814 | 2,883,224 | 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' (liabilities)/assets | (754,974) | (886,851) | 2,605,537 | (91,646) | 1,562,376 | 425,721 | (5,388,839) |

Notes To The Financial Statements Contd

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. 2021 | 31 Dec. 2020 |
|------------------------------|--------------|--------------|
| Regulatory capital held | 10,813,476 | 8,383,218 |
| 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.

Notes To The Financial Statements Contd

The Solvency Margin for the Company as at 31 December 2021 is as

| | Total | | Admissible | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
| Assets | | | | |
| Cash and cash equivalents | 4,433,390 | 3,333,239 | 4,433,390 | 3,333,239 |
| Financial assets: | | | | |
| -Fair value through profit or loss | 65,928,268 | 69,878,480 | 65,928,268 | 69,878,480 |
| -Fair value through other comprehensive income | 115,119 | 111,503 | 115,119 | 111,503 |
| -Amortised cost | 18,139,990 | 14,922,561 | 18,139,990 | 14,922,561 |
| Other receivables | 593,355 | 529,605 | - | - |
| Statutory deposit | 260,000 | 260,000 | 260,000 | 260,000 |
| Land and building | 2,576,036 | 2,792,696 | 666,667 | 666,667 |
| Furniture and fittings | 45,710 | 35,444 | 45,710 | 35,444 |
| Office equipment | 55,854 | 46,243 | 55,854 | 46,243 |
| Computer equipment | 27,519 | 20,007 | 27,519 | 20,007 |
| Motor vehicles | 172,851 | 109,624 | 172,851 | 109,624 |
| Work-in-progress | 228,175 | 14,566 | - | - |
| Current tax assets | 119,159 | 190,865 | - | - |
| Intangible assets | 82,766 | 99,745 | 82,766 | 99,745 |
| Investment in equity accounted investee | 4,117,991 | 4,179,232 | 4,117,991 | 4,179,232 |
| Investment property | 1,002,819 | 1,002,819 | - | - |
| Right-of-use assets | 25,938 | 42,969 | 25,938 | 42,969 |
| Prepaid reinsurance asset | 41,392 | 142,385 | 41,392 | 142,385 |
| Deferred acquisition cost | 111,589 | 79,397 | 111,589 | 79,397 |
| Trade receivables | 19,019 | 12,533 | 19,019 | 12,533 |
| Reinsurance IBNR/ claims recoverable | 384,419 | 538,621 | 384,419 | 538,621 |
| Total assets | 98,481,359 | 98,342,534 | 94,628,482 | 94,478,650 |

Notes To The Financial Statements Contd

The Solvency Margin for the Company as at 31 December 2021 is as

| | Total | | Admissible | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 31 Dec. 2021 | 31 Dec. 2020 | 31 Dec. 2021 | 31 Dec. 2020 |
| | N'000 | N'000 | N'000 | N'000 |
| Liabilities | | | | |
| Unearned premium reserve | 735,722 | 743,879 | 735,722 | 743,879 |
| Provision for outstanding claims | 1,932,739 | 1,809,234 | 1,932,739 | 1,809,234 |
| Provision for claims incurred but not reported (IBNR) | 2,340,215 | 1,621,307 | 2,340,215 | 1,621,307 |
| Life and annuity fund liabilities | 66,867,180 | 73,553,245 | 66,867,180 | 73,553,245 |
| Investment contract liabilities | 8,616,191 | 6,072,622 | 8,616,191 | 6,072,622 |
| Trade payables | 1,685,441 | 1,114,387 | 1,685,441 | 1,114,387 |
| Other payables | 1,637,518 | 1,180,758 | 1,637,518 | 1,180,758 |
| Deferred tax liability | 545,728 | 520,578 | - | - |
| Total liabilities | 84,360,734 | 86,616,010 | 83,815,006 | 86,095,432 |
| Solvency margin | | | 10,813,476 | 8,383,218 |
| Minimum solvency requirement | | | 2,000,000 | 2,000,000 |
| Solvency ratio | | | 541% | 419% |

Notes To The Financial Statements Contd

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.

Notes To The Financial Statements Contd

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.

| | Level 1 ₹'000 | Level 2 ₹'000 | Level 3 ₹'000 | Total ₹'000 |
|---|-------------------|-------------------|------------------|-------------------|
| 31 December 2021 | | | | |
| Cash and cash equivalents | - | 4,433,390 | - | 4,433,390 |
| Trade receivables | - | 19,019 | - | 19,019 |
| Assets held at amortised cost | 17,525,245 | 614,745 | - | 18,139,990 |
| Reinsurance assets (less prepaid reinsurance & reinsurers' share of IBNR) | - | 119,067 | - | 119,067 |
| Other receivables (less prepayment) | - | 422,577 | - | 422,577 |
| Investment in equity accounted investee | 4,117,991 | - | - | 4,117,991 |
| Statutory deposit | - | 260,000 | - | 260,000 |
| Total | 21,643,236 | 5,868,798 | - | 27,512,034 |
| Investment contracts at amortised cost | - | 8,616,191 | - | 8,616,191 |
| Trade payables | - | 1,685,441 | - | 1,685,441 |
| Other liabilities | - | 1,637,518 | - | 1,637,518 |
| Total | - | 11,939,150 | - | 11,939,150 |

Notes To The Financial Statements Contd

| 31 December 2020 | Level 1 N'000 | Level 2 N'000 | Level 3 N'000 | Total N'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 |

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. 2021 |
|---|-------------------------------------|-----------------------------------|
| 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 |

Notes To The Financial Statements Contd

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.

Notes To The Financial Statements Contd

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.

Notes To The Financial Statements Contd

4.7 Asset and Liability Management (ALM) - continued

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:

| | Life Insurance | | Investment Contract | Annuity Funds | Total |
|---|--------------------|----------------------|---------------------|-------------------|-------------------|
| | Shareholders' Fund | Policy-holders' Fund | | | |
| (a) 31 December 2021 | ₹'000 | ₹'000 | ₹'000 | ₹'000 | ₹'000 |
| Investment property | 1,002,819 | - | - | - | 1,002,819 |
| Property, plant and equipment: | | | | | |
| - Real estate | 2,576,036 | - | - | - | 2,576,036 |
| - Equipment | 83,373 | - | - | - | 83,373 |
| - Motor vehicles | 172,851 | - | - | - | 172,851 |
| - Furniture | 45,710 | - | - | - | 45,710 |
| - Work-in-progress | 228,175 | - | - | - | 228,175 |
| Investment in equity accounted investee | 4,117,991 | - | - | - | 4,117,991 |
| Trade receivables | 19,019 | - | - | - | 19,019 |
| Reinsurance assets | - | 425,811 | - | - | 425,811 |
| Deferred acquisition cost | 111,589 | - | - | - | 111,589 |
| Other receivables and prepayments | 593,355 | - | - | - | 593,355 |
| Current tax assets | 119,159 | - | - | - | 119,159 |
| Right-of-use assets | 25,938 | - | - | - | 25,938 |
| Intangible assets | 82,766 | - | - | - | 82,766 |
| Statutory deposit | 260,000 | - | - | - | 260,000 |
| Financial assets: | | | | | |
| - Government and corporate bonds | - | 7,713,591 | 8,866,194 | 61,996,163 | 78,575,948 |
| - Quoted securities | 847,618 | - | - | 4,029,947 | 4,877,565 |
| - Unquoted securities (FVOCI) | - | - | 115,119 | - | 115,119 |
| - Commercial paper | - | - | - | 488,414 | 488,414 |
| - Loan to policyholders | 90,426 | - | - | - | 90,426 |
| - Loan to staff | 35,905 | - | - | - | 35,905 |
| Cash and cash equivalents: | | | | | |
| - Bank placements | - | 1,725,737 | - | 1,987,252 | 3,712,989 |
| - Bank and cash balances | 37,171 | 363,309 | - | 319,921 | 720,401 |
| Total assets | 10,449,901 | 10,228,448 | 8,981,313 | 68,821,697 | 98,481,359 |

Notes To The Financial Statements Contd

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.

| | Life | | | | Total |
|---|--------------------|----------------------|---------------------|-------------------|-------------------|
| | Shareholders' Fund | Policy-holders' Fund | Investment Contract | Annuity Funds | |
| (b) 31 December 2020 | ₹'000 | ₹'000 | ₹'000 | ₹'000 | ₹'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 |

Notes To The Financial Statements Contd

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.

| c) 31 December 2021 | Shareholders' Fund ₹'000 | Policy-holders' Fund ₹'000 | Investment Contract ₹'000 | Annuity Funds ₹'000 | Total ₹'000 |
|---|--------------------------------|----------------------------------|---------------------------------|---------------------------|-------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | 37,171 | 2,089,046 | - | 2,307,173 | 4,433,390 |
| -Fair value through profit or loss | 847,618 | - | - | 65,080,650 | 65,928,268 |
| -Fair value through OCI | - | - | 115,119 | - | 115,119 |
| -Amortised cost | 126,331 | 7,713,591 | 8,866,194 | 1,433,874 | 18,139,990 |
| Trade receivables | 19,019 | - | - | - | 19,019 |
| Reinsurance assets | - | 425,811 | - | - | 425,811 |
| Deferred acquisition cost | 111,589 | - | - | - | 111,589 |
| Other receivables | 593,355 | - | - | - | 593,355 |
| Current tax assets | 119,159 | - | - | - | 119,159 |
| Right-of-use assets | 25,938 | - | - | - | 25,938 |
| Intangible assets | 82,766 | - | - | - | 82,766 |
| Property and equipment | 3,106,145 | - | - | - | 3,106,145 |
| Investment in equity accounted investee | 4,117,991 | - | - | - | 4,117,991 |
| Investment property | 1,002,819 | - | - | - | 1,002,819 |
| Statutory deposit | 260,000 | - | - | - | 260,000 |
| TOTAL ASSETS | 10,449,901 | 10,228,448 | 8,981,313 | 68,821,697 | 98,481,359 |
| LIABILITIES | | | | | |
| Insurance contract liabilities | - | 9,684,858 | - | 62,190,998 | 71,875,856 |
| Investment contract liabilities | - | - | 8,616,191 | - | 8,616,191 |
| Trade payables | 1,685,441 | - | - | - | 1,685,441 |
| Other liabilities | 1,637,518 | - | - | - | 1,637,518 |
| Deferred income tax liabilities | 545,728 | - | - | - | 545,728 |
| Deposit for shares | - | - | - | - | - |
| TOTAL LIABILITIES | 3,868,687 | 9,684,858 | 8,616,191 | 62,190,998 | 84,360,734 |
| SURPLUS | 6,581,214 | 543,590 | 365,122 | 6,630,699 | 14,120,625 |

Notes To The Financial Statements Contd

4.7 Asset and Liability Management (ALM) - continued

| (d) 31 December 2020 | Shareholders' Fund ₹'000 | 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 |
| Intangible 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 |
| 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 payables | 1,180,758 | - | - | - | 1,180,758 |
| Deferred tax liabilities | 520,578 | - | - | - | 520,578 |
| 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 |

Notes To The Financial Statements Contd

| | | 31 Dec. 2021 | 31 Dec. 2020 |
|----------|--|------------------|------------------|
| | | ₹'000 | ₹'000 |
| 5 | Cash and cash equivalents | | |
| | Cash in hand | 7 | 6 |
| | Cash at bank (see note (a) below) | 763,106 | 1,384,361 |
| | Bank placements (see note (b) below) | 3,670,277 | 1,948,872 |
| | | 4,433,390 | 3,333,239 |
| | | | |
| (a) | Cash at bank | 782,304 | 1,413,347 |
| | Allowance for impairment | (19,198) | (28,986) |
| | | 763,106 | 1,384,361 |
| | | | |
| (b) | Bank placements | 3,734,687 | 1,992,019 |
| | Allowance for impairment | (64,410) | (43,147) |
| | | 3,670,277 | 1,948,872 |
| | | | |
| (c) | Reconciliation of cash and cash equivalents | | |
| | Principal amount invested | 4,503,912 | 3,385,146 |
| | Interest received into investment account | 9,287 | 13,218 |
| | Allowance for impairment | (83,608) | (72,133) |
| | Foreign exchange gain | 3,799 | 7,008 |
| | | 4,433,390 | 3,333,239 |
| | | | |
| (d) | Movement in impairment allowance on cash and cash equivalents is detailed below: | | |
| | | | |
| (i) | Cash at bank and in hand | 19,198 | 28,986 |
| | Bank placements | 64,410 | 43,147 |
| | Total allowance for impairment | 83,608 | 72,133 |
| | | | |
| (ii) | Balance, beginning of year | 72,133 | 46,504 |
| | Movement for the year (see note 40) | 11,475 | 25,629 |
| | Balance, end of year | 83,608 | 72,133 |

Notes To The Financial Statements Contd

| 6 | Financial assets | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|--------------|---|-------------------------------------|-------------------------------------|
| | Fair value through profit or loss (see note 6(a) below) | 65,928,268 | 69,878,480 |
| | Fair value through OCI (see note 6(b) below) | 115,119 | 111,503 |
| | Amortised cost (see note 6(c) below) | 18,139,990 | 14,922,561 |
| | | 84,183,377 | 84,912,544 |
| | Current | 524,443 | 1,633,750 |
| | Non-current | 83,658,934 | 83,278,794 |
| 6(a) | Fair value through profit or loss | | |
| | | 58,030,009 | 60,331,810 |
| | Bonds- FGN | 1,009,679 | 1,709,191 |
| | Bonds- State | 2,011,015 | 3,286,308 |
| | Bonds- Corporate | 4,877,565 | 4,551,171 |
| | Quoted equity securities | 65,928,268 | 69,878,480 |
| | Current | 25,120 | 1,604,857 |
| | Non-current | 65,903,148 | 68,273,623 |
| 6(a)i | Movement in Bonds - FGN | | |
| | Balance, beginning of year | 60,331,810 | 33,044,526 |
| | Addition during the year | 33,085,300 | 17,926,274 |
| | Interest accrued during the year | 6,051,408 | 3,329,849 |
| | Fair value (loss)/gain during the year | (21,908,153) | 15,713,158 |
| | Coupon received during the year | (6,158,627) | (5,606,054) |
| | Maturities/liquidation | (16,045,897) | (4,027,292) |
| | Realised gain/(loss)during the year | 2,674,168 | (48,651) |
| | Balance, end of year | 58,030,009 | 60,331,810 |

Notes To The Financial Statements Contd

| | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|--|-----------------------|-----------------------|
| ii Movement in Bonds-State | | |
| Balance, beginning of year | 1,709,191 | 913,696 |
| Additions during the year | - | 500,000 |
| Interest accrued during the year | 145,286 | 365,999 |
| Fair value (loss)/gain during the year | (355,303) | 188,195 |
| Coupon received during the year | (187,357) | (225,429) |
| Realised gain during the year | 28,460 | - |
| Redemption/maturity during the year | (330,598) | (33,270) |
| Balance, end of year | 1,009,679 | 1,709,191 |
| iii Movement in Bonds-Corporate | | |
| Balance, beginning of year | 3,286,308 | 2,123,415 |
| Addition during the year | - | 986,330 |
| Interest accrued during the year | 320,731 | 474,743 |
| Fair value loss during the year | (423,191) | (533,202) |
| Coupon received during the year | (339,705) | 369,924 |
| Foreign exchange gain | 54,567 | - |
| Redemption/maturity during the year | (887,695) | (134,902) |
| Balance, end of year | 2,011,015 | 3,286,308 |
| iv Movement in treasury bills | | |
| Balance, beginning of year | - | 1,804,197 |
| Interest accrued during the year | - | 205,002 |
| Interest received during the year | - | (68,000) |
| Maturities/liquidation during the year | - | (1,941,199) |
| Balance, end of year | - | - |

Notes To The Financial Statements Contd

| v Movement in Quoted Equities | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|--|-------------------------------|-------------------------------|
| Balance, beginning of year | 4,551,171 | 1,214,018 |
| Addition during the year | 318,635 | 3,638,633 |
| Fair value gain/(loss) during the year | 7,759 | (33,481) |
| Redemption/disposal during the year | - | (331,884) |
| Realised gain during the year | - | 63,885 |
| Balance, end of year | <u>4,877,565</u> | <u>4,551,171</u> |

Notes To The Financial Statements Contd

vi Reconciliation of fair value through profit or loss

| | Bonds FGN ₦'000 | Bonds State ₦'000 | Bonds Corporate ₦'000 | Treasury Bill ₦'000 | Quoted Equities ₦'000 | Total ₦'000 |
|----------------------------|-----------------------|-------------------------|-----------------------------|---------------------------|-----------------------------|----------------|
| 31 December 2021 | | | | | | |
| Balance, beginning of year | 60,331,810 | 1,709,191 | 3,286,308 | - | 4,551,171 | 69,878,480 |
| Addition | 33,085,300 | - | - | - | 318,635 | 33,403,935 |
| Interest accrued | 6,051,408 | 145,286 | 320,731 | - | - | 6,517,425 |
| Fair value gain/(loss) | (21,908,153) | (355,303) | (423,191) | - | 7,759 | (22,678,888) |
| Coupon received | (6,158,627) | (187,357) | (339,705) | - | - | (6,685,689) |
| Maturities / liquidation | (16,045,897) | (330,598) | (887,695) | - | - | (17,264,190) |
| Foreign exchange gain | - | - | 54,567 | - | - | 54,567 |
| Realised gain | 2,674,168 | 28,460 | - | - | - | 2,702,628 |
| Balance, end of year | 58,030,009 | 1,009,679 | 2,011,015 | - | 4,877,565 | 65,928,268 |
| 31 December 2020 | | | | | | |
| Balance, beginning of year | 33,044,526 | 913,696 | 2,123,415 | 1,804,197 | 1,214,018 | 39,099,852 |
| 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 |

Notes To The Financial Statements Contd

| 6(b) Fair value through other comprehensive income | | 31 Dec. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|--|---|-----------------------|-----------------------|
| | Investments at fair value through other comprehensive income | 115,119 | 111,503 |
| i | Investments at fair value through other comprehensive income are unquoted equity investments, comprising: | | |
| | Investment in Healthcare International Limited | 56,384 | 43,910 |
| | Investment in Kakawa Guaranteed Fund | 14,221 | 13,907 |
| | Investment in Paramount Equity Fund | 339 | 320 |
| | Investment in Afrinvest Nigeria International Debt Fund | 44,175 | 53,366 |
| | | 115,119 | 111,503 |
| ii | Movement in investments at fair value through other comprehensive income | | |
| | Balance, beginning of year | 111,503 | 104,800 |
| | Additions during the year | 2,051 | 1,709 |
| | Fair value change (see note 28) | 1,565 | 4,994 |
| | Balance, end of year | 115,119 | 111,503 |
| ii-a | Movement in Healthcare International Limited | | |
| | Balance, beginning of year | 43,910 | 50,395 |
| | Fair value change | 12,474 | (6,485) |
| | Balance, end of year | 56,384 | 43,910 |
| ii-b | Movement in Kakawa Guaranteed Fund | | |
| | Balance, beginning of year | 13,907 | 13,907 |
| | Fair value change | 314 | - |
| | Balance, end of year | 14,221 | 13,907 |

Notes To The Financial Statements Contd

6(b) Fair value through other comprehensive income contd

31 Dec. 2021
N'000

31 Dec. 2020
N'000

ii-b Movement in investment in Paramount Equity Fund

| | | |
|----------------------------|-----|-----|
| Balance, beginning of year | 320 | 252 |
| Fair value change | 19 | 68 |
| Balance, end of year | 339 | 320 |

ii-c Movement in investment in Afrinvest Nigeria International Debt Fund

| | | |
|----------------------------|----------|--------|
| Balance, beginning of year | 53,366 | 40,246 |
| Additions during the year | 2,051 | 1,709 |
| Fair value change | (11,242) | 11,411 |
| Balance, end of year | 44,175 | 53,366 |

6(c) Financial assets held at amortised cost

| | | |
|---|------------|------------|
| Federal Government bonds - Nigeria | 14,774,449 | 13,204,290 |
| State Government bonds - Nigeria | 771,429 | 859,566 |
| Corporate bonds | 2,034,995 | 777,628 |
| Other assets at amortised cost (see note (v) below) | 625,878 | 128,368 |
| | 18,206,751 | 14,969,852 |

| | | |
|--|------------|------------|
| Impairment allowance for financial assets held at amortised cost | (66,761) | (47,291) |
| | 18,139,990 | 14,922,561 |

| | | |
|-------------|------------|------------|
| Current | 499,323 | 28,893 |
| Non current | 17,640,667 | 14,893,668 |

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.

Notes To The Financial Statements Contd

| | 31 Dec. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|--|-----------------------|-----------------------|
| i | | |
| Movement in Bonds - FGN | 13,204,290 | 14,572,302 |
| Balance, beginning of year | 4,224,418 | 2,347,046 |
| Addition during the year | (1,547,046) | (2,596,379) |
| Coupon received during the year | 1,635,228 | 2,088,216 |
| Interest accrued during the year | (2,706,547) | (4,769,081) |
| Maturity / liquidation during the year | (35,894) | 1,562,186 |
| Realised gain during the year | <u>14,774,449</u> | <u>13,204,290</u> |
| Allowance for impairment: | | |
| Balance, beginning of year | (41,441) | (18,600) |
| Movement during the year | <u>24,731</u> | <u>(22,841)</u> |
| | (16,710) | (41,441) |
| Balance, end of year | <u>14,757,739</u> | <u>13,162,849</u> |
| ii | | |
| Movement in Bonds - State | 859,566 | 500,172 |
| Balance, beginning of year | - | 350,000 |
| Addition during the year | (94,099) | (55,472) |
| Coupon received during the year | 93,323 | 64,866 |
| Interest accrued during the year | (87,361) | - |
| Maturity / liquidation during the year | <u>771,429</u> | <u>859,566</u> |
| Allowance for impairment: | | |
| Balance, beginning of year | (2,417) | (1,295) |
| Movement during the year | <u>894</u> | <u>(1,122)</u> |
| | (1,523) | (2,417) |
| Balance, end of year | <u>769,906</u> | <u>857,149</u> |

Notes To The Financial Statements Contd

| | 31 Dec. 2021 | 31 Dec. 2020 |
|--|------------------|--------------------|
| | ₹'000 | ₹'000 |
| iii Movement in Bonds - Corporate | | |
| Balance, beginning of year | 777,628 | 508,814 |
| Addition during the year | 1,513,988 | 250,000 |
| Coupon received during the year | (114,477) | (20,778) |
| Interest accrued during the year | 107,776 | 39,592 |
| Realised gain during the year | 10,679 | - |
| Maturity / liquidation during the year | (517,567) | - |
| Foreign exchange gain | 256,968 | - |
| | <u>2,034,995</u> | <u>777,628</u> |
| Allowance for impairment: | | |
| Balance, beginning of year | (2,671) | (8,101) |
| Movement during the year | (34,724) | 5,430 |
| | <u>(37,395)</u> | <u>(2,671)</u> |
| Balance, end of year | <u>1,997,600</u> | <u>774,957</u> |
| iv Movement in Treasury Bill | | |
| Balance, beginning of year | - | 746,229 |
| Addition during the year | 420,236 | - |
| Interest accrued during the year | 3,764 | 402,398 |
| Interest received during the year | (3,764) | (84,500) |
| Maturity / liquidation during the year | <u>(420,236)</u> | <u>(1,064,127)</u> |
| | <u>-</u> | <u>-</u> |
| Allowance for impairment: | | |
| Balance, beginning of year | - | (1,032) |
| Movement during the year | - | 1,032 |
| | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>-</u> | <u>-</u> |

Notes To The Financial Statements Contd

| | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|--|-----------------------|-----------------------|
| v Other assets at amortised cost | | |
| Loans to policy holders | 90,426 | 94,950 |
| Commercial Papers | 499,323 | 28,893 |
| Staff loans and advances | 36,129 | 4,525 |
| | <u>625,878</u> | <u>128,368</u> |
| Impairment allowance on other assets at amortised cost | (11,133) | (762) |
| | <u>614,745</u> | <u>127,606</u> |
| Current | 499,323 | 28,893 |
| Non-current | <u>115,422</u> | <u>98,713</u> |
| v-a Movement in commercial papers | | |
| Balance, beginning of year | 28,893 | 630,929 |
| Addition | 3,267,738 | 965,140 |
| Interest accrued during the year | 168,029 | 56,121 |
| Interest received during the year | (143,339) | (271,123) |
| Maturities/liquidation during the year | (2,821,998) | (1,352,174) |
| | <u>499,323</u> | <u>28,893</u> |
| Allowance for impairment: | | |
| Balance, beginning of year | (567) | (10,596) |
| Movement during the year | (10,340) | 10,029 |
| | <u>(10,907)</u> | <u>(567)</u> |
| Balance, end of year | <u>488,416</u> | <u>28,326</u> |

Notes To The Financial Statements Contd

| | 31 Dec. 2021 | 31 Dec. 2020 |
|---|----------------|---------------|
| | ₦'000 | ₦'000 |
| v-b Movement in loans to policy holder and staff loan | | |
| Balance, beginning of year | 99,475 | 85,984 |
| Addition during the year | 86,921 | 46,683 |
| Interest accrued during the year | 757 | 4,252 |
| Interest received during the year | (789) | (4,713) |
| Maturities/liquidation | (59,809) | (32,731) |
| | <u>126,555</u> | <u>99,475</u> |
| Allowance for impairment: | | |
| Balance, beginning of year | (195) | (583) |
| Movement during the year | (31) | 388 |
| | <u>(226)</u> | <u>(195)</u> |
| Balance, end of year | <u>126,329</u> | <u>99,280</u> |
| vi Reconciliation of allowance for impairment on amortised cost | | |
| Balance, beginning of year | 47,291 | 40,207 |
| Movement during the year (see note 40) | 19,470 | 7,084 |
| Balance, end of year | <u>66,761</u> | <u>47,291</u> |
| vi-a Allowance for impairment comprises the following: | | |
| Federal Government bonds - Nigeria | 16,710 | 41,441 |
| State Government bonds - Nigeria | 1,523 | 2,417 |
| Corporate bonds | 37,395 | 2,671 |
| Other assets at amortised cost | 11,133 | 762 |
| | <u>66,761</u> | <u>47,291</u> |

Notes To The Financial Statements Contd

| 6(c)(vi) Reconciliation of Amortised Cost | Bonds FGN N'000 | Bonds State N'000 | Bonds Corporate N'000 | Treasury Bill N'000 | Commercial Papers N'000 | Loan to policyholders and Staff loan N'000 | Total N'000 |
|---|-----------------------|-------------------------|-----------------------------|---------------------------|-------------------------------|---|----------------|
| 2021 | | | | | | | |
| Opening balance | 13,162,849 | 857,149 | 774,957 | - | 28,326 | 99,280 | 14,922,561 |
| Addition | 4,224,418 | - | 1,513,988 | 420,236 | 3,267,738 | 86,921 | 9,513,301 |
| Interest accrued | 1,635,228 | 93,323 | 107,776 | 3,764 | 168,029 | 757 | 2,008,877 |
| Coupon / interest received | (1,547,046) | (94,099) | (114,477) | (3,764) | (143,339) | (789) | (1,903,514) |
| Maturities / liquidation | (2,706,547) | (87,361) | (517,567) | (420,236) | (2,821,998) | (59,809) | (6,613,518) |
| Realised (loss)/ gain during the year | (35,894) | - | 10,679 | - | - | - | (25,215) |
| Impairment allowance for the year | 24,731 | 894 | (34,724) | - | (10,340) | (31) | (19,470) |
| Foreign exchange gain | - | - | 256,968 | - | - | - | 256,968 |
| Balance, end of year | 14,757,739 | 769,906 | 1,997,600 | - | 488,416 | 126,329 | 18,139,990 |
| 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 |

Notes To The Financial Statements Contd

| 7. Trade receivables | 31 Dec. 2021 | 1 Dec. 2020 |
|---|----------------------|----------------------|
| | N'000 | N'000 |
| Brokers | 19,019 | 12,533 |
| Agents | - | - |
| Insurance companies | - | - |
| | <hr/> 19,019 | <hr/> 12,533 |
| Impairment on premium debtors | - | - |
| | <hr/> 19,019 | <hr/> 12,533 |
| The age analysis of gross premium receivable as at the end of the year is as follows: | | |
| Within 30 days | 19,019 | 12,533 |
| Above 30 days | - | - |
| Total | <hr/> 19,019 | <hr/> 12,533 |
| Current | 19,019 | 12,533 |
| Non current | - | - |
| | <hr/> | <hr/> |
| 8. Reinsurance assets | | |
| Reinsurers' share of outstanding claims (see note (a) below) | 119,067 | 97,408 |
| Reinsurance share of IBNR (see note (b) below) | 265,352 | 402,726 |
| Prepaid reinsurance (see note (c) below) | 41,392 | 142,385 |
| Reinsurers/coassurers' share of claims paid (see note (d) below) | 131,444 | 151,537 |
| | <hr/> 557,255 | <hr/> 794,056 |
| Impairment on reinsurers/co-assurers' claims recoverable (see note (e) below) | (131,444) | (113,050) |
| | <hr/> 425,811 | <hr/> 681,006 |
| Current | 119,067 | 135,895 |
| Non-current | 306,744 | 545,111 |
| | <hr/> | <hr/> |

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.

Notes To The Financial Statements Contd

| 8 Reinsurance assets - continued | | 31 Dec. 2021 | 1 Dec. 2020 |
|---|---|---------------------|--------------------|
| | | N'000 | N'000 |
| (a) | Reinsurers' share of outstanding claims | | |
| | Balance, beginning of year | 97,408 | 63,079 |
| | Changes during the year | 21,659 | 34,329 |
| | Balance, end of year | 119,067 | 97,408 |
| (b) | Reinsurance share of claims incurred but not reported (IBNR) | | |
| | Balance, beginning of year | 402,726 | 592,677 |
| | Changes during the year | (137,374) | (189,951) |
| | Balance, end of year | 265,352 | 402,726 |
| (c) | Prepaid reinsurance | | |
| | Balance, beginning of year | 142,385 | 160,911 |
| | Additions during the year (see note 19(a)) | 1,982,311 | 1,362,819 |
| | Amortized in the year - reinsurance expenses | (2,083,304) | (1,381,345) |
| | Balance, end of year | 41,392 | 142,385 |
| (d) | Reinsurers/co-assurers' share of claims paid | | |
| | Balance, beginning of year | 151,537 | 159,720 |
| | Additions during the year | 688,869 | 291,794 |
| | Reinsurers/co-assurers share of claims received during the year | (708,962) | (299,977) |
| | Balance, end of year | 131,444 | 151,537 |
| (e) | Movement in impairment for claims recoverable | | |
| | Balance, beginning of year | 113,050 | 117,203 |
| | Changes in allowance for impairment during the year | 18,394 | (4,153) |
| | Balance, end of year | 131,444 | 113,050 |

Notes To The Financial Statements Contd

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. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|-----------------------------------|-----------------------|-----------------------|
| Balance, beginning of year | 79,397 | 124,436 |
| Acquisition costs during the year | 2,952,042 | 1,952,345 |
| Amortised during the year | (2,919,850) | (1,997,384) |
| Balance, end of year | <u>111,589</u> | <u>79,397</u> |

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

| | | |
|----------------------------|----------------|---------------|
| Balance, beginning of year | 79,397 | 124,436 |
| Movement during the year | 32,192 | (45,039) |
| Balance, end of year | <u>111,589</u> | <u>79,397</u> |

10 Other receivables and prepayments

| | | |
|--|----------------|----------------|
| Prepayments (see note (a) below) | 143,340 | 48,116 |
| Prepaid withholding tax (see note (b) below) | 27,438 | 14,039 |
| Sundry debtors (see note (c) below) | 422,577 | 467,450 |
| | <u>593,355</u> | <u>529,605</u> |

(a) Included in prepayments are rentals of ₦11.2 million(2020 : ₦17 million), property and vehicle insurance of ₦12 million(2020 : ₦10.7 million), staff group life insurance of ₦10.8 million(2020 : ₦3.4 million), prepaid employee benefits of ₦33.3 million (2020: ₦10.74 million), prepaid IT maintenance fee of ₦32.8 million (2020 : Nil) and prepaid advertisement costs of ₦31.7 million (2020 : ₦1.5 million).

Notes To The Financial Statements Contd

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

| | 31 Dec. 2021 | 31 Dec. 2020 |
|----------------------------|--------------|--------------|
| | ₦'000 | ₦'000 |
| Balance, beginning of year | 14,039 | 21,345 |
| Additions during the year | 13,399 | 9,062 |
| Withholding tax utilised | - | (16,368) |
| Balance, end of year | 27,438 | 14,039 |

- c) Included in sundry debtors is the sum of ₦416.67 million (2020 : ₦467.5 million), 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 51 (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 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 bases, see arte 11.2 below

Notes To The Financial Statements Contd

11.1(a) Right-of-use assets

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|---|-----------------------|-----------------------|
| Right-of-use assets | 25,938 | 42,969 |
| | <u>25,938</u> | <u>42,969</u> |
| Current | 25,938 | 42,969 |
| Non-current | <u>-</u> | <u>-</u> |
| Movement during the year | | |
| Balance, beginning of the year | 42,969 | 3,278 |
| New rentals during the year | 8,620 | 44,837 |
| Depreciation expense on right-of-use assets (see note 46) | (25,651) | (5,146) |
| Balance, end of year | <u>25,938</u> | <u>42,969</u> |

The new rental commenced in April 2021. The rental is for a 2-year lease, with an average depreciation rate of 50% per annum.

11.1(b) Lease liabilities

| | | |
|-------------------|----------|----------|
| Lease liabilities | <u>-</u> | <u>-</u> |
| Current | - | - |
| Non-current | <u>-</u> | <u>-</u> |

Notes To The Financial Statements Contd

11.1(b) Lease liabilities - continued

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|--|-----------------------|-----------------------|
| Movement in lease liabilities: | | |
| Balance, beginning of the year | - | 744 |
| Interest expense on lease liabilities | - | 21 |
| Reversal of interest expense on lease liabilities no longer required | - | (21) |
| New rentals during the year | 8,620 | 44,837 |
| Lease payments made during the year | (8,620) | (45,581) |
| Balance, end of year | - | - |

During the year, the Company had total cash outflows for leases of N23.5million. 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.

Notes To The Financial Statements Contd

11.2(a) Net investment in finance lease

| 31 Dec. 2021 | 31 Dec. 2020 |
|--------------|--------------|
| ₹'000 | ₹'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. 2021 | 31 Dec. 2020 |
|--------------|--------------|
| ₹'000 | ₹'000 |

| | | |
|--|---|---|
| Balance, beginning of the year | - | - |
| Finance lease income during the year (see note 38) | - | - |
| Lease payments received during the year | - | - |
| 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 average terms of 2 years (see notes 12 and 14 for the details of the properties and investment properties) . 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 ₹106.2 million (2020: ₹107.6 million).

Notes To The Financial Statements Contd

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

| | 31 Dec. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|---|-----------------------|-----------------------|
| Within one year | 62,836 | 74,725 |
| After one year but not more than five years | 68,616 | 96,679 |
| More than five years | - | 7,408 |
| | <u>131,452</u> | <u>178,812</u> |

12 Investment in equity accounted investee

| | | |
|---|------------------|------------------|
| Investment in equity accounted investee | 4,117,991 | 4,179,232 |
| | <u>4,117,991</u> | <u>4,179,232</u> |
| Movement in investment in equity accounted investee | | |
| Cost: | | |
| Balance, beginning of year | 4,179,232 | - |
| Cost of acquisition during the year | - | 4,179,232 |
| Share of: | | |
| - Profit from continuing operation | 224,146 | - |
| - Dividend received | (285,387) | - |
| Balance, end of year | <u>4,117,991</u> | <u>4,179,232</u> |

In 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.

The investee's financial performance for the year ended 31 December 2021 showed the net income as ₦1.348 billion while the profit after tax was ₦792 million. The earnings per share was 30 kobo.

The investee's total assets as at 31 December 2021 was ₦31.1 billion, total liabilities were ₦932 million and unitholders' funds stood at ₦26.68 billion.

The fair value of investment based on the investee's quoted price as at reporting date stood at ₦3.36 billion. However, the value of the Company's investment using net asset valuation (NAV) stood at ₦9 billion, hence an assessment of our investment in the equity accounted investee does not indicate impairment as at the reporting date.

Notes To The Financial Statements Contd

| 13 | Investment properties | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'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 |

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 2021. 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".

Notes To The Financial Statements Contd

Movement in the fair value of investment properties as at 31 December 2021 :

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|----------------------------|-----------------------|-----------------------|
| Balance, beginning of year | 1,002,819 | 1,002,819 |
| Additions during the year | 2,200 | 7,836 |
| Fair value loss | (2,200) | (7,836) |
| Balance, end of year | <u>1,002,819</u> | <u>1,002,819</u> |

Additions during the year are the costs incurred in the perfection of title documents. Prior year additions include cost of renovation, fencing of some of the properties as well as the cost of perfection of title documents.

Title perfection expenses incurred during the year did not significantly affect the market valuation of the investment properties.

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.

Notes To The Financial Statements Contd

13(a) Description of properties and movement

| | 1 Jan 2021 ₦'000 | Additions during the year ₦'000 | Fair value adjustments ₦'000 | 31 Dec 2021 ₦'000 |
|--|---------------------|---------------------------------------|------------------------------------|----------------------|
| Leasehold property at 23/25 Martins Street, Lagos | 682,894 | - | - | 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 | - | - | 28,000 |
| Landed property at 10, Aje Road Sabo Yaba, Lagos | 71,925 | 2,200 | (2,200) | 71,925 |
| | 1,002,819 | 2,200 | (2,200) | 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. | <ul style="list-style-type: none"> - 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. |

Notes To The Financial Statements Contd

| 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. | <ul style="list-style-type: none"> - 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. - Title was perfected and obtained on 1991. |
| 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. | <ul style="list-style-type: none"> - 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. | <ul style="list-style-type: none"> - 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. |

Notes To The Financial Statements Contd

| Significant unobservable valuation input: | | Range (weighted average) | |
|--|--------------------------|---|---|
| | | 2021 | 2020 |
| Leasehold property at 23/25 Martins Street, Lagos | Estimated rent per annum | ₦ 35,044,800 - ₦ 63,080,640 | ₦ 28,568,200 - ₦ 51,422,760 |
| | Rent growth p.a | 5% | 5% |
| | Long-term vacancy rate | 10% | 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 | NIL | NIL |
| | Discount rate | | |
| Landed property at Ogombo Along Ajah/Epe Expressway, Lekki | Estimated rent per annum | | |
| | Rent growth p.a | | |
| | Long-term vacancy rate | NIL | NIL |
| | Discount rate | | |
| Landed property at 10, Aje Road Sabo Yaba, Lagos | Estimated rent per annum | | |
| | Rent growth p.a | | |
| | Long-term vacancy rate | NIL | NIL |
| | Discount rate | | |

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 2021 | - | - | 1,002,819 | 1,002,819 |
| 31 December 2020 | - | - | 1,002,819 | 1,002,819 |

Notes To The Financial Statements Contd

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

Notes To The Financial Statements Contd

14. Property, plant and equipment

| Cost/Valuation | Freehold property N'000 | Office equipment N'000 | Computer equipment N'000 | Furniture and fittings N'000 | Motor vehicles N'000 | Work-In-Progress N'000 | Total N'000 |
|---|------------------------------------|-----------------------------------|-------------------------------------|---|---------------------------------|-----------------------------------|------------------------|
| At 1 January 2020 | 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 |
| Additions | 3,763 | 12,307 | 17,154 | 10,819 | 123,066 | 31,204 | 198,313 |
| Reclassification during the year | (220,423) | 21,393 | 710 | 15,915 | - | 182,405 | - |
| Revaluation during the year | 83,833 | - | - | - | - | - | 83,833 |
| Elimination on revaluation | (83,833) | - | - | - | - | - | (83,833) |
| Disposal during the year | - | - | - | - | (32,090) | - | (32,090) |
| At 31 December 2021 | 2,576,036 | 357,039 | 66,025 | 183,995 | 340,268 | 228,175 | 3,751,538 |
| Accumulated depreciation | | | | | | | |
| At 1 January 2020 | - | 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 | - | (1,046) | - | (120) | (10,942) | - | (12,108) |
| At 31 December 2020 | - | 277,096 | 28,154 | 121,817 | 139,668 | - | 566,735 |
| Charge for the year | 83,833 | 24,089 | 10,352 | 16,468 | 59,839 | - | 194,581 |
| Elimination on revaluation | (83,833) | - | - | - | - | - | (83,833) |
| Disposal during the year | - | - | - | - | (32,090) | - | (32,090) |
| At 31 December 2021 | - | 301,185 | 38,506 | 138,285 | 167,417 | - | 645,393 |
| Net book value at 31 December 2021 | 2,576,036 | 55,854 | 27,519 | 45,710 | 172,851 | 228,175 | 3,106,145 |
| Net book value at 31 December 2020 | 2,792,696 | 46,243 | 20,007 | 35,444 | 109,624 | 14,566 | 3,018,580 |

Notes To The Financial Statements Contd

| (a) | Title Status and Carrying Amount | | N'000 | Type of Property |
|-----|--|-------------------------------|------------------|------------------|
| 1 | 16A, Commercial Avenue, Sabo, Yaba, Lagos State | Perfected | 2,100,000 | Feehold property |
| 2 | 27, Commercial Avenue, Sabo, Yaba, Lagos State | Perfected | 336,196 | Feehold property |
| 3 | 29, Commercial Avenue, Sabo, Yaba, Lagos State | Perfected | - | Feehold property |
| 4 | No. 9, Onireke Residential layout, Ibadan, Oyo State | Perfected | 131,340 | Feehold property |
| 5 | Shop H4016, Tejuosho Shopping Modern Market, Yaba, Lagos State | Received letter of allocation | 8,500 | Feehold property |
| | | | <u>2,576,036</u> | |

The property at 29, Commercial Avenue, Sabo, Yaba, valued at N220 million is currently under reconstruction and has therefore been reclassified as Work-In-Progress, pending completion of the property (see note (c) below for details).

(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 2021, 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 (2020: Nil).

Notes To The Financial Statements Contd

| Analysis of revaluation of land and building | | I Jan 2021 N'000 | Additions N'000 | Re- classification N'000 | Fair value N'000 | Depreciation N'000 | Write-off/ disposal N'000 | 31 Dec N'000 |
|--|---|---------------------|--------------------|--------------------------------|------------------------|-----------------------|---------------------------------|------------------|
| 1 | 16A, Commercial Avenue, Sabo, Yaba, Lagos State | 2,100,000 | | | 62,795 | (62,795) | - | 2,100,000 |
| 2 | 27, Commercial Avenue, Sabo, Yaba, Lagos State | 336,196 | | | 10,330 | (10,330) | - | 336,196 |
| 3 | 29, Commercial Avenue, Sabo, Yaba, Lagos State | 216,660 | 3,763 | (220,423) | 6,530 | (6,530) | - | - |
| 4 | No. 9, Onireke Residential layout, Ibadan, Oyo State | 131,340 | | | 3,923 | (3,923) | - | 131,340 |
| 5 | Shop H4016, Tejuosho Shopping Modern Market, Yaba, Lagos State | 8,500 | | | 255 | (255) | - | 8,500 |
| | | 2,792,696 | 3,763 | (220,423) | 83,833 | (83,833) | - | 2,576,036 |

Notes To The Financial Statements Contd

| 15 | Intangible Assets | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|-----|--|-----------------------|-----------------------|
| | Computer software | 33,467 | 99,745 |
| | Work in progress - computer software | 49,299 | - |
| | | <u>82,766</u> | <u>99,745</u> |
| (a) | Computer software | | |
| | Cost: | | |
| | Balance, beginning of year | | |
| | Additions during the year | 316,610 | 315,760 |
| | Balance, end of year | - | 850 |
| | | <u>316,610</u> | <u>316,610</u> |
| | Accumulated amortisation and impairment: | | |
| | Balance, beginning of year | 216,865 | 150,700 |
| | Amortisation of intangible assets | 66,278 | 66,165 |
| | Balance, end of year | <u>283,143</u> | <u>216,865</u> |
| | | | |
| | Carrying amount | <u>33,467</u> | <u>99,745</u> |

(b) Work in progress - computer software

This represents the cost incurred on the Company's new application being developed as at year end. Computer software is accounted for using the cost model of IAS 38 (i.e. cost less accumulated amortisation and accumulated impairment). The amortisation is charged to the Income Statement in line with the Company policy. The movement in work in progress - computer software is as follows:

Notes To The Financial Statements Contd

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|---------------------------------|-----------------------|-----------------------|
| Balance, beginning of year | - | - |
| Additional payments during year | 49,299 | - |
| Balance, end of year | 49,299 | - |

16 Statutory deposit

| | | |
|--|---------|---------|
| Statutory deposit with Central Bank of Nigeria | 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 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.

Notes To The Financial Statements Contd

17 Insurance contract liabilities

| 17.1 Gross insurance contract liabilities | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|---|-----------------------|-----------------------|
| Outstanding claims- reported (see note (a)) | 1,932,739 | 1,809,234 |
| Outstanding claims - IBNR - Group Life (see note (b)) | 2,340,215 | 1,621,307 |
| Unearned premium reserve - Group Life (see note ©) | 735,722 | 743,879 |
| Individual life fund (see note (d)) | 4,676,182 | 6,532,205 |
| Annuity fund - Liabilities under PRA (see note (e) below) | 62,190,998 | 67,021,040 |
| Total | 71,875,856 | 77,727,665 |
| Reinsurance assets | | |
| Reinsurers' share of outstanding claims (see note 8 (a)) | 119,067 | 97,408 |
| Reinsurers' share of IBNR (see note 8(b)) | 265,352 | 402,726 |
| Prepaid reinsurance (see note 8c) | 41,392 | 142,385 |
| Total | 425,811 | 642,519 |
| Net insurance contract liabilities | 71,450,045 | 77,085,146 |
| (a) Outstanding claims- reported | | |
| Group life | 1,596,949 | 1,580,209 |
| Individual life and annuity | 335,790 | 229,025 |
| | 1,932,739 | 1,809,234 |

Notes To The Financial Statements Contd

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|--|-----------------------|-----------------------|
| (a-i) Outstanding claims - Group life | | |
| Balance, beginning of year | 1,580,209 | 1,352,254 |
| Increase during the year | 16,740 | 227,955 |
| Balance, end of year | <u>1,596,949</u> | <u>1,580,209</u> |
| (a-ii) Outstanding claims - Individual life | | |
| Balance, beginning of year | 229,025 | 201,937 |
| Increase during the year | 106,765 | 27,088 |
| Balance, end of year | <u>335,790</u> | <u>229,025</u> |

All duly documented claims are paid immediately their Executed Discharge Vouchers (EDV) are received. The outstanding claims as at 31 December 2021 relate to those claims with incomplete document or awaiting receipt of Executed Discharge Vouchers (EDV) from the policyholder or nominated beneficiaries.

Notes To The Financial Statements Contd

17.1 Gross insurance contract liabilities - continued

(a-iii) The aging analysis of the outstanding claims by amount for the year ended 31 December 2021 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 | 17,743,842 | 3,614,770 | 3,113,305 | 2,241,574 | 24,487,907 | 51,201,398 |
| 250,001 - 500,000 | 20,280,553 | 5,453,245 | 2,714,389 | 4,313,628 | 36,250,733 | 69,012,548 |
| 500,001 - 1,500,000 | 110,028,647 | 35,261,768 | 16,605,279 | 14,614,877 | 146,694,457 | 323,205,028 |
| 1,500,001 - 2,500,000 | 72,516,036 | 37,044,964 | 3,756,093 | 3,693,819 | 88,070,402 | 205,081,314 |
| 2,500,001 - 5,000,000 | 75,554,147 | 33,279,583 | 13,006,625 | 16,250,322 | 105,718,438 | 243,809,115 |
| 5,000,001 - Above | 288,100,970 | 101,738,051 | 77,532,533 | 26,764,335 | 546,293,708 | 1,040,429,597 |
| Total | 584,224,195 | 216,392,381 | 116,728,224 | 67,878,555 | 947,515,645 | 1,932,739,000 |

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 |

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 2021 is as follows:

| Outstanding claims per claimant | 0 - 90 days ₹ | 91 - 180 days ₹ | 180 - 270 days ₹ | 270 - 365 days ₹ | 366 days + ₹ | Total ₹ |
|---------------------------------|--------------------|--------------------|---------------------|---------------------|--------------------|----------------------|
| Group Life | 418,087,303 | 148,208,431 | 99,296,782 | 48,406,005 | 882,950,374 | 1,596,948,895 |
| Individual Life | 104,897,753 | 37,896,381 | 4,307,164 | 14,017,507 | 28,463,108 | 189,581,913 |
| Annuity | 61,239,139 | 28,723,560 | 14,688,289 | 5,455,044 | 36,102,160 | 146,208,192 |
| Total | 584,224,195 | 214,828,372 | 118,292,235 | 67,878,556 | 947,515,642 | 1,932,739,000 |

(a-v) The aging analysis of the outstanding claims by processing stage and reason for the year ended 31 December 2021 is as follows:

| Outstanding claims per claimant | 0 - 90 days ₹ | 91 - 180 days ₹ | 180 - 270 days ₹ | 270 - 365 days ₹ | 366 days + ₹ | Total ₹ |
|---|--------------------|--------------------|---------------------|---------------------|--------------------|----------------------|
| Awaiting documentation | 116,004,292 | 65,305,726 | 24,803,008 | 13,237,037 | 225,694,067 | 445,044,130 |
| Incomplete documentation | 93,787,471 | 28,609,115 | 7,407,272 | 14,315,152 | 63,125,459 | 207,244,469 |
| Discharge voucher not yet signed and returned by client | 374,432,431 | 120,913,531 | 86,081,956 | 40,326,367 | 658,696,116 | 1,280,450,401 |
| Total | 584,224,194 | 214,828,372 | 118,292,236 | 67,878,556 | 947,515,642 | 1,932,739,000 |

(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 2021 | 426 | 119 | 89 | 91 | 687 | 1,412 |
| 31 December 2020 | 338 | 119 | 72 | 96 | 652 | 1,277 |

Notes To The Financial Statements Contd

17.1 Insurance contract liabilities Contds

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 2021, the balance of outstanding claims represents claims which are unpaid due to incomplete documentation on ongoing claims verification exercise.

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|--|-----------------------|-----------------------|
| (b) Movement in Group Life IBNR | | |
| Balance, beginning of year | 1,621,307 | 2,127,086 |
| Movement during the year | 718,908 | (505,779) |
| Balance, end of year | <u>2,340,215</u> | <u>1,621,307</u> |
| (c) Movement in Group Life Unearned Premium Reserve | | |
| Balance, beginning of year | 743,879 | 744,972 |
| Premiums written during the year | 6,926,310 | 5,046,349 |
| Premiums earned during the year | (6,934,467) | (5,047,442) |
| Balance, end of year | <u>735,722</u> | <u>743,879</u> |
| (d) Movement in individual life fund | | |
| Balance, beginning of year | 6,532,205 | 4,488,920 |
| Movement during the year | (1,856,023) | 2,043,285 |
| Balance, end of year | <u>4,676,182</u> | <u>6,532,205</u> |

Notes To The Financial Statements Contd

| (e) Movement in annuity fund | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|---|-----------------------|-----------------------|
| Balance, beginning of year | 67,021,040 | 38,199,161 |
| Movement during the year | (4,830,042) | 28,821,879 |
| Balance, end of year | <u>62,190,998</u> | <u>67,021,040</u> |
| (f) Movement in PRA Annuity fund is analysed below: | | |
| Balance, beginning of year | 67,021,040 | 38,199,161 |
| Annuity premium written during the year | 19,291,841 | 16,413,005 |
| Annuity payout during the year | (8,691,961) | (6,749,453) |
| Accretion to/ (release from) annuity fund | <u>(15,429,922)</u> | <u>19,158,327</u> |
| Balance, end of year | <u>62,190,998</u> | <u>67,021,040</u> |

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.

Notes To The Financial Statements Contd

| (g) Reconciliation of insurance contract liabilities | Insurance contracts N'000 | Re-insurance N'000 | Net N'000 |
|--|------------------------------|-----------------------|-------------------|
| At 1 January 2020 | 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 |
| Premium received | 32,464,843 | (2,083,304) | 30,381,539 |
| Liabilities paid for deaths, benefits, claims | (6,516,727) | 688,869 | (5,827,858) |
| Benefits and claims experience variations | (31,799,925) | 1,611,143 | (30,188,782) |
| At 31 December 2021 | 71,875,856 | (425,811) | 71,450,045 |

Notes To The Financial Statements Contd

| 18. Investment contract liabilities | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|--|-----------------------|-----------------------|
| Welfare scheme fund (see note (a) below) | 2,945,906 | 2,223,096 |
| Individual DA (see note (b) below) | 5,670,285 | 3,849,526 |
| | 8,616,191 | 6,072,622 |
| (a) Movement in welfare scheme fund | | |
| Balance, beginning of year | | |
| Deposit during the year | 2,223,096 | 2,068,998 |
| Withdrawals during the year | 1,016,356 | 409,199 |
| Guaranteed interest charge | (503,435) | (443,865) |
| Balance, end of year | 209,889 | 188,764 |
| | 2,945,906 | 2,223,096 |
| (b) Individual DA | | |
| Balance, beginning of year | | |
| Movement during the year | 3,849,526 | 1,916,350 |
| Balance, end of year | 1,820,759 | 1,933,176 |
| | 5,670,285 | 3,849,526 |

This represents the actuarially determined liability on the premium element of the individual deposit administration portion of the Company's investment contract liabilities.

Notes To The Financial Statements Contd

| 19 Trade payables | 31 Dec. 2021 | 31 Dec. 2020 |
|--|---------------------|---------------------|
| | ₹'000 | ₹'000 |
| Reinsurance premium payable (see note (a)) | 21,204 | 46,380 |
| Commission payable | 96,736 | 26,780 |
| Deposit for premium (see note (b)) | 1,567,501 | 1,041,227 |
| | 1,685,441 | 1,114,387 |
| Current | 1,685,441 | 1,114,387 |
| Non-current | - | - |

(a) Movement in reinsurance premium payable

| | | |
|---|---------------|---------------|
| Balance, beginning of year | 46,380 | 15,284 |
| Reinsurance premium during the year (see note 8c) | 1,982,311 | 1,362,819 |
| Reinsurance premium paid during the year | (2,007,487) | (1,331,723) |
| Balance, end of year | 21,204 | 46,380 |

- (b)** Deposit for premium represents premium received in advance but which the policy risk period is yet to commence as at reporting date.

Notes To The Financial Statements Contd

| 20 Other payables | 31 Dec. 2021 | 31 Dec. 2020 |
|---|---------------------|---------------------|
| | N'000 | N'000 |
| Deferred rental income | 131,452 | 178,812 |
| Non-trade payables (see note (a)) | 1,417,035 | 930,567 |
| Statutory payables (see note (b)) | 45,226 | 38,422 |
| Information technology development levy | 43,805 | 32,957 |
| | <u>1,637,518</u> | <u>1,180,758</u> |
| Current | 1,637,518 | 1,180,758 |
| Non-current | <u>-</u> | <u>-</u> |

(a) Breakdown of non-trade payables

| | | |
|---|------------------|----------------|
| Audit fees | 6,698 | 6,937 |
| NAICOM Levy | 349,669 | 279,965 |
| Consulting and other professional fees | 384,727 | 41,349 |
| Advert and publicity | 162,538 | 210,615 |
| Nigeria Insurers Association dues payable | 102,241 | 100,809 |
| Deferred commission income | 37,672 | 45,195 |
| Provision for staff performance pay | 373,490 | 245,697 |
| | <u>1,417,035</u> | <u>930,567</u> |

- (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.

Notes To The Financial Statements Contd

21 Taxation

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|---|-----------------------|-----------------------|
| Current income tax | | |
| Balance, beginning of year | (190,865) | 243,439 |
| Current income tax charge | 61,706 | 23,168 |
| Prior period under/(over) provision for tax | 10,000 | (217,036) |
| Withholding tax credits | - | (16,368) |
| Payments during the year | - | (224,068) |
| Balance, end of year | <u>(119,159)</u> | <u>(190,865)</u> |

22 Deferred tax liabilities

| | | |
|---|----------------|----------------|
| Balance, beginning of year | 520,578 | 495,920 |
| Tax charge relating to components of other comprehensive income | 25,150 | 24,658 |
| Balance, end of year | <u>545,728</u> | <u>520,578</u> |

Notes To The Financial Statements Contd

(a) Movement in deferred tax liability

| | At 1 January ₹'000 | Other comprehensive income ₹'000 | At 31 December ₹'000 |
|--|-----------------------|---|----------------------------|
| 31 December 2021 | | | |
| Property, plant and equipment | 428,427 | 25,150 | 453,577 |
| Unrealised gains on foreign currency translation | 10,895 | - | 10,895 |
| Fair value gains on investment property | 81,256 | - | 81,256 |
| | <u>520,578</u> | <u>25,150</u> | <u>545,728</u> |
| 31 December 2020 | | | |
| Property, plant and equipment | 403,769 | 24,658 | 428,427 |
| Unrealised gains on foreign currency translation | 10,895 | - | 10,895 |
| Fair value gains on investment property | 81,256 | - | 81,256 |
| | <u>495,920</u> | <u>24,658</u> | <u>520,578</u> |

(b) Unrecognised deferred tax assets

| | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|---|-----------------------|-----------------------|
| Deductible temporary differences | 177,666 | 48,639 |
| Unrelieved tax losses (will never expire) | 25,146,738 | 24,388,498 |
| | <u>25,324,404</u> | <u>24,437,137</u> |

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.

Notes To The Financial Statements Contd

(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. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|----------------------------|-----------------------|-----------------------|
| In thousands of Naira | 24,437,137 | 12,785,738 |
| Balance, beginning of year | 887,267 | 11,651,399 |
| Increase during the year | 25,324,404 | 24,437,137 |
| Balance, end of year | | |

23 Deposit for shares

| | | |
|------------------------------|----------|-----------|
| Balance, beginning of year | - | 500,000 |
| Refund of deposit for shares | - | (500,000) |
| Balance, end of year | - | - |

Notes To The Financial Statements Contd

24 Share capital

Share capital comprises:

Authorised capital- 16,000,000,000 ordinary shares of 50 kobo each

| 31 Dec. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|-----------------------|-----------------------|
| 8,000,000 | 8,000,000 |
| - | - |
| 8,000,000 | 8,000,000 |

Balance, beginning of year

Additional authorised shares registered during the year

Balance, end of year

Issued and fully paid - 16,000,000,000 (2020 : 16,000,000,000) ordinary shares of 50 kobo each

Balance, beginning of year

Shares issued during the year

Balance, end of year

| | |
|------------------|------------------|
| 8,000,000 | 2,500,000 |
| - | 5,500,000 |
| 8,000,000 | 8,000,000 |

Movement in ordinary shares in issue

Balance, beginning of year

Shares issued during the year

Balance, end of year

| Units '000 | Units '000 |
|-------------------|-------------------|
| 16,000,000 | 5,000,000 |
| - | 11,000,000 |
| 16,000,000 | 16,000,000 |

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 ₦5.5 billion in issued share capital in the prior year was met by way of capitalization of reserves.

Notes To The Financial Statements Contd

25 Share premium

| | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|--|-----------------------|-----------------------|
| Balance, beginning of year | - | 1,594,668 |
| Conversion to issued share capital | - | (1,594,668) |
| Cost of registration of increase in authorised share capital | - | - |
| Balance, end of year | - | - |

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. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|---------------------------------|-----------------------|-----------------------|
| Balance, beginning of year | 1,354,712 | 1,094,107 |
| Transfer from retained earnings | 343,386 | 260,605 |
| Balance, end of year | 1,698,098 | 1,354,712 |

Notes To The Financial Statements Contd

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.

| Movement in the asset revaluation reserve: | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|--|-----------------------|-----------------------|
| Balance, beginning of year | 601,248 | 543,711 |
| Revaluation gains on property, plant and equipment during the year | 83,833 | 82,195 |
| Deferred tax impact of the gains | (25,150) | (24,658) |
| Balance, end of year | 659,931 | 601,248 |

28 Fair value reserve

Fair value reserve includes the net accumulated change in the fair value through other comprehensive income (OCI) asset until the investment is derecognized or impaired.

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|--|-----------------------|-----------------------|
| Balance, beginning of year | 90,126 | 85,132 |
| Changes in equities at fair value through other comprehensive income | 1,565 | 4,994 |
| Balance, end of year | 91,691 | 90,126 |

Net changes on equities classified at fair value through other comprehensive income

| | | |
|---|--------------|--------------|
| Changes in equities at fair value through other comprehensive income | 1,565 | 4,994 |
| Deferred tax impact on changes in fair value through other comprehensive income | - | - |
| | <u>1,565</u> | <u>4,994</u> |

Notes To The Financial Statements Contd

29 Retained earnings

Retained earnings represent the amount available for distribution to the equity shareholders of the Company. There are no future lease payments for its non-cancellable lease rental contracts as a lessee.

| | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|-----------------------------------|-----------------------|-----------------------|
| Movement in retained earnings: | | |
| Balance, beginning of year | 1,680,438 | 3,732,032 |
| Profit for the year | 3,433,853 | 2,614,343 |
| Bonus shares issued | - | (3,905,332) |
| Transfer to contingency reserves | (343,386) | (260,605) |
| Dividend declared and paid | (1,100,000) | (500,000) |
| Balance, beginning of year | 3,670,905 | 1,680,438 |

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 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.

Notes To The Financial Statements Contd

| 31 | Gross premium income | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|-----------|---|-------------------------------------|-------------------------------------|
| | Gross premium written-Group life | 6,926,310 | 5,046,349 |
| | Gross premium written-Individual life traditional | 6,246,692 | 4,599,114 |
| | Gross premium written-Annuity | 19,291,841 | 16,413,005 |
| | Gross written premium | 32,464,843 | 26,058,468 |
| | Movement in unearned premium reserve | 8,157 | 1,093 |
| | | 32,473,000 | 26,059,561 |
| 32 | Reinsurance expenses | | |
| | Reinsurance premium cost | 1,982,311 | 1,362,819 |
| | Changes in prepaid reinsurance expenses | 100,993 | 18,526 |
| | | 2,083,304 | 1,381,345 |
| 33 | Fees and commission income | | |
| | Insurance contracts | 278,603 | 235,653 |
| | Investment contracts | - | - |
| | | 278,603 | 235,653 |

Notes To The Financial Statements Contd

| 34 | Claims expense | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|----|--|-----------------------|-----------------------|
| | Death | 2,996,977 | 1,912,933 |
| | Maturities | 2,900,214 | 1,544,439 |
| | Annuity Payout | 8,691,961 | 6,749,453 |
| | Surrenders | 619,536 | 429,713 |
| | Gross claims paid | 15,208,688 | 10,636,538 |
| | Change in provision for outstanding claims | 16,740 | 227,955 |
| | Change in provision for outstanding claims-Individual life | 106,764 | 27,088 |
| | Change in outstanding claims - IBNR | 718,908 | (505,779) |
| | Gross claims incurred | 16,051,100 | 10,385,802 |
| | Reinsurers' share of insurance liability: | | |
| | Reinsurance/co-insurance recovery | (688,869) | (291,794) |
| | Changes in incurred but not reported claims (IBNR) | 137,374 | 189,951 |
| | Changes in reinsurance/co-insurance recoverable | (21,659) | (34,329) |
| | | (573,154) | (136,172) |
| | Net insurance benefits and claims | 15,477,946 | 10,249,630 |
| 35 | Changes in life/ annuity fund estimate | | |
| | Changes in individual life fund (see note 17.1 (d)) | (1,856,023) | 2,043,285 |
| | Changes in individual DA (see note 18(b)) | 1,820,759 | 1,933,176 |
| | Changes in annuity fund (see note 17.1 (e)) | (4,830,042) | 28,821,879 |
| | | (4,865,306) | 32,798,340 |

- a) Included in the changes in life fund is the change in the premium element of the actuarially determined individual life deposit administration liability.

Notes To The Financial Statements Contd

| 36 Underwriting expense | 31 Dec. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|--|-------------------------------|-------------------------------|
| Acquisition (commission) expenses (see note (a) below) | 2,919,850 | 1,997,384 |
| Maintenance expenses | 498,981 | 49,117 |
| | 3,418,831 | 2,046,501 |
| (a) Acquisition (commission) expenses | | |
| Brokers commission | 987,825 | 428,516 |
| Agents allowance and commission | 1,964,217 | 1,523,829 |
| Total commission paid | 2,952,042 | 1,952,345 |
| Change on deferred acquisition costs | (32,192) | 45,039 |
| | 2,919,850 | 1,997,384 |
| 37 Investment income | | |
| Dividend income (see note (a) below) | 404,240 | 182,791 |
| Income on cash and cash equivalents (see note (b) below) | 203,941 | 154,882 |
| Income on bonds and treasury bills (see note c below) | 8,206,302 | 7,031,038 |
| Income on statutory deposit (see note (d) below) | (2,631) | 31,709 |
| | 8,811,852 | 7,400,420 |

- (a) Dividend income comprises cash dividend of ₦189 million and scrip dividend of ₦215 million.
- (b) Income on cash and cash equivalents includes interest received of ₦9.287 million (2020: ₦13.218 million) as disclosed in note 5(d).
- (c) Income on bond and treasury bills comprises income of ₦8.164 billion on bonds and ₦3.8million on treasury bills.
- (d) The negative income reported on statutory deposit was as a result of prior period accrued income which was higher than the amount received during the year, due to a subsequent downward revision of rates by the Central Bank of Nigeria (CBN) at the time of receipt.

Notes To The Financial Statements Contd

| 38 | Profit on investment contracts | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|----|--|-----------------------|-----------------------|
| | Investment income on investment contracts | 320,000 | 290,000 |
| | Guaranteed interest on investment contracts | (209,889) | (188,764) |
| | | 110,111 | 101,236 |
| 39 | Fair value gain/(loss) Fair value through profit or loss assets | | |
| | Fair value loss on investment properties | (2,200) | (7,836) |
| | Fair value (loss)/gain on financial assets | (22,678,888) | 15,334,670 |
| | | (22,681,088) | 15,326,834 |
| 40 | Impairment allowance | | |
| | Impairment charge on cash and cash equivalents | 11,475 | 25,629 |
| | Fair value through OCI Impairment charge on financial assets | 19,470 | 7,084 |
| | Impairment charge/(write-back) on claims recoverable | 18,394 | (4,153) |
| | | 49,339 | 28,560 |
| 41 | Net realised gains and losses | | |
| | Realised gain on fair value instruments | 2,702,628 | 15,234 |
| | Realised (loss)/gain on financial assets at amortised cost | (25,215) | 1,562,186 |
| | | 2,677,413 | 1,577,420 |
| 42 | Share of profit of equity accounted investee | | |
| | Share of profit of equity accounted investee | 224,146 | - |
| | | 224,146 | - |

Notes To The Financial Statements Contd

| 43 | Other operating income | 31 Dec. 2021 ₹'000 | 31 Dec. 2020 ₹'000 |
|-----------|---|-------------------------------------|-------------------------------------|
| | Rental Income | 106,239 | 107,554 |
| | Foreign exchange gain/(loss) | 315,334 | (56,989) |
| | Other income | 11,210 | 26,429 |
| | Profit on disposal of fixed assets | 800 | 1,061 |
| | | <u>433,583</u> | <u>78,055</u> |
| 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. | | |
| 44 | Employee benefit expenses | | |
| | Salaries & wages | 467,523 | 350,792 |
| | Pension contribution | 21,472 | 16,089 |
| | Other HR costs | 109,974 | 20,981 |
| | | <u>598,969</u> | <u>387,862</u> |
| 45 | Marketing and administrative expenses | | |
| | Advertising | 282,850 | 259,425 |
| | Travelling expenses | 4,292 | 2,506 |
| | Office maintenance | 139,685 | 50,592 |
| | Vehicle repairs and maintenance | 25,960 | 14,810 |
| | | <u>452,787</u> | <u>327,333</u> |

Notes To The Financial Statements Contd

| 46 Other operating expenses | 31 Dec. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|---|-------------------------------------|-------------------------------------|
| Depreciation of property, plant and equipment | 194,581 | 155,787 |
| Amortisation of intangible assets | 66,278 | 66,165 |
| Auditors' remuneration | 13,000 | 13,000 |
| Directors' expenses (see note 48(b)) | 35,276 | 32,851 |
| Bank charges | 44,830 | 26,530 |
| Information technology expenses | 24,020 | 11,523 |
| Rent and rates | 103,020 | 66,596 |
| Training | 37,942 | 37,152 |
| NIA Levy | 14,560 | 8,375 |
| Depreciation expense on right-of-use assets | 25,651 | 5,146 |
| NAICOM Supervisory levy | 334,881 | 264,737 |
| Contract service costs | 51,841 | 40,121 |
| Shared service cost | 451,482 | 300,513 |
| Write-off of fixed assets | - | 760 |
| Legal and professional fees | 173,419 | 85,672 |
| | 1,570,781 | 1,114,928 |

Notes To The Financial Statements Contd

| 47 | Income tax expense | 31 Dec. 2021 | 31 Dec. 2020 |
|----|---|----------------|------------------|
| | | ₹'000 | ₹'000 |
| | Per profit and loss account: | | |
| | Company income tax expense | 61,706 | 23,168 |
| | ITF levy | 35,410 | 24,205 |
| | Education tax | - | - |
| | Capital gains tax | - | - |
| | Prior period under/(over) provision for tax | 10,000 | (217,036) |
| | | 107,116 | (169,663) |
| | Deferred tax expense | - | - |
| | Income tax expense/ (write-back) | 107,116 | (169,663) |

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:

Notes To The Financial Statements Contd

| 47 Income tax expense contd | 31 Dec. 2021 | 31 Dec. 2020 |
|--|---------------------|---------------------|
| | ₦'000 | ₦'000 |
| Effective tax rate reconciliation analysis | | |
| Profit before income tax | 3,540,969 | 2,444,680 |
| Tax calculated at domestic rate applicable in Nigeria at 30% (2020 : 30%). | 1,062,291 | 733,404 |
| Effect of: | | |
| Tax exempt income | (2,417,458) | (4,134,545) |
| Non-deductible expenses | 383,100 | 82,904 |
| Impact of industry tax law | (290,809) | (177,183) |
| Unrecognised temporary difference | 1,262,876 | 3,495,420 |
| Minimum tax impact | 61,706 | 23,168 |
| Prior period under/(over)-provision for tax | 10,000 | (217,036) |
| ITF levy | 35,410 | 24,205 |
| Total | 107,116 | (169,663) |

Notes To The Financial Statements Contd

48 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. 2021 Numbers | 31 Dec. 2020 Numbers |
|---|-------------------------|-------------------------|
| ₦ 700,001 - ₦ 1,000,000 | - | - |
| ₦ 1,000,001 - ₦ 1,250,000 | 1 | 1 |
| ₦ 1,250,001 - ₦ 2,500,000 | 10 | 10 |
| ₦ 2,500,001 - ₦ 4,000,000 | 24 | 21 |
| Above ₦ 4,000,000 | 19 | 17 |
| | 54 | 49 |

- (ii) The average number of full time persons employed by the Company during the year was as follows:

| | 31 Dec. 2021 Numbers | 31 Dec. 2020 Numbers |
|----------------------|-------------------------|-------------------------|
| Executive | 2 | 2 |
| Management staff | 6 | 6 |
| Non-management staff | 46 | 41 |
| Total | 54 | 49 |

Notes To The Financial Statements Contd

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. 2021 N'000 | 31 Dec. 2020 N'000 |
|--|-----------------------|-----------------------|
| Directors' fees | 4,263 | 2,150 |
| Directors' sitting allowance | 8,150 | 7,200 |
| Travelling allowance | 22,863 | 23,501 |
| | <u>35,276</u> | <u>32,851</u> |
| Fees and other emoluments disclosed above include amounts paid to: | | |
| Chairman | 3,694 | 3,694 |
| Highest paid Director | <u>8,320</u> | <u>8,320</u> |

49 Earnings per share

| | | |
|--|-------------------|-------------------|
| Net profit attributable to shareholders (N'000) | 3,433,853 | 2,614,343 |
| Weighted average number of ordinary shares in issue: | | |
| - Opening balance ('000) | 16,000,000 | 5,000,000 |
| - Effect of additional bonus issue ('000) | | 11,000,000 |
| Weighted average number of ordinary shares in issue | <u>16,000,000</u> | <u>16,000,000</u> |
| Basic earnings per share (kobo) | <u>21</u> | <u>16</u> |

Notes To The Financial Statements Contd

50 Dividend

During the year under review, the Company declared and paid interim dividend in the sum of 3.50 kobo (2020: 10 kobo) per ordinary share on the issued and paid-up capital of 16,000,000,000 (2020: 5,000,000,000) ordinary shares of 50 kobo each, subject to the appropriate withholding tax deduction.

A final dividend in the sum of 6.50 kobo (2020: 3.375 kobo) per ordinary share on the issued and paid-up capital of 16,000,000,000 (2020: 16,000,000,000) ordinary shares of 50 kobo each was also proposed, subject to the appropriate withholding tax deduction.

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|---|-----------------------|-----------------------|
| Dividend payable, beginning of year | - | 400,000 |
| Prior year final dividend declared | 540,000 | - |
| Interim dividend declared during the year | 560,000 | 500,000 |
| Gross dividend paid during the year | (1,100,000) | (900,000) |
| Dividend payable, end of year | - | - |

51 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.

Notes To The Financial Statements Contd

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:

(I) Receivable from Crusader Sterling Pensions Limited (under common control)

| | 31 Dec. 2021 ₦'000 | 31 Dec. 2020 ₦'000 |
|--|-----------------------|-----------------------|
| Amounts in thousands of Naira | | |
| Balance, beginning of year | 467,450 | 325,879 |
| Net (amount received)/payment made during the year | (50,833) | 141,571 |
| Balance, end of year | 416,617 | 467,450 |

This balance represents amount due from Crusader Sterling Pensions Limited, being the amount disbursed to retirees under the old Pension Act. Refer to note 10c.

In compliance with the requirements of the Pension Reform Act, 2014, 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.

Notes To The Financial Statements Contd

51 Related parties - continued

(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 - ~~N~~10,707,200
- (2) Custodian & Allied Insurance Limited - ~~N~~24,180,000
- (3) Custodian Trustees Limited - ~~N~~3,150,400
- (4) Crusader Sterling Pension Limited - ~~N~~527,810

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.

Notes To The Financial Statements Contd

| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
|--|-----------------------|-----------------------|
| Intercompany balances | | |
| Gross premium written | 16,959 | 13,192 |
| Other income - rental income | 38,565 | 39,853 |
| Group allocated cost- other operating expenses | 451,482 | 300,513 |

52 Change in the Board of Directors

Chief (Mrs.) Margaret Giwa, a Non-Executive Director, retired during the year, which was approved by the Board on 30 April 2021. Mrs. Mimi Ade-Odiachi's appointment as Director was approved by the Board on 30 April 2021.

The appointments of Mr. Kofoworola Majekodunmi and Mrs. Mimi Ade-Odiachi have been subsequently approved by NAICOM.

53 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 (2020 : NIL).

54 Impact of COVID - 19 on the Company's performance

The COVID-19 pandemic has developed rapidly since its discovery, with several waves and viral variants in increasing 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.

Notes To The Financial Statements Contd

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.

Vaccination has commenced in the country with several vaccine options available to all. The rate of acceptance and administrations of COVID-19 vaccines has been rising steadily with some persons already receiving booster shots. This has resulted in a boost in investor confidence the world over.

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.

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.

55 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 2021 or the financial performance for the year then ended that have not been adequately provided for or disclosed.

Notes To The Financial Statements Contd

56 Pension Reform Act (PRA) Regulated Annuity Fund

Statement of Assets and Liabilities

As at 31 December 2021

| Assets | Units | N'000 |
|-------------------|------------|-----------|
| Quoted securities | 37,564,752 | 4,029,947 |

Cash and cash equivalents:

| | Carrying amount N'000 |
|-------------------|--------------------------|
| - Bank placements | 2,023,613 |
| - Cash at bank | 328,931 |
| | <u>2,352,544</u> |

| Commercial Papers | Maturity date | Interest Rate | Carrying amount N'000 |
|--------------------------|---------------|---------------|--------------------------|
| CAPITAL BANCORP | 8-Nov-21 | 4.00% | 19,374 |
| CORONATION MERCHANT BANK | 29-Apr-22 | 12.30% | 479,949 |
| CORONATION MERCHANT BANK | 6-Dec-21 | 6.00% | 5,975 |
| | | | <u>505,298</u> |

Notes To The Financial Statements Contd

Bonds

| Corporate bonds | Maturity Date | Coupon Rate | Fair Value N'000 |
|--------------------------------------|---------------|-------------|---------------------|
| MIXTA NIGERIA 17% BOND | 16-Jan-22 | 17.00% | 24,079 |
| NMRC BOND SERIES 1 | 29-Jul-30 | 14.90% | 257,953 |
| STANBIC IBTC BOND S1 2023 | 5-Dec-23 | 15.50% | 558,160 |
| ACCESS BANK GREEN BOND 2024 | 5-Dec-23 | 15.75% | 119,356 |
| FBNQ BOND 2023 | 18-Mar-24 | 15.50% | 142,263 |
| LAPO MFB BOND 2025 | 24-Jan-23 | 10.50% | 319,539 |
| DANGOTE CEMENT 5 YR BOND | 30-Mar-25 | 13.00% | 141,084 |
| NOVAMBL INVESTMENT SPV PLC BOND 2027 | 17-Apr-25 | 12.50% | 31,500 |
| NIGERIA EUROBOND 2049 9.248% | 17-Jul-27 | 12.00% | 417,080 |
| | | | 2,011,014 |

| State Government bonds | Maturity Date | Coupon Rate | Fair Value N'000 |
|------------------------------|---------------|-------------|---------------------|
| 15.50% ONDO STATE FEB 2022 | 14-Feb-22 | 15.50% | 1,041 |
| 15.85% LAGOS STATE AUG 2027 | 11-Aug-27 | 15.85% | 496,631 |
| 12.25% LAGOS STATE JAN S2030 | 23-Jan-30 | 12.25% | 512,008 |
| | | | 1,009,679 |

Notes To The Financial Statements Contd

Bonds

| Federal Government Bonds | Maturity Date | Coupon Rate | Fair Value ₹'000 |
|---------------------------|---------------|-------------|---------------------|
| 12.75% FGN APR 2023 | 27-Apr-23 | 12.75% | 215,326 |
| 13.53% FGN MAR 2025 | 23-Mar-25 | 13.53% | 931,858 |
| 16.29% FGN MAR 2027 | 17-Mar-27 | 16.29% | 93,570 |
| 13.98% FGN FEB 2028 | 23-Feb-28 | 13.98% | 99,190 |
| 14.55% FGN APR 2029 | 26-Apr-29 | 14.55% | 84,151 |
| 10.00% FGN JUL 2030 | 23-Jul-30 | 10.00% | 285,712 |
| 12.15% FGN JUL 2034 | 18-Jul-34 | 12.15% | 1,169,472 |
| 12.40% FGN MAR 2036 | 18-Mar-36 | 12.40% | 5,401,266 |
| 16.25% FGN APR 2037 | 18-Apr-37 | 16.25% | 5,645,875 |
| 14.80% FGN APR 2049 | 26-Apr-49 | 14.80% | 23,838,934 |
| 12.98% FGN MAR 2050 | 27-Mar-50 | 12.98% | 19,947,568 |
| 16.47% FGN SUKUK SEP 2024 | 25-Sep-24 | 16.47% | 119,783 |
| 15.74% FGN SUKUK DEC 2025 | 28-Dec-25 | 15.74% | 197,303 |
| | | | 58,030,009 |

Notes To The Financial Statements Contd

| Bonds | Maturity Date | Coupon Rate | Amortised Cost ₦'000 |
|---------------------------------------|---------------|-------------|-------------------------|
| 12.15% FGN JULY 2034 | 18-Jul-34 | 12.15% | 945,461 |
| | | | <u>945,461</u> |
| Government and corporate bonds | | | <u>62,501,461</u> |
| Total assets | | | <u>68,883,952</u> |
| Liabilities - Annuity Reserve | | | <u>62,190,998</u> |

57 Revenue Account For the year ended 31 December 2021

| | Individual life ₦'000 | Group life ₦'000 | Annuity ₦'000 | 2021 Total ₦'000 | 2020 Total ₦'000 |
|--|--------------------------|---------------------|-------------------|---------------------|---------------------|
| Gross Premium Written | 6,246,692 | 6,926,310 | 19,291,841 | 32,464,843 | 26,058,468 |
| Gross premium income | 6,246,692 | 6,934,467 | 19,291,841 | 32,473,000 | 26,059,561 |
| Reinsurance expenses | (12,947) | (2,070,357) | - | (2,083,304) | (1,381,345) |
| Net premium income | 6,233,745 | 4,864,110 | 19,291,841 | 30,389,696 | 24,678,216 |
| Fees and commission income | 4,271 | 274,332 | - | 278,603 | 235,653 |
| Net underwriting income | 6,238,016 | 5,138,442 | 19,291,841 | 30,668,299 | 24,913,869 |
| Net insurance benefits and claims | (3,680,104) | (3,105,881) | (8,691,961) | (15,477,946) | (10,249,630) |
| Changes in life/ annuity fund estimate | 35,264 | - | 4,830,042 | 4,865,306 | (32,798,340) |
| Underwriting expenses | (991,882) | (1,454,614) | (972,335) | (3,418,831) | (2,046,501) |
| Underwriting result | 1,601,294 | 577,947 | 14,457,587 | 16,636,828 | (20,180,602) |



Other National Disclosures

Five-Year Financial Summary

Statement of Financial Position

As at 31 December

| | 2021 N'000 | 2020 N'000 | 2019 N'000 | 2018 N'000 | 2017 N'000 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | | |
| Cash and cash equivalents | 4,433,390 | 3,333,239 | 2,753,298 | 2,211,751 | 3,079,548 |
| Financial assets | 84,183,377 | 84,912,544 | 56,208,875 | 35,031,736 | 24,834,798 |
| Trade receivables | 19,019 | 12,533 | 27,346 | 24,056 | 6,627 |
| Reinsurance assets | 425,811 | 681,006 | 859,184 | 799,782 | 768,598 |
| Deferred acquisition cost | 111,589 | 79,397 | 124,436 | 62,293 | 49,408 |
| Other receivables and prepayments | 593,355 | 529,605 | 515,863 | 480,087 | 558,331 |
| Current tax assets | 119,159 | 190,865 | - | - | - |
| Right-of-use assets | 25,938 | 42,969 | 3,278 | - | - |
| Investment in equity accounted investee | 4,117,991 | 4,179,232 | - | - | - |
| Investment properties | 1,002,819 | 1,002,819 | 1,002,819 | 954,925 | 963,425 |
| Property, plant and equipment | 3,106,145 | 3,018,580 | 2,970,829 | 2,616,034 | 2,568,749 |
| Intangible assets | 82,766 | 99,745 | 165,060 | 231,763 | 131,119 |
| Statutory deposit | 260,000 | 260,000 | 260,000 | 200,000 | 200,000 |
| Total assets | 98,481,359 | 98,342,534 | 64,890,988 | 42,612,427 | 33,160,603 |
| Liabilities | | | | | |
| Insurance contract liabilities | 71,875,856 | 77,727,665 | 47,114,330 | 29,231,997 | 22,922,415 |
| Investment contract liabilities | 8,616,191 | 6,072,622 | 3,985,348 | 3,089,658 | 3,514,935 |
| Lease liabilities | - | - | 744 | - | - |
| Trade payables | 1,685,441 | 1,114,387 | 1,347,889 | 29,686 | 6,548 |
| Other payables | 1,637,518 | 1,180,758 | 1,653,668 | 986,252 | 796,142 |
| Current income tax | - | - | 243,439 | 75,439 | 196,404 |
| Deferred tax liability | 545,728 | 520,578 | 495,920 | 551,339 | 447,651 |
| Deposit for shares | - | - | 500,000 | - | - |
| Total liabilities | 84,360,734 | 86,616,010 | 55,341,338 | 33,964,371 | 27,884,095 |
| Equity | | | | | |
| Share capital | 8,000,000 | 8,000,000 | 2,500,000 | 2,500,000 | 2,000,000 |
| Share premium | - | - | 1,594,668 | 1,654,693 | 184,717 |
| Contingency reserve | 1,698,098 | 1,354,712 | 1,094,107 | 872,209 | 735,413 |
| Asset revaluation reserve | 659,931 | 601,248 | 543,711 | 483,023 | 431,081 |
| Fair value reserve | 91,691 | 90,126 | 85,132 | 602,664 | 686,271 |
| Retained earnings | 3,670,905 | 1,680,438 | 3,732,032 | 2,535,467 | 1,239,026 |
| Total equity | 14,120,625 | 11,726,524 | 9,549,650 | 8,648,056 | 5,276,508 |
| Total liabilities and equity | 98,481,359 | 98,342,534 | 64,890,988 | 42,612,427 | 33,160,603 |

Five-Year Financial Summary

Statement of profit or loss and other comprehensive income
for the year ended 31 December

| | 2021 N'000 | 2020 N'000 | 2019 N'000 | 2018 N'000 | 2017 N'000 |
|---|---------------|---------------|---------------|---------------|---------------|
| Gross premium written | 32,464,843 | 26,058,468 | 22,189,831 | 13,679,683 | 12,161,883 |
| Investment and other income | (10,473,322) | 24,455,405 | 11,104,236 | 3,283,337 | 3,693,610 |
| Profit before taxation | 3,540,969 | 2,444,680 | 2,390,363 | 1,442,475 | 1,247,772 |
| Income tax (expense)/write-back | (107,116) | 169,663 | (277,665) | (113,933) | (233,170) |
| Profit after taxation | 3,433,853 | 2,614,343 | 2,112,698 | 1,328,542 | 1,014,602 |
| Total comprehensive income | 3,494,101 | 2,676,874 | 2,161,501 | 1,570,482 | 1,550,485 |
| Basic earnings per share (kobo) (as previously reported) | | | 42 | 27 | 25 |
| Basic earnings per share (kobo) | 21 | 16 | 13* | 8* | 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 2021

| | 2021 N'000 | % | 2020 N'000 | % |
|---|------------------|-------------|------------------|-------------|
| Gross premium income | 32,473,000 | | 26,059,561 | |
| Fees and commission income | 278,603 | | 235,653 | |
| Investment and related income | (10,906,905) | | 24,377,350 | |
| Other income | 433,583 | | 78,055 | |
| | 22,278,281 | | 50,750,619 | |
| Claims incurred, commission paid and other operating expenses - Local | (17,877,484) | | (47,696,125) | |
| Value added | 4,400,797 | 100% | 3,054,494 | 100% |
| Applied as follows: | | | | |
| To pay employees: | | | | |
| Salaries, wages and benefits | 598,969 | 14% | 387,862 | 13% |
| To Government as taxes: | | | | |
| Taxes | 71,706 | 2% | (193,868) | -6% |
| IT development levy | 35,410 | 1% | 24,205 | 1% |
| Retained for asset replacement and future expansion of business: | | | | |
| - Depreciation and amortization | 260,859 | 6% | 221,952 | 7% |
| - Profit for the year | 3,433,853 | 77% | 2,614,343 | 85% |
| | 4,400,797 | 100% | 3,054,494 | 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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