



# HOPE FOR TOMORROW

Custodian Life Assurance Ltd. 2022 Annual Report & Accounts

## **Hope For Tomorrow**

In an uncertain world that is ever changing, one can either adopt a hopeful or defeatist attitude. At Custodian, we believe that there is hope for tomorrow. Whilst we are aware of and understand the realities of the world; business social, political, and environmental, we have chosen and will continue to choose to be optimistic. In adopting 'Hope for tomorrow', we are not denying our reality. Instead, we are refusing to be defeated by our circumstances.



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# Corporate Information

## Chairman

Mr. Richard Asabia	- Chairman
Mr. Larry Ademeso	- Chief Executive Officer/ Managing Director
Mr. Ngozi Nlebemuo	- Executive Director
Mr Kofoworola Majekodunmi	- Non Executive Director
Mrs. Mimi Ade-Odiachi	- Non Executive Director
Mr. Ibrahim Dikko	- Non Executive Director (Retired on 28 October 2022)
Mr. Adeniyi Falade	- Non Executive Director (Retired on 28 October 2022)
Mrs. Titilayo Olujobi	- Non Executive Director (Appointed on 26 April 2022)
Dr. Olusegun Oso	- Non Executive Director (Appointed on 26 April 2022)

## Registered Office

Custodian House,  
16A Commercial Avenue,  
Sabo, Yaba, Lagos  
[www.custodianplc.com.ng](http://www.custodianplc.com.ng)

## Auditors

Deloitte & Touché  
Civic Towers, Plot GA1, Ozumba Mbadiwe Avenue,  
Victoria Island, Lagos  
Tel: +234 (01) 9041700  
[www.deloitte.com.ng](http://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 Limited  
Access Bank Limited  
Polaris Bank Limited

## Re-insurers

African Reinsurance Corporation  
Continental Reinsurance Plc.  
FBS Reinsurance Limited  
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 Via Virtual Means On Tuesday, March 14, 2023, At 01:00pm, To Transact The Following:

## **Ordinary Business**

1. To Lay Before The Members The Audited Financial Statements For The Year Ended December 31, 2022, Together With The Auditors Report.
2. To Declare A Dividend.
3. To Re-elect Directors.
4. To Approve The Appointment Of New Directors.
5. To Authorise The Directors To Fix The Remuneration Of The Auditors.
6. To Note The Remuneration Of Managers In The Employment Of The Company.

## **Special Business**

7. To Fix The Remuneration Of The Directors
8. To Appoint Independent Consultant To Carryout Annual Board Evaluation.

By Order Of The Board

A handwritten signature in black ink, appearing to read 'AJA', with a long horizontal stroke extending to the right.

Adeyinka Jafojo  
FRC/2013/NBA/00000002403  
Custodian Trustees Limited  
Company Secretary



✧ Chairman's Statement

✧ Board of Directors



## Chairman's Statement

My fellow shareholders, members of the Board of Directors, distinguished ladies and gentlemen. I am delighted to welcome you to the Annual General Meeting of our Company, Custodian Life Assurance Limited and to present to you the Annual Reports and Accounts for the year ended 31 December 2022.

Mr. Richard Asabia (Chairman)



## Chairman's Statement Contd

My fellow shareholders, members of the Board of Directors, distinguished ladies and gentlemen. I am delighted to welcome you to the Annual General Meeting of our Company, Custodian Life Assurance Limited and to present to you the Annual Reports and Accounts for the year ended 31 December 2022.

As is customary, I will provide a brief overview of the global and domestic macroeconomic operating environment and highlight of the financial performance of our Company as well as our corporate outlook for 2023.

### Global Economy

At the start of the year, the IMF downgraded global GDP growth for 2022 to 4.4% from 4.9% earlier projected. The downgrade was triggered by the spread of the Omicron variant of COVID-19 and the effect of the resulting restrictions imposed by some countries. By the second quarter of the year, global economic forecast was further lowered to 3.6% by the IMF. This time, the gloomy economic outlook was the result of the effect of the invasion of Ukraine by Russia. This caused humanitarian crisis in Eastern Europe as well as global inflation. According to the IMF, supply shocks, rising commodity and food prices following sanctions on Russia have resulted in shortages in the energy and agricultural sectors. Russia is a global energy supplier while Ukraine is a leading wheat supplier. Oil price rose from US\$98.6 per barrel in Quarter 1 to over US\$135 per barrel by the Second Quarter of 2022. This was the highest price since 2008.

In the Third Quarter of the year, the impact of the Russia-Ukraine crisis was felt as surging inflation and rising interest rates triggered recession fears in large economies like the United States and the United Kingdom. On the back of this, the IMF's global baseline forecast for growth in 2022 was cut further from 4.4% in the first quarter to 3.2%. In the Fourth Quarter of the year, the world witnessed another economic headwind as China reported another Covid-19 outbreak. In response to this outbreak, very strict lockdowns were imposed leading to limited productivity. The result of these events led to higher cost of living globally aptly dubbed "cost of living crisis".

### Domestic Economy

With a robust GDP growth of 3.4% the year before, the Nigerian economy was anticipated to continue its recovery path in 2022. However, domestic constraints and the Russia-Ukraine conflict increased the economic pressure that already existed. The price of agricultural commodities rose sharply thereby increasing the cost of inputs and food prices. Also impacted were energy products with higher prices of diesel and aviation fuel having detrimental impact on businesses across different sectors. This was exacerbated by lack of stable power supply from the national grid.

Despite these challenges, the Nigerian economy recorded year-on-year growth of 3.11% in the First Quarter of the year, 3.54% in the Second Quarter, 2.25% in the Third Quarter and 3.52% in the fourth quarter of the year. Non-oil sector notably service and agriculture sectors continue

## Chairman's Statement Contd

to make the highest contribution to the Nigerian economy. The growth recorded are attributable to the base effects of subdued growth and the challenging economic conditions that have impeded productive activities in prior periods.

Nigeria's inflation rose to 21.34% at the end of 2022 from 15.63% recorded at the beginning of the year. Core inflation, which excludes the prices of volatile agricultural produce, stood at 18.49% in December 2022. The increase in the year-on-year inflation rate is attributable to increase in cost of importation due to currency depreciation and general increase in the cost of production.

2022 recorded one of the worst foreign exchange rate devaluations for the naira. In the Quarter 1 of the year, global headwind caused by the Russia-Ukraine war saw the exchange depreciate to ₦587/\$1 in the parallel market while official window i.e. NAFEX traded at ₦416.17/\$1. By the April 2022, the parallel market's exchange rate had crossed the ₦600/\$1 mark with the rate closing at ₦615/\$1 in June due to surging demand amid scarcity. The official rate was ₦429/\$1. In the Third Quarter, scarcity continued to drive the exchange rate higher as the dollar traded at ₦700/\$1 between ₦735/\$1. Official rate at the end of September 2022 was ₦437.05/\$1. In the last quarter of the year, rate

rose as high as ₦875/\$1 in the parallel market due to scarcity of US dollars and the Central Bank's decision to introduce re-designed currency notes. However, as speculation for foreign currency waned, the rate strengthened to close the year at ₦735/\$1. While the US dollars appreciated against many foreign currencies, the drop in crude oil revenue, surge in demand for US dollars by foreign companies seeking to repatriate funds and drastic reduction in foreign investors' portfolio inflow contributed to loss of value of the naira.

Nigerian Exchange Ltd (NGX) All Share Index, ASI, opened the trading year at 42,716.44 points and closed at 51,251.06 gaining 8,534.64 points or 19.98%. NGX oil and gas index was the best performing with a gain of 34.60% followed by NGX Industrial with a gain of 19.67%. NGX 30 index which is made up of the most capitalized stocks gained 6.98%. Banking and insurance index ended the year with gain of 2.81% and loss of 11.99% respectively depicting the challenges facing the financial services sector. Pension index on the other hand closed the year higher by 10.37%. Overall, the NGX which opened the year with total market capitalization of ₦22.296 trillion closed the year with ₦27.915 trillion representing a gain of ₦5.619 trillion or 25.20%. It is important to mention that the feat was achieved with very little foreign investor participation.

**Banking and insurance index ended the year with gain of 2.81% and loss of 11.99% respectively depicting the challenges facing the financial services sector.**

## Chairman's Statement Contd

### Financial Result

Notwithstanding the economic headwinds faced during the year, our Company was able to report decent financial performance. We reported gross premium written of ₦37.8billion representing 16% year on year growth. Profit before tax for the year was ₦4.25billion an increase of 20% when compared with ₦3.54billion achieved in 2021. Profit after tax grew by 15% to ₦3.96billion. On the Statement of Financial Position, we achieved growth of 16% in total assets to ₦114.3billion. Equity attributable to owners of the Company also appreciated by 16.7% to close the year at ₦16.5billion.

You can rest assured that the Board will continue to work with management to deploy the Company's assets professionally, prudently and profitably within the dictates of the evolving local and global economy.

### Dividend

In line with our commitment to deliver strong and sustainable returns to our shareholders, the Board approved an interim dividend of 3kobo for every

share of 50kobo held. Following the decent performance recorded in 2022, the Board hereby proposes, subject to your approval, the payment of an additional 12 kobo for every share of 50kobo held as final dividend thus making a total dividend of 15 kobo per share in respect of the result of the 2022 financial year, subject to appropriate withholding tax.

### Board developments and corporate governance

Since the last Annual General Meeting, there have been two retirements from, and two appointments to the Board.

Messrs. Ibrahim Dikko and Adeniyi Falade, both Non-executive Directors, retired during the year after completing their respective tenures. Their retirements were approved by the Board on 28 October 2022, following years of meritorious service. Please join me in expressing our sincere appreciation to them for their commitment and contributions to the Company's growth and progress, as we wish them the very best in their respective endeavours.



**In line with our commitment to deliver strong and sustainable returns to our shareholders, the Board approved an interim dividend of 3kobo for every share of 50kobo held.**

## Chairman's Statement Contd

In the course of the financial year ended 31 December 2022, Dr. Olusegun Oso and Mrs. Titilayo Olujobi were appointed to the Board as Non-executive Directors, with effect from 26 April 2022. Their appointments were approved by the National Insurance Commission (NAICOM) on 5 August 2022.

Dr. Olusegun Oso is a medical doctor who pivoted into the Finance field. He holds a Bachelor of Medicine and Surgery (MBBS) from the University of Ibadan. He has a Master of Business Administration (MBA) from the Massachusetts Institute of Technology (MIT), Sloan School of Management, and is a Chartered Financial Analyst with extensive work experience in investment banking, private equity /venture capital, portfolio management and corporate governance.

Mrs. Titilayo Olujobi is a well-rounded and experienced professional with nearly four decades experience in Public Accounting, Banking, Training Facilitation, Business Consulting and Coaching. She is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a Certified Professional Coach of the International Coaching Federation (ICF). She holds a B.Sc. Degree in Economics from the University of Ife (now Obafemi Awolowo University).

**We expect that economic activities will be slow initially but pick up in the second half of the year. Analysts have, however, projected that the Nigerian economy will grow by 2.9% in 2023.**

### Corporate Social Responsibility

In continuing our resolve to positively affect the society in general and the insurance industry in particular, the Company contributed the sum of ₦500,000 towards the sponsorship of the Nigerian Council of Registered Insurance Brokers (NCRIB) investiture.

### Outlook

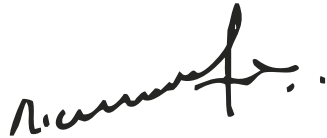
With the just concluded political season, businesses may want to adopt the attitude of 'wait and see'. We expect that economic activities will be slow initially but pick up in the second half of the year. Analysts have, however, projected that the Nigerian economy will grow by 2.9% in 2023. The services sector would continue to make the largest contribution to the country's GDP while the industrial sector could contract on the back of rising interest rates and higher operating costs. In terms of the policy environment, analysts believe that Federal Government's budget deficits would exceed 5% of the budget despite the performance on VAT, Customs collections as well as Corporate Income Tax (CIT). Inflation is expected to remain high due to the impact of the planned phased removal of fuel subsidy, increase in electricity tariffs, and the further loss of value of the naira against the dollar. We also expect that the commencement of operations at the Dangote Refinery and improved crude oil production would support the accretion to foreign exchange reserves.



## Chairman's Statement Contd

### Conclusion

On behalf of the Board of Directors, I thank all of you and all our other stakeholders for your unwavering support and commitment to our Company.



Mr. Richard G. Asabia  
Chairman



On behalf of the Board of Directors,  
I thank all of you and all our other  
stakeholders for your unwavering  
support and commitment to our  
Company.

## Board of Directors



Mr. Richard Asabia  
(Chairman)



Mr. Larry Ademeso



Dr. Olusegun Oso



Mrs. Titilayo Olujobi



Mr. Ngozi Nlebemuo



Mr. Kofoworola Majekodunmi



Mrs. Mimi Ade-Odiachi

- 
- ✧ Executive Management Team
  - ✧ Directors' Report
  - ✧ Statement Of Directors' Responsibilities
  - ✧ Certification Pursuant to Section 405 of CAMA, 2020
  - ✧ Corporate Governance Report
  - ✧ Board Evaluation 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 Koshiedo**  
Head, Corporate



**Kehinde Ariyibi**  
Head, Retail Enterprise



**Bolatito Oni**  
Head, Human Resources



**Karla Dambo**  
Head, Retail Sales



**Oladele Akinsanya**  
Head, Products (Performance,  
Improvement & Development)

# Directors' Report

## For the year ended December 31, 2022

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 2022.

### **Legal form and principal activity**

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

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

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

### **Dividend**

During the year under review, the Company declared and paid interim dividend in the sum of 3 kobo (2021: 3.5 kobo) per ordinary share on the issued and paid-up capital of 16,000,000,000 (2021: 16,000,000,000) ordinary shares of 50 kobo each, subject to the appropriate withholding tax deduction.

The Directors recommended the payment of a final dividend of 12 kobo (2021: 6.5 kobo) per ordinary share on the issued and paid-up capital of 16,000,000,000 (2021: 16,000,000,000) ordinary shares of 50 kobo each, bringing the total dividend for the financial year ended 31 December 2022 to 15 kobo (2021: 10 kobo per share), subject to the appropriate withholding tax deduction.

The proposed final payout has been approved by the National Insurance Commission (NAICOM) in line with the new Prudential Guidelines which became effective 1st October 2022.

## Directors' Report Contd

### Operating results

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

	31-Dec-2022	31-Dec-2022
	N'000	N'000
Profit before tax	4,256,042	3,540,969
Taxation	(292,332)	(107,116)
Profit after tax	3,963,710	3,433,853
Transfer to contingency reserve	(396,371)	(343,386)
Dividend paid	(1,520,000)	(1,100,000)
Earnings per share - Basic (in kobo)	25	21
Dividend per share - Interim (in kobo)	3	3.50
Dividend per share - Final (in kobo)	12	6.50

## 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-2022	31-Dec-2021
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
Mr Kofoworola Majekodunmi	Non Executive Director	Nil	Nil
Mrs. Mimi Ade-Odiachi	Non Executive Director	Nil	Nil
Mrs. Titilayo Olujobi	Non Executive Director	Nil	Nil
Dr. Olusegun Oso	Non Executive Director		

### Resignation/Retirement of Directors

Messrs. Ibrahim Dikko and Adeniyi Falade, both Non-executive Directors, retired during the year after completing their respective tenures. Their retirements were approved by the Board on 28 October 2022.

### Appointment of Directors

Dr. Olusegun Oso and Mrs. Titilayo Olujobi were appointed to the Board on 26 April 2022. Their appointments were approved by the National Insurance Commission (NAICOM) on 5 August 2022.

### 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 2022:

	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 ₦500,000 (2021 : ₦7,795,650) was given out as donations and charitable contributions during the year. Details of the donations and charitable contributions are as follows:

	2022 ₦	2021 ₦
The Nigerian Council of Registered Insurance Brokers (NCRIB) investiture	500,000	-
African Insurance Organisation (AIO) 2022 Day 1 sponsorship	-	7,170,600
Nigerian Security & Civil Defence Corps (NSCDC) sponsorship	-	50,050
National Association of Insurance & Pension Correspondents (NAIPCO) end-of-year award	-	150,000
The Nigerian Golf Cup Tournament 2022	-	150,000
Nigerian British Chamber of Commerce (NBCC)	-	150,000
Ibadan Golf Club 30th anniversary celebration	-	125,000
	<u>500,000</u>	<u>7,795,650</u>

## 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 cover 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 %
2022	30	25	55%	45%
2021	34	20	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 2022 and the profit for the year ended on that date, which have not been disclosed.

### Auditors

Messrs. Deloitte & Touché 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.

15 February 2023

# Statement Of Directors' Responsibilities

In Relation To The Financial Statements For The Year Ended 31st December, 2022

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

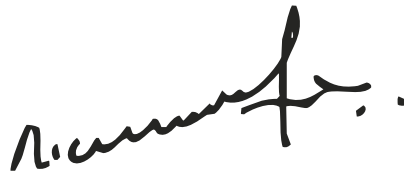
The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.



## Statement Of Directors' Responsibilities Contd

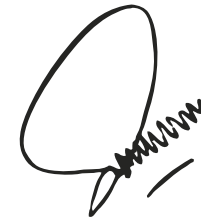
The Directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



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

15 February 2023



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

15 February 2023

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

For the year ended 31 December 2022

We the undersigned hereby certify the following, with regards to our audited financial statements for the year ended 31 December 2022, 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 Companies, 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 has identified for the Company's auditors any material weaknesses in internal controls, and
- 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

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

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

15 February 2023



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

15 February 2023

# 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 the 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

## Corporate Governance Report Contd

- International best practices.
- The Company's Memorandum and Articles of Association.

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

### **Corporate Legal Structure**

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

### **Annual General Meeting**

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.



## Corporate Governance Report Contd

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

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

### **Delegation to Management**

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

### **Directors' Independence**

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

### **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.

## Corporate Governance Report Contd

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

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

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

Custodian 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. Kofoworola Majekodunmi and Mrs. Mimi Ade-Odiachi 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.

## Corporate Governance Report Contd

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.

### **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, 2022, Custodian's Board comprised of seven (7) Directors.

#### **Board of Directors**

- |    |                            |   |
|----|----------------------------|---|
| 1. | Mr. Richard Asabia         |   |
| 2. | Mr. Larry Ademeso          |   |
| 3. | Mr. Ngozi Nlebemuo         |   |
| 4. | Mr. Kofoworola Majekodunmi |   |
| 5. | Mrs. Mimi Ade-Odiachi      |   |
| 6. | Mrs. Titilayo Olujobi      | Appointment approved by NAICOM on 5 August 2022 |
| 7. | Dr. Olusegun Oso           | Appointment approved by NAICOM on 5 August 2022 |
| 8. | Mr. Ibrahim Dikko          | Retired 28 October 2022                         |
| 9. | Mr. Adeniyi Falade         | Retired 28 October 2022                         |

## Corporate Governance Report Contd

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.

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 company 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, 2022.

### **Attendance at Board meetings**

The table below shows the frequency of meetings of the Board of Directors for the year ended 31 December 2022. The Board met four (4) times during the year under review:

## Corporate Governance Report Contd

Directors	Composition	Meeting attended	10 February 2022	26 April 2022	29 July 2022	28 October 2022
Mr. Richard Asabia	Chairman	4	✓	✓	✓	✓
Mr. Larry Ademeso	Member	4	✓	✓	✓	✓
Mr. Ngozi Nlebemuo	Member	4	✓	✓	✓	✓
Mr. Ibrahim Dikko*	Member	4	✓	✓	✓	✓
Mr. Adeniyi Falade*	Member	4	✓	✓	✓	✓
Mr Kofoworola Majekodunmi	Member	4	✓	✓	✓	✓
Mrs. Mimi Ade-Odiachi	Member	4	✓	✓	✓	✓
Mrs. Titilayo Olujobi**	Member	2	X	X	✓	✓
Dr. Olusegun Oso**	Member	2	X	X	✓	✓

\* Retired on 28 October 2022

\*\* Appointed on 26 April 2022

### 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.

## Corporate Governance Report Contd

- 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.

### **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.



## Corporate Governance Report Contd

### **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 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.

### **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.

## Corporate Governance Report Contd

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.

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**

Dr. Olusegun Oso and Mrs. Titilayo Olujobi were appointed to the Board on 26 April 2022. Their appointments were approved by the National Insurance Commission (NAICOM) on 5 August 2022.

Messrs. Ibrahim Dikko and Adeniyi Falade, both Non-executive Directors, retired during the year, after completing their respective tenures. Their retirements were approved by the Board on 28 October 2022.

## Corporate Governance Report Contd

### **Board Committees**

The Board carries out its responsibilities through its Committees, which have clearly defined terms of reference, setting out their roles, responsibilities, functions and scope of authority. The Board has three (3) Committees, namely: Board Audit and compliance Committee, Board Finance, Investment and General Purpose Committee, and Board Enterprise Risk management and Governance Committee.

Through these committees, the Board is able to effectively deal with complex and specialized issues and to fully utilize its expertise to formulate strategies for the Company. The committees make recommendations to the Board, which retains responsibility for final decision making.

All Committees, in the exercise of their powers as delegated, conform to the regulations laid down by the Board, with well-defined terms of reference contained in the charter of each Committee. The Committees render reports to the Board at the Board quarterly meetings.

A summary of the roles, responsibilities, composition and frequency of meetings of each of the Committees are as stated hereunder:

#### **(i) Board Audit and Compliance Committee**

Auditing is vital to ensuring that accounting norms for insurance businesses are effectively applied and maintained, monitor the quality of internal control procedures and ensure compliance with all regulatory directives. The Committee shall be responsible for the review of the integrity of the data and information provided in the audit and / or financial reports.

The Committee shall provide oversight functions with regard to the Company's internal control functions. The Committee shall ensure compliance with legal and other regulatory requirements, assessment of qualifications and independence of external auditors; and performance of the Company's internal audit function as well as that of the external auditors. The Committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its function and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## Corporate Governance Report Contd

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   |

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

Directors	Composition	Meeting attended	9 February 2022	25 April 2022	22 July 2022	24 October 2022
Mrs. Mimi Ade-Odiachi	Chairman	4	✓	✓	✓	✓
Mr. Kofoworola Majekodunmi	Member	4	✓	✓	✓	✓
Mr. Ibrahim Dikko*	Member	4	✓	✓	✓	✓

\* Retired on 28 October 2022

### (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 function 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, 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. Mrs. Mimi Ade-Odiachi | Non-Executive Director | Member   |
| 3. Mr. Adeniyi Falade    | Non-Executive Director | Member   |
| 4. Mr. Larry Ademeso     | Managing Director      | Member   |

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

Directors	Composition	Meeting attended	8 February 2022	22 April 2022	26 July 2022	25 October 2022
Mr. Ibrahim Dikko*	Chairman	4	✓	✓	✓	✓
Mr. Larry Ademeso	Member	4	✓	✓	✓	✓
Mrs Mimi Ade-Odiachi	Member	4	✓	✓	✓	✓
Mr. Adeniyi Falade*	Member	4	✓	✓	✓	✓

\* Retired on 28 October 2022

## 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. Mr. Kofoworola Majekodunmi	Non-Executive Director	Member
3. Mrs. Mimi Ade-Odiachi	Non-Executive Director	Member



## Corporate Governance Report Contd

Directors	Composition	Meeting attended	8 February 2022	25 April 2022	22 July 2022	24 October 2022
Mr. Ibrahim Dikko*	Chairman	4	✓	✓	✓	✓
Mrs. Mimi Ade-Odiachi	Member	4	✓	✓	✓	✓
Mr. Kofoworola Majekodunmi	Member	4	✓	✓	✓	✓

\* Retired on 28 October 2022

### 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 Master's 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.

### Mr. Larry Ademeso - Managing Director

Mr. Larry 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 Limited).

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.

## Corporate Governance Report Contd

### **Mr. Ngozi Nlebemuo- Executive Director**

Mr. Ngozi 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, Strategy and Sales of the Company.

### **Mrs. Mimi Ade-Odiachi - Independent Director**

Mrs. Mimi Ade-Odiachi is a seasoned professional and entrepreneur with over three decades of 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 (CSRF).

### **Mr. Kofoworola Majekodunmi – Independent Director**

Mr. Kofoworola 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.

## Corporate Governance Report Contd

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.

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.

### **Dr. Olusegun Oso**

Dr. Olusegun Oso is a medical doctor who pivoted into Finance field. He holds a Bachelor of Medicine and Surgery (MBBS) from the University of Ibadan. He has a Master's degree in Business Administration (MBA) from the Massachusetts Institute of Technology (MIT), Sloan School of Management, and is a Chartered Financial Analyst with extensive work experience in investment banking, private equity, venture capital, portfolio management and corporate governance.

### **Mrs. Titilayo Olujobi**

Mrs. Titilayo Olujobi is a well-rounded and experienced professional with nearly four decades of experience in Public Accounting, Banking, Training Facilitation, Business Consulting and Coaching. She is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a Certified Professional Coach of the International Coaching Federation (ICF). She holds a B.Sc. Degree in Economics for the University of Ife (now Obafemi Awolowo University).

### **Annual Board Appraisal**

The Code of Corporate Governance for the Insurance Industry recognizes the fact that the good corporate governance framework must be anchored on an effective and accountable Board of Directors whose performance is assessed periodically. The annual appraisal would be conducted at the end of the financial year, as well as the company's compliance status with the provisions of NAICOM.

## Corporate Governance Report Contd

### **Shareholders**

The General Meeting of the company is the highest decision-making body of the Company. The Company is driven by its desire to deliver significant returns on its shareholders' investment. The shareholders have an opportunity to express their concerns (if any) and opinions on the Company's financial results and all other issues at the Annual General Meeting of the Company. The Meetings are conducted in a fair and transparent manner where the regulators are invited such as the National Insurance Commission, Corporate Affairs Commission as well as the auditors. The company also dispatches its annual reports, providing highlights of all the Company's activities to its shareholders.

### **Protection of Shareholders' Rights**

The Board ensures the protection of the statutory general rights of shareholders at all times, particularly their right to attend and vote at general meetings. Tall shareholders are treated equally, regardless of volume of shareholding or social status.

### **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](http://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 will be 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 input 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 instill 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 2022 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 2022, the Company's share capital was ~~N~~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 ~~N~~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
2022	-	16,000,000	-	8,000,000

# Board Evaluation Report

For the Board of Custodian Life Assurance Limited



## 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 Ltd for 2022 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 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 Evaluation Report Contd

**Board Composition & Capacity:** The Board comprises of a total of Seven (7) directors: One (1) Female and Six (6) Male. The board composition is as follows- Two (2) Executive Directors, three (3) Non-Executive Directors and Two (2) Independent Non-Executive Directors. The Board is diverse in skill and experience.

**Board Committees:** The Board has three (3) committees namely: Board Audit and Compliance Committee; Finance, Investment and General- Purpose Committee and Enterprise Risk Management and Governance Committee. These committees met regularly as required by regulators, with members in attendance. All committees have a charter / articulate Terms of Reference. The Chairman of the Board is not a member of any Board Committee.

**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 internal and external 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 on its Annual Reports and published on its official website.

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

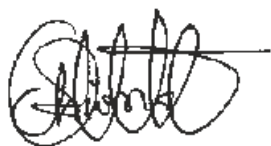
**Risk Management & Compliance:** The Board has established an adequate Risk Management framework for managing risk exposures and ensuring effective internal control systems. The Board has established processes and systems for assessing, monitoring, managing, and reporting regulatory compliance. The Board ensures an annual risk assessment duly evaluating all risk exposures of the Company's business. The risk management function is headed by a qualified management team that periodically reports to the risk management committee of the Board.

## 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 National Insurance Commission, Corporate Governance Guidelines, and the Nigerian Codes of Corporate Governance (NCCG)., we have found Custodian Life Assurance Ltd to a large extent compliant in regulatory requirements and recommended best practices for the period under review (2022). In all, we are happy to state that the Board of Custodian Investment Plc conducted its affairs in an acceptable and satisfactory manner in 2022.

### **SOCIETY FOR CORPORATE GOVERNANCE NIGERIA**

A handwritten signature in black ink, appearing to read 'Chioma Mordi', with a horizontal line extending from the end 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 practice.
- The Company will institute a sustainable risk culture enterprise-wide.
- The Company will only accept risks within its risk acceptance criteria and have commensurate returns and continually review its activities to determine inherent risks level and adopt appropriate risk response to residual risk levels at all times.
- The Company continually reviews its activities to determine inherent risk levels and adopt appropriate risk response at all times.
- The Company will make decisions based on resilient analysis of the implications of such risk to its strategic goals and operating environment.

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

## **Risk management framework**

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

## Risk Management Contd

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

### **1st line – Risk owners**

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

### **2nd line – Risk control**

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

### **3rd line – Risk assurance**

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

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



## Risk Management Contd

Committees	Functions
(i) Board Audit and Compliance Committee	<ul style="list-style-type: none"> <li>- Oversight of financial reporting and accounting</li> <li>- Oversight of the external auditors</li> <li>- Oversight of regulatory compliance</li> <li>- Monitoring the internal control process</li> <li>- Oversight of risk management</li> <li>- Review of the Company's compliance level with applicable laws and regulatory requirements that may impact the Company's risk profile</li> </ul>
(ii) Board Finance, Investment and General Purpose Committee	<ul style="list-style-type: none"> <li>- Review and approve the Company's investment policy</li> <li>- Approve investments over and above managements' approval limit</li> <li>- Ensure that optimum asset allocation is achieved</li> </ul>
(iii) Board Enterprise Risk Management and Governance Committee	<ul style="list-style-type: none"> <li>- Review changes in the economic and business environment, including emerging trends and other factors relevant to the Company's risk profile</li> <li>- Oversight of compliance with code of corporate governance</li> <li>- Assist in the oversight of the review and approval of the Company's risk management policy including risk appetite and risk strategy.</li> <li>- Review the adequacy and effectiveness of risk management and controls</li> <li>- Oversee management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms</li> <li>- Review large underwritten risks for adequacy of reinsurance and other risk management techniques including environmental &amp; social management system</li> <li>- Review and recommend for approval of the Board risk management procedures and controls for new products and services</li> </ul>

## 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"> <li>· Mortality/longevity risks</li> <li>· Pricing risk</li> <li>· Underwriting risk</li> <li>· Under-reserving risk</li> <li>· Catastrophe risk</li> <li>· Reinsurers treaty agreement</li> </ul>	<ul style="list-style-type: none"> <li>· Improvement factors on mortality table consistent with portfolio experience</li> <li>· Segmented tariff</li> <li>· Policy and underwriting governance and guidelines/underwriting limits</li> <li>· Follow up on excess and inadequate reserves</li> <li>· Follow up on catastrophe events</li> <li>· Regular review of reinsurance treaty agreement</li> </ul>
Market risk	<ul style="list-style-type: none"> <li>· Investment approval limits</li> <li>· Policy on volume and quality of investment assets</li> <li>· Counter party placement limits.</li> <li>· Asset allocation limits etc.</li> </ul>
Operational risk	<ul style="list-style-type: none"> <li>· Clear policy on recruitment</li> <li>· Tolerance limits for errors and breaches and operational threats</li> <li>· Business Continuity Policy</li> <li>· Service level consultations</li> <li>· Loss event reporting</li> <li>· Information security policy etc.</li> </ul>
Credit risk	<ul style="list-style-type: none"> <li>· Counter-party financial analysis - Credit rating</li> </ul>
Liquidity risk	<ul style="list-style-type: none"> <li>· Policy on quality of liquid assets.</li> <li>· Minimum operating liquid level etc.</li> </ul>

## 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 2022 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 2022	Dec 2021	% change
Gross premium written	37,769,832	32,464,843	16%
Net premium income	35,837,899	30,389,696	18%
Underwriting result	1,071,067	16,636,828	-94%
Investment and other income/(loss)	6,139,383	(10,473,322)	-159%
Profit before tax	4,256,042	3,540,969	20%
Profit after tax	3,963,710	3,433,853	15%
Total comprehensive income	3,883,818	3,494,101	11%
Earnings per share (kobo)	25	21	19%



## 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 283 which comprise the statements of financial position as at 31 December 2022, 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, and 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 2022, 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
<b>Valuation of Insurance and Investment Contracts</b>	
<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 ₦85.101 billion [2021: ₦71.876 billion] and ₦9.070 billion [2021: ₦8.616 billion] respectively. This represents about 96% of the Company total liabilities as at 31 December, 2022.</p>	<p>Our procedures included the following among others:</p> <ul style="list-style-type: none"><li>• We reviewed the methodology and processes adopted by management for making reserves in the books of the company.</li><li>• We tested entity's control around reserving process and maintenance of data for valuation of insurance contract and investment contract liabilities.</li><li>• 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.</li></ul>

## 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"> <li>• We validated the data used in the valuation of the insurance contract and investment contract liabilities.</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>We found that the assumptions used by management were comparable with the market, accord with best practices, the key input data used in estimating the fair value of the insurance and investment 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, 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 the 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.

### Contravention

The company did not contravene any section of the insurance Act, NAICOM circulars and guidelines during the year.

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  
13 March 2023

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



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- A dark butterfly, possibly a Mourning Dove, is shown from a top-down perspective, resting on a rough, textured surface like gravel or coarse sand. The butterfly's wings are spread, and its body is visible. The lighting is dramatic, with the butterfly appearing as a dark silhouette against the lighter, textured ground.
- ✧ Summary Of Significant Accounting Policies
  - ✧ Financials

# Summary Of Significant Accounting Policies

## 1 General information

For the year ended 31 December 2022

### 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 15 February 2023.

## 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).



## Summary Of Significant Accounting Policies Contd

Additional information required by national regulations have been included where appropriate. The financial statements are presented in Naira, which is the Company's presentation and functional currency.

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

### **(a) Basis of measurement**

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

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

### **(b) Use of estimates and judgements**

The preparation of the financial statements which is in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 2.4.

## Summary Of Significant Accounting Policies Contd

### 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.

#### 2.2.1 New and amended standards and interpretations effective for periods beginning on or after January 2022

The Company applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

##### (a) Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework issued in March 2018 without significantly changing its requirements. The amendments 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 exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively."

This amendment had no impact on the Company's financial statements.

##### (b) Property, Plant and Equipment: Proceeds before Intended Use–Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

## Summary Of Significant Accounting Policies Contd

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.

This amendment had no impact on the Company's financial statements.

### **(c) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments had no impact on the Company's financial statements.

### **(d) IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022. This amendment had no impact on the Company's financial statements.

## Summary Of Significant Accounting Policies Contd

### **(e) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022. This amendment had no impact on the Company's financial statements.

### **(f) IAS 41 Agriculture – Taxation in fair value measurements**

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.

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.

This amendment had no impact on the Company's financial statements.

### **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 2022, up to the date of issuance of the Company's financial statements.

## Summary Of Significant Accounting Policies Contd

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

### **IFRS 17 Insurance Contracts**

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

#### **Background**

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.

In June 2020, the IASB issued amendments to IFRS 17. These amendments included changing the effective date to 2023. The IASB also tentatively decided on a consequential amendment to IFRS 4 Insurance Contracts to defer the fixed expiry date for the temporary exemption from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

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

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

#### **(i) Identification of contracts in the scope of IFRS 17**

The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participatory features (DPF).

## Summary Of Significant Accounting Policies Contd

When identifying contracts within the scope of IFRS 17, the Company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives investment components and goods and services components have to be separated and accounted for under another standard. For insurance contracts and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

For investment contracts with DPF, under IFRS 4, the Company separately identifies and classifies part of the DPF as equity. Under IFRS 17, the Company will consider all of the discretionary benefits in the measurement of the liabilities. In addition, these contracts are currently subject to the disclosure requirements of IFRS 7 Financial Instruments: Disclosures and some of the presentation requirements of IAS 32 Financial Instruments: Presentation. On transition to IFRS 17, they will no longer be subject to those requirements because the presentation and disclosure requirements of IFRS 17 will apply to them.

### **(ii) Level of aggregation**

Under IFRS 17, insurance contracts and investment contracts with DPF are aggregated into groups for the purpose of measurement. Groups of contracts are determined by first identifying portfolios of contracts comprising contracts subject to similar risk and managed together. Contracts in different product lines or issued by different entities are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by the year of issue) and each cohort into three groups:

- contracts that are onerous at initial recognition,
- contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently, if any, and
- any remaining contracts in the annual cohort, if any.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

On initial recognition, all new contracts are either added to existing group of contracts or, forms a new group to which future contracts may be added where it does not qualify for inclusion in already existing groups. Reinsurance contracts held are grouped such that each group comprises a single contract.

## Summary Of Significant Accounting Policies Contd

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts which generally deferred as a contractual service margin (CSM) against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contract being recognised sooner.

### **(iii) Contract boundaries**

Under IFRS 17, the measurement of groups of contracts includes all of the future cashflows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the "coverage period", which is relevant when applying a number of IFRS 17 requirements.

#### **- Insurance contracts**

For insurance contracts, cashflows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services( including insurance coverage and investment services) the substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risk of the particular policyholder or portfolio that contains the contract and can set a price or levels of benefit that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set up a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into consideration risks that relate to periods after the reassessment date.

On the grounds that some of the insurance contracts issued by the Company, such as group life and critical illness, have annual terms that are assessed as guaranteed to be renewable each year while the Company does not have the practical ability to reassess the risks of the policyholders at individual contract or portfolio level, the Company accounts for the contracts as annual contracts and cash flows related to future renewals will be within the contract boundary.

## Summary Of Significant Accounting Policies Contd

Cash flows for reinsurance contracts are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risk transfers to it and can set a price or level of benefits that fully reflects those reassessed risk or has a substantive right to terminate the coverage.

Some universal life contracts contain a guaranteed annuity option, which allows the policyholder to convert, on maturity of the stated term, the maturity benefit into an immediate starting life - contingent annuity at a predetermined rate. Currently the Company does not consider the cash flows related to the options when measuring the contracts until the option is exercised. The Company has assessed the contract boundary for the contracts, including the options, and concluded that, under IFRS 17 the cash flows related to the guaranteed annuity options will fall within the boundary of the contracts. This is because the Company does not have the practical ability to reprice the contract on maturity of the stated term.

### **- Investment contracts with DPF**

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Company to deliver cash at a present or future date. The Company has no substantive obligation to deliver cash if it has the practical ability to set a price for the promise to deliver the cash that fully reflects the amount of cash promised and related risks.

### **- Reinsurance contracts**

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.



## Summary Of Significant Accounting Policies Contd

Some of the Company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date. However, under IFRS 17 cash flows arising from underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contract and may have to be considered and estimated in their measurement.

### **(iv) Measurement - Overview**

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts that are substantially investment-related service contracts under which the Company promises an investment return based on underlying items; they are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All insurance contracts and investment contracts with DPF in the Participating segment are expected to be classified as direct participating contracts. Shadow accounting will no longer be applied to these contracts. To avoid accounting mismatches between these contracts and their underlying items, the Company will:

## Summary Of Significant Accounting Policies Contd

- apply the risk mitigation option in IFRS 17, to the extent eligible, to recognise certain changes in these contracts in profit or loss and not to adjust the CSM for those changes when it uses derivatives, non-derivative financial instruments measured at FVTPL or reinsurance contracts to mitigate the financial risk from interest rate guarantees in traditional participating contracts and equity guarantees in variable annuity contracts; and
- take advantage of the consequential amendments introduced by IFRS 17 to other standards to measure owner-occupied properties and the Company's own financial liabilities and own shares held that are underlying items as assets at FVTPL. Currently:
  - owner-occupied properties are measured at cost less accumulated depreciation less any impairment losses;
  - the repurchase of own financial liabilities results in their derecognition; and
  - the costs of purchasing own shares are accumulated in the treasury share reserve in equity.

All other insurance contracts and all reinsurance contracts are expected to be classified as contracts without direct participation features.

### - Premium Allocation Approach (PAA)

The Premium Allocation Approach(PAA) is an optional simplified measurement model, which is available for insurance and reinsurance contracts that meet the eligibility criteria stated below at inception:

- The coverage period of each contract in the Company is one year or less.
- The resulting measurement of the asset for remaining coverage is not materially different from the result of applying the general model.

The insurance contracts of the Company are primarily long term with policy durations (coverage periods) of a year or more. Long-term contracts such as Annuity and Individual Life would be automatically eligible for measurement under General Measurement Model (GMM) or Variable Fee Approach (VFA). Other contracts such as Group life, Credit Life and Digital Microinsurance which include contracts with policy durations of one year or less will be eligible for PAA measurement

For PAA to apply in the measurement of long-term contracts, the remaining coverage liability under PAA should not be materially different from the corresponding results under GMM. Some long term contracts (with coverage period of more than 1 year) under the Credit Life class of business will also be subject to a Premium Allocation Approach (PAA) eligibility test.

## Summary Of Significant Accounting Policies Contd

On initial recognition, the Company will measure a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Company's non-performance risk.

- The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario will be discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Company will use stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for variables such as interest rates and equity returns.

### (v) Measurement - insurance contracts

#### - Insurance contracts and investment contracts with DPF

- All cash flows will be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts. Cash flows that vary based on the returns on any underlying items will be adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for liquidity. When the present value of future cash flows is estimated by stochastic modelling, the cash flows will be discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for liquidity.

The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Company would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

- The CSM of a group of contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:

- (a) the fulfilment cash flows;
- (b) any cash flows arising at that date; and

## Summary Of Significant Accounting Policies Contd

c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows; see below).

In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

- The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

## Summary Of Significant Accounting Policies Contd

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future service.

The Company will apply the same accounting policies to measure a group of reinsurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in the insurance service result in profit or loss.

The risk adjustment for non-financial risk will represent the amount of risk being transferred by the Company to the reinsurer.

The CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured such that no income or expense arises on initial recognition, except that the Company will:

- recognise any net cost on purchasing reinsurance coverage immediately in profit or loss as an expense if it relates to insured events that occurred before the purchase of the group; and

## Summary Of Significant Accounting Policies Contd

- recognise income when it recognises a loss on initial recognition of onerous underlying contracts if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. A loss-recovery component is created, which determines the amounts that are subsequently disclosed as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

### - Reinsurance contracts

The CSM is adjusted subsequently only for specified amounts and is recognised in profit or loss as services are received.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Under IFRS 17, for Life contracts, insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Insurance acquisition cash flows that are directly attributable to a group of contracts (e.g. non refundable commissions paid on issuance of a contract) are allocated only to that group and to the groups that will include renewals of those contracts. The allocation to renewals will only apply to certain term life and critical illness contracts that have a one-year coverage period. The Company expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals will be based on the manner in which the Company expects to recover those cash flows.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts. The Company expects that a majority of assets for insurance acquisition cash flows will relate to the renewals of term life and critical illness contracts, as described above. These assets will be presented in the same line item as the related portfolio of contracts and derecognised once the related group of contracts has been recognised. This differs from the Company's current practice, under which all acquisition costs are recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs').

## Summary Of Significant Accounting Policies Contd

IFRS 17 will require the Company to assess at each reporting date whether facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired. If it is impaired, then the Company will:

- a. recognise an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
- b. if the asset relates to future renewals, recognise an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

The Company will reverse any impairment losses in profit or loss and increase the carrying amount of the asset to the extent that the impairment conditions have improved.

### **(vi) Impact assessment**

Under IFRS 17, all profits will be recognised in profit or loss over the lifetime of the contracts, and this will primarily be driven by the timing of the recognition in profit or loss of the CSM as services are provided and the risk adjustment for non-financial risk as the related risk expires.

The Company expects that, even though the total profit recognised over the lifetime of the contracts will not change, it will emerge more slowly under IFRS 17. This is mainly because, for certain Life contracts, all profits are currently recognised in profit or loss on initial recognition of the contracts. The different timing of profit recognition will result in an increase in liabilities on adoption of IFRS 17 because a portion of profits previously recognised and accumulated in equity under IFRS 4 will be included in the measurement of the liabilities under IFRS 17.

The increase in the liabilities for Life contracts on transition to IFRS 17 can mainly be attributed to the following.

## Summary Of Significant Accounting Policies Contd

Changes from IFRS 4	Impact on equity on transition to IFRS 17
The estimates of the present value of future cash flows will increase as a result of : (a) the inclusion of all discretionary benefits in the estimates of the future cashflows in measuring the liabilities for investment contracts with DPF and (b) a reduction in the discount rates because of the IFRS 17 requirements to measure future cash flows using current discount rates.	Decrease
The risk adjustment for non-financial risk under IFRS 17 will be lower than the risk margin under IFRS 4 as a result of: (a) recalibration of the measurement techniques to conform with the IFRS 17 requirements, (b) exclusion of financial risk and general operational risk from the IFRS 17 risk adjustment for non-financial risk.	Increase
A CSM, determined using any of the transition approaches, will be recognised for the unearned profit for these contracts.	Decrease

### (vii) Measurement - significant judgements and estimates

#### - Estimates of future cash flows

In estimating future cash flows, the Company will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.



## Summary Of Significant Accounting Policies Contd

When estimating future cash flows, the Company will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics. The Company will generally allocate insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts in each group.

### **- Discount rates**

The Company will generally determine risk-free discount rates using the yield curve for the Federal Government (FGN) bonds. The yield curve will be interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations. To reflect the liquidity characteristics of the contracts, the risk-free yield curves will be adjusted by an illiquidity premium. Illiquidity premiums will generally be determined by comparing the spreads on corporate bonds with the costs of credit default swaps with matching critical terms for the same issuer.

## Summary Of Significant Accounting Policies Contd

The requirement to measure liabilities for insurance contracts and investment contracts with DPF using current discount rates will be a significant change from the Company's current practice. For the Unit linked products, part of the cashflows vary with the fair value of underlying items. For these cashflows, there will be need to consider a discount rate that reflects the variability of the cashflows.

"For cashflows that do not vary with the value of underlying assets, the Company will adopt the Bottom-up approach in determining the appropriate discount rate applicable. This follows from the readily available information on liquid risk-free yields in the Nigerian market.

For cashflows that vary with the fair value of underlying investments, the Company will adopt the Top-Down approach. This follows from the availability of a reference portfolio comprising the assets of the unit linked fund from which the unit linked cashflows arise."

### **- Risk adjustments for non-financial risk**

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. They will be determined separately for the Life and Non-life contracts and allocated to groups of contracts based on an analysis of the risk profiles of the groups.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Company will apply these techniques both gross and net of reinsurance and derive the amount of risk being transferred to the reinsurer as the difference between the two results.

Applying a confidence level technique, the Company will estimate the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years.

Applying a cost of capital technique, the Company will determine the risk adjustment for non-financial risk by applying a cost of capital rate to the amount of capital required for each future reporting date and discounting the result using risk-free rates adjusted for liquidity, consistently with the Company's current practice. The required capital will be determined by estimating the probability distribution of the present value of future cash flows from the contracts at each

## Summary Of Significant Accounting Policies Contd

future reporting date and calculating the capital that the Company would require to meet its contractual obligations to pay claims and expenses arising over the duration of the contracts at a 99.5 % confidence level. The cost of capital rate represents the additional reward that investors would require for exposure to the non-financial risk. For Group Life insurance, the Company will adopt the VAR Approach based on a confidence level of 75%. A confidence interval of 75% is considered appropriate given that the Company already holds solvency capital in respect of insurance risk with the parameters of the solvency capital calculations calibrated at 99.5%.

The Company's weighted-average cost of capital rate is 6% at 1 January 2023 and 2022.

### **- Contractual Service Margin (CSM)**

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

To determine the relative weighting of the benefits provided by insurance coverage and investment services, the Company will generally consider the selling prices for the services had they been offered on a stand-alone basis and adjust the quantity of benefits for each service in proportion to those stand alone selling prices. The stand-alone selling price for a service may be evidenced by observable prices when the Company sells that service separately to policyholders with similar characteristics.

## Summary Of Significant Accounting Policies Contd

### **(viii) Presentation and disclosure**

IFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contracts with DPF are presented and disclosed in the Company's financial statements.

Under IFRS 17, portfolios of insurance contracts and investment contracts with DPF that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 will provide added transparency about the sources of profits and quality of earnings.

#### **- Insurance service result**

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts. The requirements in IFRS 17 to recognise insurance revenue over the coverage period will result in slower revenue recognition compared with the Company's current practice of recognising revenue when the related premiums are written.

## Summary Of Significant Accounting Policies Contd

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result. Investment components will not be included in insurance revenue and insurance service expenses under IFRS 17. As a result, the Company expects a significant reduction in the total amounts of revenue and expenses from contracts with investment components compared with those recognised under the current practice. The Company will identify the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. The Company has identified that its participating and non-participating endowment contracts, such as education endowment, life term harvest contain an investment component, determined as the surrender value specified in the contractual terms less any accrued fees.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because the Company will present them on a net basis as 'net expenses from reinsurance contracts' in the insurance service result, but information about these will be included in the disclosures.

The Company will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

If the Company derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract will be reclassified to profit or loss as a reclassification adjustment.

## Summary Of Significant Accounting Policies Contd

For participating life contracts, the Company will present insurance finance income or expenses in profit or loss, considering that the supporting assets will generally be measured at FVTPL.

### - Disclosure

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgement made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts and investment contracts with DPF. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

### (ix) Transition

In adopting IFRS 17, the Standard outlines three transition approaches as follows:

- Full Retrospective Approach
- Modified Retrospective Approach
- Fair Value Approach

Under the Full Retrospective Approach, IFRS 17 reporting is adopted by identifying and measuring each group of insurance contracts as though IFRS 17 had always applied. The Company will be required to derecognize any existing balances that would not exist had IFRS 17 always applied and recognize any resulting difference in equity.

The Modified Retrospective Approach is applicable if it is deemed impracticable to apply the Full Retrospective Approach. The objective of the Modified Retrospective Approach is to achieve results as close as possible to those achieved using the Full Retrospective Approach without undue cost or effort. The Company will therefore use available reasonable and supportable information in applying the Modified Retrospective Approach. This is particularly crucial

## Summary Of Significant Accounting Policies Contd

for long term policies underwritten several years ago where the economic assumptions applicable when the policies were underwritten may not be readily available. Under these circumstances, the Standard allows for the use of recent data in deriving assumptions for the measurement of insurance contracts.

The Fair Value Approach is applicable if it is deemed impracticable to use the Full Retrospective or the Modified Retrospective transition approaches. The Fair Value Approach entails measuring the insurance contracts in force as at the date of transition as though it were the date of initial recognition. Under the Fair Value Approach, insurance contracts are measured based on a fair value basis and the Company's IFRS 17 fulfilment cashflows basis. The fair value basis should represent the price that the Company will pay to a market participant to accept or assume the insurance contracts liabilities. The fair value should ideally include, over and above the best estimate of the liabilities, a risk adjustment, and a profit margin. The CSM or loss component at transition is estimated as the difference between the fair value of the contracts and the corresponding value based on the Company's IFRS 17 fulfilment cashflows basis. The contracts are therefore measured based on assumptions derived from the prevailing underwriting and economic environment as at the date of transition. Accordingly, the Company is not required to consider the value of the insurance contracts before the transition date.

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022, the Company will:

- identify, recognise and measure each group of insurance contracts, reinsurance contracts and investment contracts with DPF as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs, provisions for levies attributable to existing insurance contracts and customer-related intangible assets related to acquired insurance contracts);
- measure owner-occupied properties, own financial liabilities and own shares held that are underlying items of direct participating contracts at fair value (see (iv)); and
- recognise any resulting net difference in equity. The carrying amount of goodwill from previous business combinations will not be adjusted.

## Summary Of Significant Accounting Policies Contd

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Company will choose between the modified retrospective approach and the fair value approach. However, if the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

Irrespective of the transition approach used, the following items will not be applied retrospectively.

- The risk mitigation option in IFRS 17 will be applied prospectively from 1 January 2022. Certain groups of contracts to which the risk mitigation option is applied will be measured under the fair value approach at 1 January 2022.
- The consequential amendments to IFRS 3 introduced by IFRS 17 require the Company to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement will not be applied to business combinations before 1 January 2023, for which the Company classified contracts acquired as insurance contracts based on the conditions at contract inception.
- The risk mitigation option in IFRS 17 will be applied prospectively from 1 January 2022. Certain groups of contracts to which the risk mitigation option is applied will be measured under the fair value approach at 1 January 2022.
- The consequential amendments to IFRS 3 introduced by IFRS 17 require the Company to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement will not be applied to business combinations before 1 January 2023, for which the Company classified contracts acquired as insurance contracts based on the conditions at contract inception.

Having done an assessment of its insurance contracts, the Company will apply the following transition approaches for its various classes of business thus:



## Summary Of Significant Accounting Policies Contd

Class of business	Transition approach
Annuity	Fair Value Approach
Individual Life	Fair Value Approach
Group Life	Full Retrospective Approach

The Company has formalized its IFRS 17 implementation road map in line with the regulatory guidance as issued by its industry regulator - National Insurance Commission (NAICOM). It has performed gap analysis, financial and operational impact assessment, and is in the process of deploying the required software solution in readiness for full implementation of IFRS 17.

Based on the Company's assessment undertaken to date, the Company estimates that the initial application of IFRS 17 will have the following impacts on its financial statements:

- the total adjustment (after tax) to the balance of the Company's total equity is estimated to be a reduction of ₦2.043 billion at 1 January 2022 and ₦2.321 billion at 1 January 2023.
- Profit after tax for the financial year ended 31 December 2022 will reduce by ₦278 million as a result. The Company will also restate comparative information on adoption of IFRS 17.

The preliminary assessment above is based on transition work done so far. The actual impact of adopting the standard on 1 January 2023 and 2022 may change because the Company is still refining the new accounting processes and internal controls required for the application of the standard, testing and assessment of controls over the new IT systems and changes in governance framework is still ongoing and the new accounting policies, assumptions and judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

## Summary Of Significant Accounting Policies Contd

### 2.2.3 Standards issued but not yet effective - continued

Other standards in issue but not yet effective are tabulated below:

New or amended standards	Summary of the requirements	Possible impact on financial statements
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"> <li>- What is meant by a right to defer settlement</li> <li>- That a right to defer must exist at the end of the reporting period</li> <li>- 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</li> <li>- That classification is unaffected by the likelihood that an entity will exercise its deferral right.</li> <li>- 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</li> </ul>	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
Classification of Liabilities as Current or Non-current: Amendments to IAS 1- continued	<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>	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	<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>	The amendments are not expected to have any impact on the Company.

## Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 - continued	<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>	
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><b>Key requirements</b></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>	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 - continued	<p>The amendments aim to help entities provide accounting policy disclosures that are more useful by:</p> <ul style="list-style-type: none"> <li>• Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and</li> <li>• Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.</li> </ul> <p><b>Replacement of the term 'significant' with 'material'</b></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>	

## 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 - continued	<p><b>Disclosure of standardised information</b></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><b>Transition</b></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><b>Impact</b></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 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."</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
"Definition of Accounting Estimates - Amendments to IAS 8	<p>Effective for annual periods beginning on or after 1 January 2023.</p> <p><b>Key requirements</b></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><b>Changes in accounting estimates</b></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
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	<p><b>Transition</b></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> <p><b>Impact</b></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><b>Key requirements</b></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><b>Determining the tax base of assets and liabilities</b></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 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>	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
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 - continued	<p><b>Changes to the initial recognition exception</b></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> <p><b>Transition</b></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>	

## Summary Of Significant Accounting Policies Contd

New or amended standards	Summary of the requirements	Possible impact on financial statements
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	<p><b>Key requirements</b></p> <p>In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).</p> <p>The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains."</p> <p>Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.</p> <p><b>Transition</b></p> <p>A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.</p>	The amendments are not expected to have a material impact on the Company

## Summary Of Significant Accounting Policies Contd

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 (₦'000) which is the Company's presentation currency.

##### (ii) Transactions and balances

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

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

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

## Summary Of Significant Accounting Policies Contd

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.

#### **(i) Classification of financial assets**

##### **(1) Financial assets at fair value through profit or loss (FVTPL)**

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

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

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

## Summary Of Significant Accounting Policies Contd

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.

### **(2) Debt instruments at amortised cost or at fair value through other comprehensive income (FVTOCI)**

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

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

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

## Summary Of Significant Accounting Policies Contd

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

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

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

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

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

## Summary Of Significant Accounting Policies Contd

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

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

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

## Summary Of Significant Accounting Policies Contd

### **(ii) 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;
- 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.

### **(iii) 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.



## Summary Of Significant Accounting Policies Contd

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 notes to the financial statements.

### **(iv) 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.

### **(v) 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.

## Summary Of Significant Accounting Policies Contd

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

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

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

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

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

### **(vi) 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;

## Summary Of Significant Accounting Policies Contd

- 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.

### **(vii) 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.

## Summary Of Significant Accounting Policies Contd

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.

### **(viii) Significant increase in credit risk**

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

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

Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

## Summary Of Significant Accounting Policies Contd

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.

### **(ix) 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.

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.

## Summary Of Significant Accounting Policies Contd

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Company determines if the financial asset's credit risk has increased significantly since initial recognition by comparing the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms with the remaining lifetime PD at the reporting date based on the modified terms.

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been

## Summary Of Significant Accounting Policies Contd

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.

### **(x) 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.

### **(xi) 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.

### **(xii) 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.

## Summary Of Significant Accounting Policies Contd

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.

### **(xiii) 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.

### **(c) Other financial assets**

#### **(i) Trade receivables**

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

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



## Summary Of Significant Accounting Policies Contd

### (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.

### (d) Financial liabilities

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

#### (i) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

## Summary Of Significant Accounting Policies Contd

- the financial liability forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

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

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

### **(ii) Derecognition of financial liabilities**

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

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

## 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.

### **(e) 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.

### **(f) 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

## 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.

### **(g) Intangible assets**

Intangible 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;
- There is an ability to use or sell the software product;

## Summary Of Significant Accounting Policies Contd

- 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.

### **(h) 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 2022 (2021: 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%.

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. In calculating the present value of lease payments, the Group 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

## Summary Of Significant Accounting Policies Contd

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.

### **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.

### **(i) 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.

## Summary Of Significant Accounting Policies Contd

### **(k) Equity accounted investees**

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

Associates are all entities over which the Company has significant influence but not control or joint control, over the financial and operating policies.

This is generally the case where the Company holds between 20% and 50% of the voting rights. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

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

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

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

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

### **(l) 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

### **(m) 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 protect 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 are 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 the income statement as incurred. Premiums are recognised as revenue when they become payable by the contract holders. Premiums 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

## Summary Of Significant Accounting Policies Contd

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.

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.

### (n) **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.



## Summary Of Significant Accounting Policies Contd

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.

### (o) **Technical reserves**

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

#### (i) **Company life insurance contracts**

##### **Reserves for unearned premium**

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

##### **Reserves for outstanding claims**

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

##### **Reserves for unexpired risk**

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

#### (ii) **Individual life business**

##### **Life fund**

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

## Summary Of Significant Accounting Policies Contd

### **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".

### **(p) Provisions**

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than 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.

### **(q) 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.

## Summary Of Significant Accounting Policies Contd

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realisable or the deferred income tax liability is payable.

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

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

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

## Summary Of Significant Accounting Policies Contd

### (r) **Equity**

#### (i) **Share capital**

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

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

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

#### (iii) **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.

#### (iv) **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.

### (s) **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

### **(t) 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

### **(u) 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.

### **(v) 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.

### **(w) 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.

## Summary Of Significant Accounting Policies Contd

### **(iii) Other operating expenses**

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

### **(iv) Employee benefits**

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

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

#### **(b) Short-term benefits**

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

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

#### **c) Termination benefits**

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

# Statement Of Financial Position

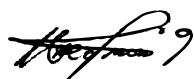
As at 31 December, 2022

Assets	Notes	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Cash and cash equivalents	5	5,922,756	4,433,390
Financial assets:			
-Fair value through profit or loss	6(a)	81,178,946	65,928,268
-Fair value through other comprehensive income	6(b)	93,812	115,119
-Amortised cost	6(c)	20,103,809	18,139,990
Trade receivables	7	40,750	19,019
Reinsurance assets	8	630,036	425,811
Deferred acquisition cost	9	110,772	111,589
Other receivables and prepayments	10	1,786,464	593,355
Current tax assets	21	-	119,159
Right-of-use assets	11.1(a)	1,078	25,938
Investment in equity accounted investee	12	-	4,117,991
Investment property	13	1,143,299	1,002,819
Property, plant and equipment	14	2,951,203	3,106,145
Intangible assets	15	73,218	82,766
Statutory deposit	16	260,000	260,000
<b>Total assets</b>		<b>114,296,143</b>	<b>98,481,359</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Insurance contract liabilities	17	85,100,948	71,875,856
Investment contract liabilities	18	9,070,212	8,616,191
Trade payables	19	1,487,182	1,685,441
Other payables	20	1,577,178	1,637,518
Current tax liabilities	21	53,845	-
Deferred tax liabilities	22	522,335	545,728
		<b>97,811,700</b>	<b>84,360,734</b>
<b>Equity</b>			
Issued share capital	23	8,000,000	8,000,000
Contingency reserve	24	2,094,469	1,698,098
Asset revaluation reserve	25	605,349	659,931
Fair value reserve	26	66,381	91,691
Retained earnings	27	5,718,244	3,670,905
<b>Total equity</b>		<b>16,484,443</b>	<b>14,120,625</b>
<b>Total equity and liabilities</b>		<b>114,296,143</b>	<b>98,481,359</b>

These financial statements were approved by the Board of Directors on 15 February 2023 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, 2022

	Notes	31 Dec. 2022 N'000	31 Dec. 2021 N'000
<b>Gross premium written</b>	29	<b>37,769,832</b>	<b>32,464,843</b>
Gross premium income	29	37,607,534	32,473,000
Reinsurance expenses	30	(1,769,635)	(2,083,304)
<b>Net premium income</b>		<b>35,837,899</b>	<b>30,389,696</b>
Fees and commission income	31	283,439	278,603
Net underwriting income		36,121,338	30,668,299
Net insurance benefits and claims	32	(18,487,890)	(15,477,946)
Changes in life/ annuity fund estimate	33	(13,023,256)	4,865,306
Underwriting expenses	34	(3,539,125)	(3,418,831)
<b>Underwriting result</b>		<b>1,071,067</b>	<b>16,636,828</b>
Investment income	35	11,645,002	8,811,852
Profit on investment contracts	36	43,773	110,111
Net fair value loss	37	(6,028,408)	(22,681,088)
Impairment write-back/(charge)	38	4,385	(49,339)
Net realised (loss)/gain	39	(109,633)	2,677,413
Share of profit of equity accounted investee	40	208,804	224,146
Other operating income	41	375,460	433,583
<b>Total investment and other income/(loss)</b>		<b>6,139,383</b>	<b>(10,473,322)</b>
Employee benefit expenses	42	(763,034)	(598,969)
Marketing and administrative expenses	43	(457,805)	(452,787)
Other operating expenses	44	(1,733,569)	(1,570,781)
<b>Total operating expenses</b>		<b>(2,954,408)</b>	<b>(2,622,537)</b>
<b>Profit before taxation</b>		<b>4,256,042</b>	<b>3,540,969</b>
Income tax expense	45	(292,332)	(107,116)
<b>Profit after taxation</b>		<b>3,963,710</b>	<b>3,433,853</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Asset revaluation on property, plant and equipment, net of tax		(54,582)	58,683
Net change on equities classified at fair value through other comprehensive income, net of tax	26	(25,310)	1,565
<b>Items that may be reclassified subsequently to profit or loss</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>(79,892)</b>	<b>60,248</b>
<b>Total comprehensive income for the year</b>		<b>3,883,818</b>	<b>3,494,101</b>
Earnings per share (kobo) - Basic	47	25	21

# Statement Of Changes In Equity

For the year ended 31 December, 2022

## Attributable to equity holders

	Share Capital N'000	Retained Earnings N'000	Contingency Reserve N'000	Fair Value Reserve N'000	Asset Revaluation Reserve N'000	Total Equity N'000
<b>For the year ended 31 December 2022</b>						
Balance, beginning of year	8,000,000	3,670,905	1,698,098	91,691	659,931	14,120,625
Profit for the year	-	3,963,710	-	-	-	3,963,710
Transfer to contingency reserves	-	(396,371)	396,371	-	-	-
Other comprehensive income	-	-	-	(25,310)	(54,582)	(79,892)
Dividend declared and paid	-	(1,520,000)	-	-	-	(1,520,000)
<b>Balance, end of year</b>	<b>8,000,000</b>	<b>5,718,244</b>	<b>2,094,469</b>	<b>66,381</b>	<b>605,349</b>	<b>16,484,443</b>
<b>For the year ended 31 December 2021</b>						
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)
<b>Balance, end of year</b>	<b>8,000,000</b>	<b>3,670,905</b>	<b>1,698,098</b>	<b>91,691</b>	<b>659,931</b>	<b>14,120,625</b>

# Statement Of Cash Flows

For the year ended 31 December, 2022

		31 Dec. 2022 N'000	31 Dec. 2021 N'000
<b>Cash flows from operating activities</b>	<b>Notes</b>		
Cash premium received		36,180,600	31,417,130
Cash paid as reinsurance premium	19(a)	(1,872,225)	(2,007,487)
Fee and commission income received		286,857	271,080
Cash received on investment contract liabilities	18	559,113	1,016,356
Cash paid to investment contract holders	18	(387,544)	(503,435)
Claims paid	32	(18,827,261)	(15,208,688)
Cash received from re-assurers and co-assurers as recoveries on claims paid	8(d)	337,073	708,962
Underwriting expenses paid		(3,391,057)	(3,381,067)
Employee benefits paid		(664,946)	(598,969)
Rent received		74,654	58,879
Net cash payments received /(paid) on behalf of Legacy Fund	49	250,000	50,833
Deposit for premium	19	1,212,101	1,567,501
Other operating expenses paid		(2,895,211)	(1,325,307)
Other operating income received		56,736	326,544
Cash flows generated from operating activities		10,918,890	12,392,332
Income tax paid	21	(45,559)	-
Net cash provided by operating activities		10,873,331	12,392,332
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(128,992)	(198,313)
Purchase of intangible assets	15(b)	(33,280)	(49,299)
Proceeds from sale of property, plant and equipment		3,447	800
Proceeds from sale of investment in equity accounted investee		2,494,026	-
Purchase of investment securities		(35,445,783)	(42,919,287)
Proceeds on sale of investments/redemption		13,856,940	23,877,708
Deposit for shares	10	(923,000)	-
Purchase of investment properties	13(b)	-	(2,200)
Interest received		11,426,506	8,915,859
Dividend received from financial assets		560,200	189,083
Dividend received from investment in equity accounted investee	12	276,111	285,387
Net cash used in investing activities		(7,913,825)	(10,185,649)

# Statement Of Cash Flows Contd

For the year ended 31 December, 2022

	Notes	31 Dec. 2022 N'000	31 Dec. 2021 N'000
<b>Cash flows from financing activities</b>			
Principal portion of lease liabilities paid	11.1(b)	-	(8,620)
Dividend paid to shareholders	48	(1,520,000)	(1,100,000)
Net cash used in financing activities		(1,520,000)	(1,108,620)
Net increase in cash and cash equivalents		1,439,506	1,098,063
Cash and cash equivalents at 1 January		4,433,390	3,333,239
Effect of exchange rate changes in cash & cash equivalent		49,860	2,088
Cash and cash equivalents at 31 December	5	5,922,756	4,433,390

# Notes to the Financial Statements

For the year ended 31 December 2022

## 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 4.3 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**

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 ₦315 million (2021 : ₦343 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 ₦41 million (2021 : ₦19 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 2022, the Company has underwritten 18,778 (2021 : 15,484) annuity policies with annual annuity payment of ₦11.312 billion (2021 : ₦8.738 billion).

The movement in the annuity portfolio is analysed below:

	Number of annuity policies	Annual Annuity (₦'000)
<b>At 31 December 2020</b>	<b>12,380</b>	<b>6,699,048</b>
New entrants	3,335	2,170,900
Adjustments on opening annual	-	13,734
Deaths / exits	(231)	(145,839)
<b>At 31 December 2021</b>	<b>15,484</b>	<b>8,737,843</b>
New entrants	3,481	2,676,712
Adjustments on opening annual annuity	-	905,390
Deaths / exits	(187)	(1,008,168)
<b>At 31 December 2022</b>	<b>18,778</b>	<b>11,311,777</b>

## Notes To The Financial Statements Contd

### 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.

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 2022 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 2022) 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 – 28 years.



# Notes To The Financial Statements Contd

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:

**(a) For the annuity businesses:**

- The Ultimate Forward Rate will be set equal to the YTM of the 2050-FGN Bond of 14.16% under the assumption that yields stay flat after the longest available tenor bond
- Alpha parameter of 18bp
- Convergence parameter of 30 years
- A prudence margin of 10bp and a further reinvestment risk margin of 10bp to reflect the degree of mismatch between the assets and the liabilities as follows:
  - Floor reinvestment risk margin 10bp
  - Additional reinvestment risk margin =  $(0.025\text{bp for every } 0.1 \text{ years' duration gap in the modified duration of the liabilities and the assets backing the liabilities.}$

**(b) For the non - annuity business:**

- The Ultimate Forward Rate will be set equal to the YTM of the 2050-FGN Bond of 14.16% under the assumption that yields stays flat after the longest available tenor bond
- Alpha parameter of 18bp
- Convergence parameter of 30 years

## Notes To The Financial Statements Contd

**(ii) Expense**

Expenses for individual life business (including annuities) were reserved for explicitly at ₦5,500 per annum, while group schemes (Credit Life, Mortgage and Paid-up Endowments) were reserved for at an expense of ₦555 per annum. All expenses were assumed to increase with inflation at 13.19% p.a.

**(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). No specific adjustment has been made for immediate payment of claims. No specific adjustment has been made for expenses after premiums have ceased in the case of limited payment policies i.e. they have been allocated the same level of expenses as premium paying policies. Where eligible, an allowance

## Notes To The Financial Statements Contd

has been made in the reserving cashflows for future surrender of whole life and endowment policies at 5% pa and multi – endowments at 2.5% pa. An allowance has been made for future lapse of regular paying traditional policies 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 a negative reserve has arisen for any policy, it has been set to zero in order that the policy should not be treated as an asset. Any policies subject to substandard terms were valued using the same basis as standard policies.

### 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 N3.372 billion, whilst a -1% change in VIR will result in additional Life fund liability by N3.680 billion.

A movement of expenses by +10% will result in an increase the Life fund liability by N198 million whilst a -10% change will reduce the Life fund liability by N198 million. Expense inflation moving by +2% will increase the life fund by N309 million whilst a -2% will produce a reduced Life fund liability by N243 million.

# Notes To The Financial Statements Contd

## Sensitivity Of Liabilities To Changes In Long Term Valuation Assumptions For The 31 December 2022 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	5,720,194	-	-	-	-	-	-	-	-	-	-
Investment Linked Plans - Risk Reserve	130,532	(4,003)	4,338	8,490	(8,424)	3,996	(3,523)	-	-	2,635	(2,638)
Traditional Plans (excluding PRA Annuity)	5,709,162	(194,070)	209,673	32,849	(32,379)	16,388	(15,043)	33,650	(33,490)	12,990	(12,921)
PRA Annuity	73,341,805	(3,168,756)	3,459,914	152,929	(152,929)	286,155	(222,344)	-	-	298,780	(291,109)
Additional reserves	1,341,527	-	-	-	-	-	-	-	-	-	-
Group DA	3,350,019	-	-	-	-	-	-	-	-	-	-
Group Life – UPR	577,989	-	-	-	-	-	-	-	-	-	-
Group Life – IBNR	1,544,652	-	-	-	-	-	-	-	-	-	-
Outstanding Claims	2,341,584	-	-	-	-	-	-	-	-	-	-
Other Group Risk	148,169	(5,282)	5,828	3,888	(3,816)	2,708	(2,274)	-	-	7,879	(7,881)
Reinsurance	(630,036)	-	-	-	-	-	-	-	-	-	-
Net liability	<b>93,575,597</b>	<b>(3,372,111)</b>	<b>3,679,753</b>	<b>198,156</b>	<b>(197,548)</b>	<b>309,248</b>	<b>(243,184)</b>	<b>33,650</b>	<b>(33,490)</b>	<b>322,284</b>	<b>(314,549)</b>
% Change in net liability		<b>-3.6%</b>	<b>3.9%</b>	<b>0.2%</b>	<b>-0.2%</b>	<b>0.3%</b>	<b>-0.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>-0.3%</b>
<b>Summary</b>											
Individual	86,243,221	(3,366,829)	3,673,926	194,268	(193,731)	306,540	(240,910)	33,650	(33,490)	314,405	(306,668)
Group	7,332,376	(5,282)	5,828	3,888	(3,816)	2,708	(2,274)	-	-	7,879	(7,881)
Net liability	<b>93,575,597</b>	<b>(3,372,111)</b>	<b>3,679,753</b>	<b>198,156</b>	<b>(197,548)</b>	<b>309,248</b>	<b>(243,184)</b>	<b>33,650</b>	<b>(33,490)</b>	<b>322,284</b>	<b>(314,549)</b>
% change in liability	<b>0.0%</b>	<b>-3.6%</b>	<b>3.9%</b>	<b>0.2%</b>	<b>-0.2%</b>	<b>0.3%</b>	<b>-0.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>-0.3%</b>

# 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	<b>80,066,237</b>	<b>(3,245,038)</b>	<b>3,606,078</b>	<b>174,070</b>	<b>(173,383)</b>	<b>314,742</b>	<b>(241,541)</b>	<b>21,461</b>	<b>(21,044)</b>	<b>353,124</b>	<b>(342,900)</b>
% Change in net liability		<b>-4.1%</b>	<b>4.5%</b>	<b>0.2%</b>	<b>-0.2%</b>	<b>0.4%</b>	<b>-0.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.4%</b>	<b>-0.4%</b>
<b>Summary</b>											
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	<b>80,066,237</b>	<b>(3,245,038)</b>	<b>3,606,078</b>	<b>174,070</b>	<b>(173,383)</b>	<b>314,742</b>	<b>(241,541)</b>	<b>21,461</b>	<b>(21,044)</b>	<b>353,124</b>	<b>(342,900)</b>
% change in liability	<b>0.0%</b>	<b>-4.1%</b>	<b>4.5%</b>	<b>0.2%</b>	<b>-0.2%</b>	<b>0.4%</b>	<b>-0.3%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.4%</b>	<b>-0.4%</b>

# 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 2022

Amounts in thousands of Naira	Gross Amount N'000	Increase by 13.5% N'000	Increase by 20% N'000	Decrease by 13.5% N'000	Decrease by 20% N'000
Investment securities:					
Government & corporate bonds	76,396,865	10,313,577	15,279,373	(10,313,577)	(15,279,373)
Equity securities	4,782,081	645,581	956,416	(645,581)	(956,416)
Other unquoted securities	93,812	12,665	18,762	(12,665)	(18,762)
Impact on profit before tax		<b>10,971,822</b>	<b>16,254,552</b>	<b>(10,971,822)</b>	<b>(16,254,552)</b>

#### 31 December 2021

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		<b>8,915,857</b>	<b>13,208,677</b>	<b>(8,915,857)</b>	<b>(13,208,677)</b>

## 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 2022			31 December 2021		
	USD	EUR	GBP	USD	EUR	GBP
	N'000	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	115,361	-	7,405	55,061	-	4,827
Investment securities	2,388,467	-	-	2,101,792	-	-

Foreign currency changes are monitored by the Investment Committee and holdings are adjusted when there is a deviation from the investment policy. The Company 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 Company'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 2022:

### Foreign exchange sensitivity

31 December 2022	Increase by 10% N'000	Increase by 20% N'000	Decrease by 10% N'000	Decrease by 15% N'000
<b>Investment securities exposed to foreign exchange risk</b>	Gains/(losses)			
Cash and cash equivalents	12,277	24,553	(257,809)	(263,947)
Investment securities	238,847	477,693	(238,847)	(358,270)
Effect on profit before tax	251,123	502,247	(496,655)	(622,217)
Taxation @ 30%	75,337	150,674	(148,997)	(186,665)
Effect on profit after tax	175,786	351,573	(347,659)	(435,552)
31 December 2021	Increase by 10% N'000	Increase by 20% N'000	Decrease by 10% N'000	Decrease by 15% N'000
<b>Investment securities exposed to foreign exchange risk</b>	Gains/(losses)			
Cash and cash equivalents	5,989	11,978	(5,989)	(8,983)
Investment securities	210,179	420,358	(210,179)	(315,269)
Effect on profit before tax	216,168	432,336	(216,168)	(324,252)
Taxation @ 30%	64,850	129,701	(64,850)	(97,276)
Effect on profit after tax	151,318	302,635	(151,318)	(226,976)

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 2022, 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 2022

	Non interest bearing	1-3 months	3-6 months	>6 months	Total
	<b>Interest earning assets</b>				
Cash and cash equivalents	16	5,922,740	-	-	5,922,756
Bonds	-	-	-	96,348,627	96,348,627
Loans and receivables	-	-	-	209,944	209,944
Statutory deposit	-	-	-	260,000	260,000
<b>Total interest earning assets</b>	<b>16</b>	<b>5,922,740</b>	<b>-</b>	<b>96,818,571</b>	<b>102,741,327</b>
<b>Interest bearing liabilities</b>					
Investment contract liabilities	-	-	-	9,070,212	9,070,212
	-	-	-	<b>9,070,212</b>	<b>9,070,212</b>
Gap		5,922,740	-	87,748,359	93,671,115
Cumulative gap		5,922,740	5,922,740	93,671,099	-
Increase by 100bp		59,227	-	877,484	936,711
Increase by 500bp		296,137	-	4,387,418	4,683,556
Decrease by 100bp		(59,227)	-	(877,484)	(936,711)
Decrease by 500bp		(296,137)	-	(4,387,418)	(4,683,556)

# 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
<b>Interest bearing liabilities</b>					
Investment contract liabilities	-	-	-	8,616,191	8,616,191
<b>Total interest bearing liabilities</b>	-	-	-	<b>8,616,191</b>	<b>8,616,191</b>
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

### 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 N'000	% Exposure
Investment property	1,143,299	1%
Interest generating assets	102,741,327	99%
	<b>103,884,626</b>	

### 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.
- 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.

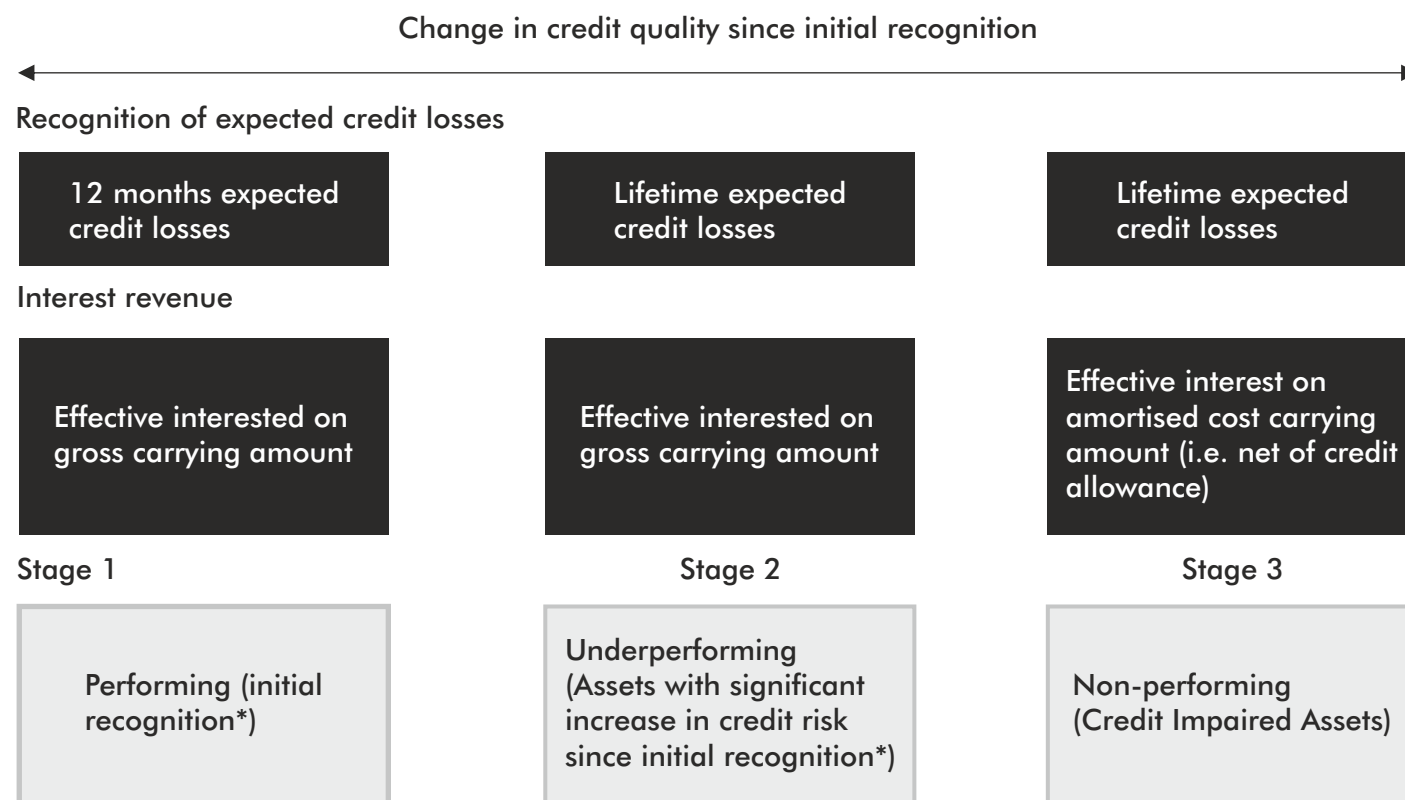
The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost or FVOCI, and to off-balance sheet lending commitments such as loan commitments and financial guarantees (hereafter collectively referred to as financial assets).

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:

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

### **Loss Given Default (LGD)**

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

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

For sovereign exposures denominated in Naira which are assessed as low credit risk exposures, we have resolved to use LGDs within the range of 5-10% based on the Central Bank 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:

## Notes To The Financial Statements Contd

- Exposures to Federal Government of Nigeria (FGN) and Central Bank of Nigeria (CBN);
- Instruments issued by other entities backed by express guarantee of the FGN;
- Inter-bank transactions guaranteed by the FGN or CBN; and
- Inter-bank transactions among supervised institutions collateralized by FGN Bonds,
- Treasury Bills or other similar sovereign bills.

### **Treatment of loans and other receivables**

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

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

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

### **Significant increase in credit risk, default and cure**

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

## Notes To The Financial Statements Contd

- 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.

### **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	2022			2021		
		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+	5,922,740	-	5,922,740	4,433,383	-	4,433,383
Past due but not impaired	C-CCC	-	-	-	-	-	-
Default	D	-	-	-	-	-	-
Total gross amount		5,922,740	-	5,922,740	4,433,383	-	4,433,383
ECL		(88,087)	-	(88,087)	(83,608)	-	(83,608)
Total net amount		(156,724)	-	5,834,653	4,349,775	-	4,349,775
Financial assets							
- amortised cost							
High grade	AAA-A+	-	-	-	-	-	-
Standard grade	BBB-B+	20,161,706	-	20,161,706	18,206,751	-	18,206,751
Past due but not impaired	C-CCC	-	-	-	-	-	-
Default	D	-	-	-	-	-	-
Total gross amount		20,161,706	-	20,161,706	18,206,751	-	18,206,751
ECL		(57,897)	-	(57,897)	(66,761)	-	(66,761)
Total net amount		20,103,809	-	20,103,809	18,139,990	-	18,139,990

# 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 2022, 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 N69 million (2021 : N 56 million).

As at 31 December 2022, 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 2022, the Company has not pledged any of its assets as collateral for any liability or payable balance (2021 : 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 cot of any collateral that is integral to the financial asset. For loans secured with properties or asset, loan to value ratios are key parameter in determining LGD. LGDs are calculated one discounted cash flow basis using effective interest rate as the discounting factor.



## 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 2022.

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

# Notes To The Financial Statements Contd

## Analysis of inputs to the ECL model under multiple economic scenarios

31 December 2022

Key drivers	ECL Scenario	Assigned Probabilities	2022	2023	2024	2025	2026
Macroeconomic variable							
GDP Growth rate (%)							
	Upside	13%	2.29	3.24	3.54	3.74	3.94
	Base case	79%	2.25	3.20	3.50	3.70	3.90
	Downside	8%	2.21	3.16	3.46	3.66	3.86
Inflation rates (%)							
	Upside	13%	15.04	13.10	11.64	11.54	11.54
	Base case	79%	0.21	15.00	13.06	11.60	11.50
	Downside	8%	14.96	13.02	11.56	11.46	11.46
Oil Prices "USD"(price per barrel)							
	Upside	13%	120.20	105.33	102.79	98.24	97.15
	Base case	79%	79.35	64.48	61.94	57.39	56.30
	Downside	8%	54.42	39.55	37.01	32.46	31.37
Unemployment rates (%)							
	Upside	13%	25.66	30.66	34.66	29.66	25.66
	Base case	79%	35.00	40.00	44.00	39.00	35.00
	Downside	8%	51.10	56.10	60.10	55.10	51.10

# 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

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
<b>31 December 2022</b>					
Upside	30%	26,426	17,369	-	43,795
Base case	40%	35,235	23,159	-	58,394
Downside	30%	26,426	17,369	-	43,795
		<u>88,087</u>	<u>57,897</u>	<u>-</u>	<u>145,984</u>
<b>31 December 2021</b>					
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>

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:

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

	31 Dec. 2022	31 Dec. 2021
Amounts in thousands of Naira	N'000	N'000
Gross premium receivable	40,750	19,019
Recoverable from re-assurers & co-assurers on claims paid	131,444	131,444
Reinsurers' share of outstanding claims	65,560	119,067
Total	237,754	269,530
Neither due nor impaired	106,310	138,086
Individually impaired	131,444	131,444
Gross total	237,754	269,530
Impairment allowance	(131,444)	(131,444)
Carrying amount	106,310	138,086

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

	31 Dec. 2022	31 Dec. 2021
Neither due nor impaired	N'000	N'000
Other receivables (less prepayment)	666,617	422,577
Other assets carried at amortised cost	209,944	625,878
Total receivables neither due nor impaired	876,561	1,048,455
Gross total	876,561	1,048,455
Impairment allowance	(684)	(11,133)
Carrying amount	875,877	1,037,322

## 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 2022 is as follows:

	31 Dec. 2022 ₹'000	31 Dec. 2021 ₹'000
Trade receivables	40,750	19,019
Reinsurance receivable	197,004	250,511
Total	237,754	269,530

31 December 2022 Category	A	B	C	D	Total
Insurance brokers	40,750	-	-	-	40,750
Insurance companies	-	-	-	-	-
Reinsurance companies	65,560	-	-	131,444	197,004
Policy holders	-	-	-	-	-
	106,310	-	-	131,444	237,754
Impairment	-	-	-	(131,444)	(131,444)
<b>Net carrying amount</b>	106,310	-	-	-	106,310

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	-	-	-	-	-
	138,086	-	-	131,444	269,530
Impairment	-	-	-	(131,444)	(131,444)
<b>Net carrying amount</b>	138,086	-	-	-	138,086

## 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
<b>31 December 2022</b>							
Cash and cash equivalents	5,922,740	-	-	-	-	-	5,922,740
Financial assets:							
Assets designated at fair value through profit or loss	2,333,831	-	-	74,063,034	-	-	76,396,865
Assets held at amortised cost	2,649,731	-	-	17,341,364	-	170,611	20,161,706
Trade receivables	40,750	-	-	-	-	-	40,750
Reinsurance assets	197,004	-	-	-	-	-	197,004
Other receivables	666,617	-	-	-	-	-	666,617
Statutory deposit	-	-	-	260,000	-	-	260,000
<b>Total</b>	<b>11,810,673</b>	<b>-</b>	<b>-</b>	<b>91,664,398</b>	<b>-</b>	<b>170,611</b>	<b>103,645,682</b>

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
<b>31 December 2021</b>							
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	416,617	-	-	-	-	-	416,617
Statutory deposit	-	-	-	260,000	-	-	260,000
<b>Total</b>	<b>9,664,863</b>	<b>-</b>	<b>-</b>	<b>74,845,566</b>	<b>-</b>	<b>126,555</b>	<b>84,636,984</b>

## 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 2022	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	40,750	-	40,750	-	-	40,750
Reinsurance assets (less prepaid reinsurance, IBNR & reserves)	197,004	-	197,004	-	-	197,004
Total	237,754	-	237,754	-	-	237,754

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

	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	1,487,182	-	1,487,182	-	-	1,487,182
Total	1,487,182	-	1,487,182	-	-	1,487,182

## 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	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	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

	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	1,685,441	-	1,685,441	-	-	1,685,441
Total	1,685,441	-	1,685,441	-	-	1,685,441

# 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 2022	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	5,922,740	6,010,827	6,010,827	-	-	-	-
Investment securities:							
Assets designated at fair value through profit or loss	76,396,865	76,396,865	138,384	207,375	530,354	1,503,953	74,016,799
Assets at amortised cost	20,103,809	20,161,706	-	39,333	-	169,927	19,952,446
Trade receivables	40,750	40,750	40,750	-	-	-	-
Reinsurance assets (less prepaid reinsurance, IBNR & Reserves)	65,560	197,004	131,444	-	65,560	-	-
Other receivables (less prepayment)	666,617	666,617	666,617	-	-	-	-
<b>Total financial assets</b>	<b>103,196,341</b>	<b>103,473,769</b>	<b>6,988,022</b>	<b>246,708</b>	<b>595,914</b>	<b>1,673,880</b>	<b>93,969,245</b>
Investment contract liabilities	9,070,212	9,614,425	-	-	3,350,018	6,264,407	-
Trade payables	1,487,182	1,487,182	1,487,182	-	-	-	-
Other liabilities (less deferred income)	1,480,747	1,480,747	902,396	578,351	-	-	-
<b>Total financial liabilities</b>	<b>12,038,141</b>	<b>12,582,354</b>	<b>2,389,578</b>	<b>578,351</b>	<b>3,350,018</b>	<b>6,264,407</b>	<b>-</b>
<b>Net financial assets/(liabilities)</b>	<b>91,158,200</b>	<b>90,891,415</b>	<b>4,598,444</b>	<b>(331,643)</b>	<b>(2,754,104)</b>	<b>(4,590,527)</b>	<b>93,969,245</b>
Insurance contract liabilities	85,100,948	85,100,948	830,656	365,315	193,518	147,213	83,564,246
<b>Net policyholders' assets/(liabilities)</b>	<b>6,057,252</b>	<b>5,790,467</b>	<b>3,767,788</b>	<b>(696,958)</b>	<b>(2,947,622)</b>	<b>(4,737,740)</b>	<b>10,404,999</b>

## Notes To The Financial Statements Contd

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 carried 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	-	-	-	-
<b>Total financial assets</b>	<b>84,184,739</b>	<b>84,466,552</b>	<b>5,115,151</b>	<b>499,323</b>	<b>119,067</b>	<b>8,981,526</b>	<b>69,751,485</b>
Investment contract liabilities	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	-	-	-
<b>Total financial liabilities</b>	<b>11,807,698</b>	<b>12,324,669</b>	<b>2,655,479</b>	<b>536,028</b>	<b>2,945,906</b>	<b>6,187,256</b>	<b>-</b>
<b>Net financial assets</b>	<b>72,377,041</b>	<b>72,141,883</b>	<b>2,459,672</b>	<b>(36,705)</b>	<b>(2,826,839)</b>	<b>2,794,270</b>	<b>69,751,485</b>
Insurance contract liabilities	71,875,856	71,875,856	216,392	116,728	67,879	947,516	70,527,341
<b>Net policyholders' (liabilities)/assets</b>	<b>501,185</b>	<b>266,027</b>	<b>2,243,280</b>	<b>(153,433)</b>	<b>(2,894,718)</b>	<b>1,846,754</b>	<b>(775,856)</b>

# 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 as specified in the Finance Act 2021. The Federal Government of Nigeria, by Federal Republic of Nigeria Official Gazette, dated 18th January, 2022, amended the Finance Act, 2021. The Finance Act 2021 (Part IX -Insurance Act) in Sections 33, 34, and 35 contains provisions which amended Sections 9, 10 and 102 of Insurance Act, 2003, as previously related to paid-up share capital. The Sections of the Act amended the Insurance Act by substituting the words "paid-up share capital", with the words "Capital requirement" and wherever they appear in Insurance Act 2003. The words "Capital requirement" was introduced and inserted in Section 102 of the Insurance Act. By the provision of section 35, "Capital Requirement" means -

- (a) in the case of existing company -
  - (i) the excess of admissible assets over liabilities, less the amount of own shares held by the company,
  - (ii) subordinated liabilities subject to approval by the Commission, and
  - (iii) any other financial instrument as prescribed by the Commission.

## Notes To The Financial Statements Contd

For this purpose, Admissible Assets are defined as:

Share Capital, Share Premium, Retained Earnings, Contingency Reserves, and any other admissible assets subject to the approval of the Commission;

(b) in the case of a new company -

(i) Government bonds and treasury bills,

(ii) Cash and bank balances, and

(iii) Cash and cash equivalent.

As an existing company, our capital requirement is shown below:

	31 Dec. 2022 ₦'000	31 Dec. 2021 ₦'000
Share capital	8,000,000	8,000,000
Share premium	-	-
Retained earnings	5,718,244	3,670,905
Contingency reserve	2,094,469	1,698,098
Excess of admissible assets over liabilities	15,812,713	13,369,003
Less the amount of own shares held (treasury shares)	-	-
	15,812,713	13,369,003
Subordinated liabilities	-	-
Any other financial instrument as prescribed by the Commission	-	-
Capital requirement	15,812,713	13,369,003

## Notes To The Financial Statements Contd

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 2022 is as follows:

	Total		Admissible	
	31 Dec. 2022 N'000	31 Dec. 2021 N'000	31 Dec. 2022 N'000	31 Dec. 2021 N'000
<b>Assets</b>				
Cash and cash equivalents	5,922,756	4,433,390	5,922,756	4,433,390
Financial assets:				
-Fair value through profit or loss	81,178,946	65,928,268	81,178,946	65,928,268
-Fair value through other comprehensive income	93,812	115,119	93,812	115,119
-Amortised cost	20,103,809	18,139,990	20,103,809	18,139,990
Other receivables	1,786,464	593,355	-	-
Statutory deposit	260,000	260,000	260,000	260,000
Land and building	2,576,036	2,576,036	666,667	666,667
Furniture and fittings	34,386	45,710	34,386	45,710
Office equipment	42,109	55,854	42,109	55,854
Computer equipment	26,193	27,519	26,193	27,519
Motor vehicles	196,479	172,851	196,479	172,851
Work-in-progress	76,000	228,175	-	-
Current tax assets	-	119,159	-	-
Intangible assets	73,218	82,766	73,218	82,766
Investment in equity accounted investee	-	4,117,991	-	4,117,991
Investment property	1,143,299	1,002,819	1,043,374	-
Right-of-use assets	1,078	25,938	-	25,938
Prepaid reinsurance asset	153,872	41,392	153,872	41,392
Deferred acquisition cost	110,772	111,589	110,772	111,589
Trade receivables	40,750	19,019	40,750	19,019
Reinsurance IBNR/ claims recoverable	476,164	384,419	476,164	384,419
<b>Total assets</b>	<b>114,296,143</b>	<b>98,481,359</b>	<b>110,423,307</b>	<b>94,628,482</b>

## Notes To The Financial Statements Contd

### The Solvency Margin for the Company as at 31 December 2022- continued

	Total		Admissible	
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
	N'000	N'000	N'000	N'000
<b>Liabilities</b>				
Unearned premium reserve	898,021	735,722	898,021	735,722
Provision for outstanding claims	2,407,144	1,932,739	2,407,144	1,932,739
Provision for claims incurred but not reported (IBNR)	1,955,256	2,340,215	1,955,256	2,340,215
Life and annuity fund liabilities	79,840,527	66,867,180	79,840,527	66,867,180
Investment contract liabilities	9,070,212	8,616,191	9,070,212	8,616,191
Deferred tax liability	522,335	545,728	-	-
Funds to meet other liabilities	3,118,205	3,322,959	3,064,360	3,322,959
<b>Total liabilities</b>	<b>97,811,700</b>	<b>84,360,734</b>	<b>97,235,520</b>	<b>83,815,006</b>
<b>Solvency margin</b>			<b>13,187,787</b>	<b>10,813,476</b>
Minimum solvency requirement			2,000,000	2,000,000
Solvency ratio			659%	541%

# Notes To The Financial Statements Contd

## 4.6 Fair value hierarchy

The Company's accounting policy on fair value measurements is discussed in note 2.3 a(iv).

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.

### 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 N'000	Level 2 N'000	Level 3 N'000	Total N'000
<b>31 December 2022</b>				
Cash and cash equivalents	-	5,922,756	-	5,922,756
Trade receivables	-	40,750	-	40,750
Assets held at amortised cost	19,894,549	209,260	-	20,103,809
Reinsurance assets (less prepaid reinsurance & reinsurers' share of IBNR)	-	65,560	-	65,560
Other receivables (less prepayment)	-	666,617	-	666,617
Investment in equity accounted investee	-	-	-	-
Statutory deposit	-	260,000	-	260,000
<b>Total</b>	<b>19,894,549</b>	<b>7,164,943</b>	<b>-</b>	<b>27,059,492</b>
Investment contracts at amortised cost	-	9,070,212	-	9,070,212
Trade payables	-	1,487,182	-	1,487,182
Other liabilities	-	1,577,178	-	1,577,178
<b>Total</b>	<b>-</b>	<b>12,134,572</b>	<b>-</b>	<b>12,134,572</b>

## Notes To The Financial Statements Contd

31 December 2021	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
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)	-	416,617	-	416,617
Investment in equity accounted investee	4,117,991	-	-	4,117,991
Statutory deposit	-	260,000	-	260,000
<b>Total</b>	<b>21,643,236</b>	<b>5,862,838</b>	<b>-</b>	<b>27,506,074</b>
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
<b>Total</b>	<b>-</b>	<b>11,939,150</b>	<b>-</b>	<b>11,939,150</b>

### 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. 2022
Leasehold property at 23/25 Martins Street, Lagos	Market Value method	682,894
Leasehold property at Plot 5, Block E, CBD, Alausa, Ikeja	Market Value method	360,480
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		Investment Contract	Annuity Funds	Total
	Shareholders' Fund ₹'000	Policy-holders' Fund ₹'000			
<b>(a) 31 December 2022</b>					
Investment property	-	1,143,299	-	-	1,143,299
Property, plant and equipment:					
- Real estate	2,576,036	-	-	-	2,576,036
- Equipment	68,302	-	-	-	68,302
- Motor vehicles	196,479	-	-	-	196,479
- Furniture	34,386	-	-	-	34,386
- Work-in-progress	76,000	-	-	-	76,000
Investment in equity accounted investee	-	-	-	-	-
Trade receivables	40,750	-	-	-	40,750
Reinsurance assets	-	630,036	-	-	630,036
Deferred acquisition cost	110,772	-	-	-	110,772
Other receivables and prepayments	1,786,464	-	-	-	1,786,464
Current tax assets	-	-	-	-	-
Right-of-use assets	1,078	-	-	-	1,078
Intangible assets	73,218	-	-	-	73,218
Statutory deposit	260,000	-	-	-	260,000
Financial assets:					
- Government and corporate bonds	1,052,108	9,921,216	7,973,458	77,344,633	96,291,415
- Quoted securities	769,789	-	-	4,012,291	4,782,080
- Unquoted securities (FVOCI)	-	-	93,812	-	93,812
- Commercial paper	-	38,728	-	-	38,728
- Loan to policyholders	98,765	-	-	-	98,765
- Loan to staff	71,767	-	-	-	71,767
Cash and cash equivalents:					
- Bank placements	-	-	-	3,042,112	3,042,112
- Bank and cash balances	365,379	874,026	1,216,616	409,797	2,865,818
<b>Total assets</b>	<b>7,581,293</b>	<b>12,607,305</b>	<b>9,283,886</b>	<b>84,808,833</b>	<b>114,281,317</b>



## 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 2021	N'000	N'000	N'000	N'000	N'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
- Treasury bills	-	-	-	-	-
- 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
<b>Total assets</b>	<b>9,447,082</b>	<b>11,231,267</b>	<b>8,981,313</b>	<b>68,821,697</b>	<b>98,481,359</b>

# 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 2022	Shareholders' Fund ₹'000	Policy-holders' Fund ₹'000	Investment Contract ₹'000	Annuity Funds ₹'000	Total ₹'000
<b>ASSETS</b>					
Cash and cash equivalents	365,379	874,026	1,216,616	3,451,909	5,922,756
-Fair value through profit or loss	769,789	-	-	80,409,157	81,178,946
-Fair value through OCI	-	-	93,812	-	93,812
-Amortised cost	1,222,640	9,959,944	7,973,458	947,767	20,103,809
Trade receivables	40,750	-	-	-	40,750
Reinsurance assets	-	630,036	-	-	630,036
Deferred acquisition cost	110,772	-	-	-	110,772
Other receivables	1,786,464	-	-	-	1,786,464
Current tax assets	-	-	-	-	-
Right-of-use assets	1,078	-	-	-	1,078
Intangible assets	73,218	-	-	-	73,218
Property and equipment	2,951,203	-	-	-	2,951,203
Investment in equity accounted investee	-	-	-	-	-
Investment property	-	1,143,299	-	-	1,143,299
Statutory deposit	260,000	-	-	-	260,000
<b>Total assets</b>	<b>7,581,293</b>	<b>12,607,305</b>	<b>9,283,886</b>	<b>84,808,833</b>	<b>114,296,143</b>
<b>LIABILITIES</b>					
Insurance contract liabilities	-	11,759,143	-	73,341,805	85,100,948
Investment contract liabilities	-	-	9,070,212	-	9,070,212
Trade payables	1,487,182	-	-	-	1,487,182
Other liabilities	1,577,178	-	-	-	1,577,178
Current tax liabilities	53,845	-	-	-	53,845
Deferred income tax liabilities	522,335	-	-	-	522,335
<b>Total liabilities</b>	<b>3,640,540</b>	<b>11,759,143</b>	<b>9,070,212</b>	<b>73,341,805</b>	<b>97,811,700</b>
<b>Surplus</b>	<b>3,940,753</b>	<b>848,162</b>	<b>213,674</b>	<b>11,467,028</b>	<b>16,484,443</b>

# Notes To The Financial Statements Contd

## 4.7 Asset and Liability Management (ALM) - continued

(d) 31 December 2021	Shareholders' Fund ₹'000	Policy-holders' Fund ₹'000	Investment Contract ₹'000	Annuity Funds ₹'000	Total ₹'000
<b>ASSETS</b>					
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
<b>Total assets</b>	<b>9,447,082</b>	<b>11,231,267</b>	<b>8,981,313</b>	<b>68,821,697</b>	<b>98,481,359</b>
<b>LIABILITIES</b>					
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 payables	1,637,518	-	-	-	1,637,518
Deferred tax liabilities	545,728	-	-	-	545,728
<b>Total liabilities</b>	<b>3,868,687</b>	<b>9,684,858</b>	<b>8,616,191</b>	<b>62,190,998</b>	<b>84,360,734</b>
<b>Surplus</b>	<b>5,578,395</b>	<b>1,546,409</b>	<b>365,122</b>	<b>6,630,699</b>	<b>14,120,625</b>

## Notes To The Financial Statements Contd

		31 Dec. 2022	31 Dec. 2021
		₦'000	₦'000
<b>5</b>	<b>Cash and cash equivalents</b>		
	Cash in hand	16	7
	Cash at bank (see note (a) below)	1,473,503	763,106
	Bank placements (see note (b) below)	4,449,237	3,670,277
		<u>5,922,756</u>	<u>4,433,390</u>
(a)	Cash at bank	1,492,953	782,304
	Allowance for impairment	(19,450)	(19,198)
		<u>1,473,503</u>	<u>763,106</u>
(b)	Bank placements	4,517,874	3,734,687
	Allowance for impairment	(68,637)	(64,410)
		<u>4,449,237</u>	<u>3,670,277</u>
(c)	Reconciliation of cash and cash equivalents		
	Principal amount invested	5,937,140	4,503,912
	Interest accrued during the year	573,256	18,574
	Interest received during the year	(549,413)	(9,287)
	Allowance for impairment	(88,087)	(83,608)
	Foreign exchange gain	49,860	3,799
		<u>5,922,756</u>	<u>4,433,390</u>
(d)	Movement in impairment allowance on cash and cash equivalents is detailed below:		
(i)	Cash at bank and in hand	19,450	19,198
	Bank placements	68,637	64,410
	Total allowance for impairment	<u>88,087</u>	<u>83,608</u>
(ii)	Balance, beginning of year	83,608	72,133
	Movement for the year (see note 38)	4,479	11,475
	Balance, end of year	<u>88,087</u>	<u>83,608</u>

## Notes To The Financial Statements Contd

		31 Dec. 2022 N'000	31 Dec. 2021 N'000
<b>6</b>	<b>Financial assets</b>		
	Fair value through profit or loss (see note 6(a) below)	81,178,946	65,928,268
	Fair value through OCI (see note 6(b) below)	93,812	115,119
	Amortised cost (see note 6(c) below)	20,103,809	18,139,990
		<u>101,376,567</u>	<u>84,183,377</u>
	Current	915,446	524,443
	Non-current	<u>100,461,121</u>	<u>83,658,934</u>
<b>6(a)</b>	<b>Fair value through profit or loss</b>		
	Federal Government bonds - Nigeria (see note 6a(ii))	73,106,135	58,030,009
	State Government bonds - Nigeria (see note 6a(ii))	956,899	1,009,679
	Corporate bonds (see note 6a(iii))	2,333,831	2,011,015
	Quoted equity securities (see note 6a(iv))	4,782,081	4,877,565
		<u>81,178,946</u>	<u>65,928,268</u>
	Current	876,113	25,120
	Non-current	<u>80,302,833</u>	<u>65,903,148</u>
	Movement in financial instruments at fair value through profit or loss		
i	Movement in Federal Government bonds - Nigeria		
	Balance, beginning of year	58,030,009	60,331,810
	Addition during the year	30,738,261	33,085,300
	Interest accrued during the year	8,131,132	6,051,408
	Fair value loss during the year	(5,873,474)	(21,908,153)
	Coupon received during the year	(7,848,849)	(6,158,627)
	Maturities/liquidation	(11,514,542)	(16,045,897)
	Realised gain during the year	1,443,598	2,674,168
	Balance, end of year	<u>73,106,135</u>	<u>58,030,009</u>

## Notes To The Financial Statements Contd

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
ii Movement in State Government bonds - Nigeria		
Balance, beginning of year	1,009,679	1,709,191
Additions during the year		-
Interest accrued during the year	130,980	145,286
Fair value loss during the year	(32,149)	(355,303)
Coupon received during the year	(150,639)	(187,357)
Realised gain during the year	-	28,460
Redemption/maturity during the year	(972)	(330,598)
Balance, end of year	956,899	1,009,679
iii Movement in Corporate bonds		
Balance, beginning of year	2,011,015	3,286,308
Addition during the year	549,714	-
Interest accrued during the year	287,263	320,731
Fair value loss during the year	(228,978)	(423,191)
Coupon received during the year	(304,894)	(339,705)
Foreign exchange gain	31,422	54,567
Redemption/maturity during the year	(11,711)	(887,695)
Balance, end of year	2,333,831	2,011,015

## Notes To The Financial Statements Contd

	31 Dec. 2022 ₹'000	31 Dec. 2021 ₹'000
iv Movement in Quoted Equities		
Movement in quoted equity securities	4,877,565	4,551,171
Balance, beginning of year	131,014	318,635
Addition during the year	(34,287)	7,759
Fair value (loss)/gain during the year	(195,638)	-
Redemption/disposal during the year	3,427	-
Realised gain during the year	4,782,081	4,877,565
Balance, end of year		

## Notes To The Financial Statements Contd

### v Reconciliation of fair value through profit or loss

	<b>Bonds FGN N'000</b>	<b>Bonds State N'000</b>	<b>Bonds Corporate N'000</b>	<b>Quoted Equities N'000</b>	<b>Total N'000</b>
<b>31 December 2022</b>					
Balance, beginning of year	58,030,009	1,009,679	2,011,015	4,877,565	65,928,268
Addition	30,738,261	-	549,714	131,014	31,418,989
Interest accrued	8,131,132	130,980	287,263	-	8,549,375
Fair value loss	(5,873,474)	(32,149)	(228,978)	(34,287)	(6,168,888)
Coupon received	(7,848,849)	(150,639)	(304,894)	-	(8,304,382)
Maturities / liquidation	(11,514,542)	(972)	(11,711)	(195,638)	(11,722,863)
Foreign exchange gain	-	-	31,422	-	31,422
Realised gain	1,443,598	-	-	3,427	1,447,025
Balance, end of year	<u>73,106,135</u>	<u>956,899</u>	<u>2,333,831</u>	<u>4,782,081</u>	<u>81,178,946</u>
<b>31 December 2021</b>					
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 (loss)/gain	(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	<u>58,030,009</u>	<u>1,009,679</u>	<u>2,011,015</u>	<u>4,877,565</u>	<u>65,928,268</u>



## Notes To The Financial Statements Contd

<b>6(b) Fair value through other comprehensive income</b>		<b>31 Dec. 2022</b>	<b>31 Dec. 2021</b>
		<b>₦'000</b>	<b>₦'000</b>
	Investments at fair value through other comprehensive income	93,812	115,119
	Current	-	-
	Non-current	93,812	115,119
i	Investments at fair value through other comprehensive income are unquoted equity investments, comprising:		
	Investment in Healthcare International Limited	30,438	56,384
	Investment in Kakawa Guaranteed Fund	14,329	14,221
	Investment in Paramount Equity Fund	373	339
	Investment in Afrinvest Nigeria International Debt Fund	48,672	44,175
		93,812	115,119
ii	Movement in investments at fair value through other comprehensive income		
	Balance, beginning of year	115,119	111,503
	Additions during the year	3,895	2,051
	Accrued interest	108	-
	Fair value (loss)/gain (see note 26)	(25,310)	1,565
	Balance, end of year	93,812	115,119
ii-a	Movement in Healthcare International Limited		
	Balance, beginning of year	56,384	43,910
	Fair value (loss)/gain	(25,946)	12,474
	Balance, end of year	30,438	56,384
ii-b	Movement in Kakawa Guaranteed Fund		
	Balance, beginning of year	14,221	13,907
	Accrued interest	108	-
	Fair value gain	-	314
	Balance, end of year	14,329	14,221

## Notes To The Financial Statements Contd

### 6(b) Fair value through other comprehensive income contd

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
ii-b Movement in investment in Paramount Equity Fund		
Balance, beginning of year	339	320
Additions during the year	14	-
Fair value gain	20	19
Balance, end of year	373	339
ii-d Movement in investment in Afrinvest Nigeria International Debt Fund	44,175	53,366
Balance, beginning of year	3,881	2,051
Additions during the year	616	(11,242)
Fair value gain/(loss)	48,672	44,175
Balance, end of year		
6(c) Financial assets held at amortised cost		
Federal Government bonds - Nigeria (see note 6c(i))	16,669,118	14,774,449
State Government bonds - Nigeria (see note 6c(ii))	672,246	771,429
Corporate bonds (see note 6c(iii))	2,610,398	2,034,995
Other assets at amortised cost (see note 6c(v))	209,944	625,878
	20,161,706	18,206,751
Impairment allowance for financial assets held at amortised cost (see note 6c(vi))	(57,897)	(66,761)
	20,103,809	18,139,990
Current	39,333	499,323
Non current	20,064,476	17,640,667

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. 2022 ₦'000	31 Dec. 2021 ₦'000
i Movement in Federal Government bonds - Nigeria		
Balance, beginning of year	14,774,449	13,204,290
Addition during the year	1,865,985	4,224,418
Coupon received during the year	(1,816,493)	(1,547,046)
Interest accrued during the year	1,845,177	1,635,228
Maturity / liquidation during the year	-	(2,706,547)
Realised gain during the year	-	(35,894)
	<u>16,669,118</u>	<u>14,774,449</u>
Allowance for impairment:		
Balance, beginning of year	(16,710)	(41,441)
Movement during the year	(865)	24,731
	<u>(17,575)</u>	<u>(16,710)</u>
Balance, end of year	<u>16,651,543</u>	<u>14,757,739</u>
ii Movement in State Government bonds - Nigeria		
Balance, beginning of year	771,429	859,566
Addition during the year	-	-
Coupon received during the year	(181,595)	(94,099)
Interest accrued during the year	82,412	93,323
Maturity / liquidation during the year	-	(87,361)
	<u>672,246</u>	<u>771,429</u>
Allowance for impairment:		
Balance, beginning of year	(1,523)	(2,417)
Movement during the year	257	894
	<u>(1,266)</u>	<u>(1,523)</u>
Balance, end of year	<u>670,980</u>	<u>769,906</u>

## Notes To The Financial Statements Contd

	31 Dec. 2022	31 Dec. 2021
		₹'000
iii Movement in Bonds - Corporate		
Balance, beginning of year	2,034,995	777,628
Addition during the year	444,915	1,513,988
Coupon received during the year	(192,665)	(114,477)
Interest accrued during the year	199,075	107,776
Realised gain during the year	-	10,679
Maturity / liquidation during the year	-	(517,567)
Foreign exchange gain	124,078	256,968
	<u>2,610,398</u>	<u>2,034,995</u>
Allowance for impairment:		
Balance, beginning of year	(37,395)	(2,671)
Movement during the year	(977)	(34,724)
	<u>(38,372)</u>	<u>(37,395)</u>
Balance, end of year	<u>2,572,026</u>	<u>1,997,600</u>
iv Movement in Treasury Bill		
Balance, beginning of year	-	-
Addition during the year	-	420,236
Interest accrued during the year	-	3,764
Interest received during the year	-	(3,764)
Maturity / liquidation during the year	-	(420,236)
	<u>-</u>	<u>-</u>
Allowance for impairment:		
Balance, beginning of year	-	-
Movement during the year	-	-
	<u>-</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>-</u>

## Notes To The Financial Statements Contd

	31 Dec. 2022 ₹'000	31 Dec. 2021 ₹'000
<b>v Other assets at amortised cost</b>		
Loans to policy holders	98,765	90,426
Commercial papers (see note 6c(v-a))	39,333	499,323
Staff loans and advances	71,846	36,129
	<u>209,944</u>	<u>625,878</u>
Impairment allowance on other assets at amortised cost	(684)	(11,133)
	<u>209,260</u>	<u>614,745</u>
Current	39,333	499,323
Non-current	<u>169,927</u>	<u>115,422</u>
<b>v-a Movement in commercial papers</b>		
Balance, beginning of year	499,323	28,893
Addition	1,635,452	3,267,738
Interest accrued during the year	96,826	168,029
Interest received during the year	(94,488)	(143,339)
Maturities/liquidation during the year	<u>(2,097,780)</u>	<u>(2,821,998)</u>
	<u>39,333</u>	<u>499,323</u>
Allowance for impairment:		
Balance, beginning of year	(10,907)	(567)
Movement during the year	<u>10,302</u>	<u>(10,340)</u>
	<u>(605)</u>	<u>(10,907)</u>
Balance, end of year	<u>38,728</u>	<u>488,416</u>

## Notes To The Financial Statements Contd

	31 Dec. 2021 N'000	31 Dec. 2020 N'000
v-b Movement in loans to policy holder and staff loan		
Balance, beginning of year	126,555	99,475
Addition during the year	80,442	86,921
Interest accrued during the year	153	757
Interest received during the year	(242)	(789)
Maturities/liquidation	(36,297)	(59,809)
	<u>170,611</u>	<u>126,555</u>
Allowance for impairment:		
Balance, beginning of year	(226)	(195)
Movement during the year	147	(31)
	<u>(79)</u>	<u>(226)</u>
Balance, end of year	<u>170,532</u>	<u>126,329</u>
vi Reconciliation of allowance for impairment on amortised cost		
Balance, beginning of year	66,761	47,291
Movement during the year (see note 38)	(8,864)	19,470
Balance, end of year	<u>57,897</u>	<u>66,761</u>
vi-a Allowance for impairment comprises the following:		
Federal Government bonds - Nigeria	17,575	16,710
State Government bonds - Nigeria	1,266	1,523
Corporate bonds	38,372	37,395
Other assets at amortised cost	684	11,133
	<u>57,897</u>	<u>66,761</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
<b>2022</b>							
Opening balance	14,757,739	769,906	1,997,600	-	488,416	126,329	18,139,990
Addition	1,865,985	-	444,915	-	1,635,452	80,442	4,026,794
Interest accrued	1,845,177	82,412	199,075	-	96,826	153	2,223,643
Coupon / interest received	(1,816,493)	(181,595)	(192,665)	-	(94,488)	(242)	(2,285,483)
Maturities / liquidation	-	-	-	-	(2,097,780)	(36,297)	(2,134,077)
Impairment allowance for the year	(865)	257	(977)	-	10,302	147	8,864
Foreign exchange gain	-	-	124,078	-	-	-	124,078
Balance, end of year	16,651,543	670,980	2,572,026	-	38,728	170,532	20,103,809
<b>2021</b>							
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

## Notes To The Financial Statements Contd

6(d) Summary of movement in classes of financial assets	Fair value through profit or loss N'000	Fair value through other comprehensive income N'000	Financial assets held at amortised cost N'000	Total N'000
<b>2022</b>				
Balance, beginning of year	65,928,268	115,119	18,139,990	84,183,377
Addition	31,418,989	3,895	4,026,794	35,449,678
Interest accrued	8,549,375	108	2,223,643	10,773,126
Fair value loss	(6,168,888)	(25,310)	-	(6,194,198)
Coupon/interest received	(8,304,382)	-	(2,285,483)	(10,589,865)
Maturities / liquidation	(11,722,863)	-	(2,134,077)	(13,856,940)
Foreign exchange gain	31,422	-	124,078	155,500
Realised gain	1,447,025	-	-	1,447,025
Impairment allowance for the year	-	-	8,864	8,864
Balance, end of year	81,178,946	93,812	20,103,809	101,376,567
<b>2021</b>				
Balance, beginning of year	69,878,480	111,503	14,922,561	84,912,544
Addition	33,403,935	2,051	9,513,301	42,919,287
Interest accrued	6,517,425	-	2,008,877	8,526,302
Fair value (loss)/gain	(22,678,888)	1,565	-	(22,677,323)
Coupon/interest received	(6,685,689)	-	(1,903,514)	(8,589,203)
Maturities / liquidation	(17,264,190)	-	(6,613,518)	(23,877,708)
Foreign exchange gain	54,567	-	256,968	311,535
Realised gain/(loss)	2,702,628	-	(25,215)	2,677,413
Impairment allowance for the year	-	-	(19,470)	(19,470)
Balance, end of year	65,928,268	115,119	18,139,990	84,183,377



## Notes To The Financial Statements Contd

7. Trade receivables	31 Dec. 2022 N'000	1 Dec. 2021 N'000
Brokers	40,750	19,019
Agents	-	-
Insurance companies	-	-
	<hr/> 40,750	<hr/> 19,019
Impairment on premium debtors	-	-
	<hr/> <b>40,750</b>	<hr/> <b>19,019</b>
Current	40,750	19,019
Non current	-	-

The age analysis of gross premium receivable is as follows:

Age of debt	Number of policies Number	Amount N'000
Within 14 days	7	3,560
Within 15 - 30 days	17	37,190
Within 31 - 90 days	-	-
Within 91 - 180 days	-	-
Above 180 days	-	-
Total	<hr/> 24	<hr/> 40,750

Age of debt	Number of policies Number	Amount N'000
Within 14 days	1	288
Within 15 - 30 days	9	18,731
Within 31 - 90 days	-	-
Within 91 - 180 days	-	-
Above 180 days	-	-
Total	<hr/> 10	<hr/> 19,019

## Notes To The Financial Statements Contd

<b>8</b>	<b>Reinsurance assets</b>	<b>31 Dec. 2022 N'000</b>	<b>1 Dec. 2021 N'000</b>
	Reinsurers' share of outstanding claims (see note (a) below)	65,560	119,067
	Reinsurance share of IBNR (see note (b) below)	410,604	265,352
	Prepaid reinsurance (see note © below)	153,872	41,392
	Reinsurers/coassurers' share of claims paid (see note (d) below)	131,444	131,444
		<u>761,480</u>	<u>557,255</u>
	Impairment on reinsurers/co-assurers' claims recoverable (see note (e) below)	(131,444)	(131,444)
		<u><b>630,036</b></u>	<u><b>425,811</b></u>
	Current	65,560	119,067
	Non-current	<u>564,476</u>	<u>306,744</u>

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.

### (a) Reinsurers' share of outstanding claims

Balance, beginning of year	119,067	97,408
Changes during the year	(53,507)	21,659
Balance, end of year	<u>65,560</u>	<u>119,067</u>

### (b) Reinsurance share of claims incurred but not reported (IBNR)

Balance, beginning of year	265,352	402,726
Changes during the year	145,252	(137,374)
Balance, end of year	<u>410,604</u>	<u>265,352</u>

## Notes To The Financial Statements Contd

8	Reinsurance assets continue	31 Dec. 2022 N'000	1 Dec. 2021 N'000
(c)	Prepaid reinsurance		
	Balance, beginning of year	41,392	142,385
	Additions during the year (see note 19(a))	1,882,115	1,982,311
	Amortized in the year - reinsurance expenses	(1,769,635)	(2,083,304)
	Balance, end of year	<u>153,872</u>	<u>41,392</u>
(d)	Reinsurers/co-assurers' share of claims paid		
	Balance, beginning of year	131,444	151,537
	Additions during the year	337,073	688,869
	Reinsurers/co-assurers share of claims received during the year	<u>(337,073)</u>	<u>(708,962)</u>
	Balance, end of year	<u>131,444</u>	<u>131,444</u>
(e)	Movement in impairment for claims recoverable		
	Balance, beginning of year	131,444	113,050
	Changes in allowance for impairment during the year	<u>-</u>	<u>18,394</u>
	Balance, end of year	<u>131,444</u>	<u>131,444</u>

## 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. 2022 ₦'000	31 Dec. 2021 ₦'000
Balance, beginning of year	111,589	79,397
Acquisition costs during the year	2,999,728	2,952,042
Amortised during the year	(3,000,545)	(2,919,850)
Balance, end of year	<u>110,772</u>	<u>111,589</u>

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

Balance, beginning of year	111,589	79,397
Net movement during the year	(817)	32,192
Balance, end of year	<u>110,772</u>	<u>111,589</u>

### 10 Other receivables and prepayments

Prepayments (see note (a) below)	153,428	143,340
Prepaid withholding tax (see note (b) below)	38,696	27,438
Deposit for shares (see note (c) below)	923,000	-
Other receivables	4,723	5,960
Sundry debtors (see note (d) below)	666,617	416,617
	<u>1,786,464</u>	<u>593,355</u>

(a) Included in prepayments are rentals of ₦41.6million (2021: ₦11.2million), property and vehicle insurance of ₦10.3million(2021:₦12million), building insurance of ₦9.3million (2021: ₦0.342million), staff group life insurance of ₦12.7million(2021: ₦10.8million), IT maintenance costs of ₦35.6million (2021: ₦32.8million) and group life insurance of ₦12.7million (2021: ₦10.8million).

## Notes To The Financial Statements Contd

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

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Balance, beginning of year	27,438	14,039
Additions during the year	42,111	13,399
Withholding tax utilised	(30,853)	-
Balance, end of year	38,696	27,438

- (c) Deposit for shares represents deposit for subscription to the shares of TeamApts Inc. (now Moniepoint Inc.), through a consortium of investors led by Lightrock Africa Holdings Limited. Moniepoint Inc. is the parent company of TeamApt Limited, a Central Bank of Nigeria(CBN) licensed Switch and Processor, and Moniepoint Microfinance Bank, a CBN-licensed Microfinance Bank.
- (d) Sundry debtors comprises the sum of ~~N~~666.6 million (2021 : ~~N~~416.7 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 balance has been assessed to be fully recoverable. Refer to note 49(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.

## Notes To The Financial Statements Contd

11.1(a) Right-of-use assets	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Right-of-use assets	1,078	25,938
Current	1,078	25,938
Non-current	-	-
Movement during the year:		
Balance, beginning of the year	25,938	3,278
New rentals during the year	-	48,311
Depreciation expense on right-of-use assets (see note 44)	(24,860)	(25,651)
Balance, end of year	1,078	25,938

There were no new rentals qualifying as leases during the year.

11.1(b) Lease liabilities		
Lease liabilities	-	-
Current	-	-
Non-current	-	-
Movement in lease liabilities:		
Balance, beginning of the year	-	-
Interest expense on lease liabilities	-	-
Reversal of interest expense on lease liabilities no longer required	-	-
New rentals during the year	-	8,620
Lease payments made during the year	-	(8,620)
Balance, end of year	-	-

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

# Notes To The Financial Statements Contd

## 11.2 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 an average term of 2 years (see notes 13 and 14 for the details of the investment properties and freehold property). 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 ₦109.7 million (2021: ₦106.2 million).

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

	31 Dec. 2022	31 Dec. 2021
	₦'000	₦'000
Within one year	62,621	62,836
After one year but not more than five years	33,810	68,616
More than five years	-	-
	<hr/> 96,431	<hr/> 131,452

## Notes To The Financial Statements Contd

### 12 Investment in equity accounted investee

	31 Dec. 2022 ₦'000	31 Dec. 2021 ₦'000
Investment in equity accounted investee	-	4,117,991
Movement in investment in equity accounted investee		
Cost:		
Balance, beginning of year	4,117,991	4,179,232
Cost of acquisition during the year	-	-
Share of:		
- Profit from continuing operation	208,804	224,146
- Dividend received	(276,111)	(285,387)
Disposal of investment	(4,050,684)	-
Balance, end of year	-	4,117,991

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.

In line with the requirement of the new Prudential Guidelines issued by the National Insurance Commission (NAICOM) which became effective 1st October 2022, the Company took a strategic decision to completely exit its investment in UPDC REIT. The investment was disposed at market value as at the date of disposal on the floor of the Nigerian Stock Exchange. The investment was equity accounted for up till the point of disposal.



## Notes To The Financial Statements Contd

The investee's results that was accounted for, using the equity method during the year, before the decision to completely exit the investment, was the result as at 30 September 2022, which showed the net income as ₦1.173 billion, while the profit after tax was ₦738 million. The earnings per share was 28 kobo.

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 30 September 2022 was ₦26.37 billion (31 Dec 2021: ₦31.1 billion), total liabilities were ₦701 million (31 Dec 2021: ₦932 million) and unitholders' contribution stood at ₦26.68 billion.

13 Investment properties		31 Dec. 2022 ₦'000	31 Dec. 2021 ₦'000
i	Leasehold property at 23/25 Martins Street, Lagos	682,894	682,894
ii	Leasehold property - Plot 5, Block E, CBD, Alausa, Ikeja	360,480	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
		<b>1,143,299</b>	<b>1,002,819</b>
(a) 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	

## Notes To The Financial Statements Contd

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 2022. 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".

### (b) Movement in the fair value of investment properties

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Balance, beginning of year	1,002,819	1,002,819
Additions during the year	-	2,200
Fair value gain/(loss)	140,480	(2,200)
Balance, end of year	<u>1,143,299</u>	<u>1,002,819</u>

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(c) Description of properties and movement

	1 Jan 2021 N'000	Additions during the year N'000	Fair value adjustments N'000	31 Dec 2021 N'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	-	140,480	360,480
Landed property at Ogombo Along Ajah / Epe Expressway, Lekki	28,000	-	-	28,000
Landed property at 10, Aje Road Sabo Yaba, Lagos	71,925	-	-	71,925
	1,002,819	-	140,480	1,143,299

### (d) 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"> <li>- Area of about 3,504.48 square meters</li> <li>- 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.</li> <li>- 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.</li> <li>- Title was perfected and obtained on May 8, 1960.</li> </ul>

## 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"> <li>- Area of 3,353.29 square meters</li> <li>- 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)</li> <li>- Quality: the landed property is currently being used by mechanics as workshop site. The site is relatively flat and appears well drained.</li> <li>- Title was perfected and obtained on 1991.</li> </ul>
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"> <li>- Area of 4,052.152 square meters.</li> <li>- 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.</li> <li>- Quality: the landed property site terrain is flat and appears well drained.</li> </ul>
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"> <li>- Area of 647.05 square meters</li> <li>- 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 .</li> <li>- 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.</li> </ul>

## Notes To The Financial Statements Contd

Significant unobservable valuation input:		Range (weighted average)	
		2022	2021
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	NIL	NIL
	Long-term vacancy rate		
	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 2022	-	-	1,143,299	1,143,299
31 December 2021	-	-	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 2021	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
Additions	3,159	8,439	10,533	3,863	102,998		128,992
Revaluation during the year	74,200	-	-	-	-	(152,175)	(77,975)
Elimination on revaluation	(77,359)	-	-	-	-	-	(77,359)
Write-off during the year	-	-	-	-	(1,750)	-	(1,750)
Disposal during the year	-	-	-	-	(36,120)	-	(36,120)
At 31 December 2022	2,576,036	365,478	76,558	187,858	405,396	76,000	3,687,326
<b>Accumulated depreciation</b>							
At 1 January 2021	-	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	-	-	-	-	(32,090)	-	(32,090)
At 31 December 2021	-	301,185	38,506	138,285	167,417	-	645,393
Charge for the year	77,359	22,184	11,859	15,187	78,750	-	205,339
Elimination on revaluation	(77,359)	-	-	-	-	-	(77,359)
Write-off during the year	-	-	-	-	(1,130)	-	(1,130)
Disposal during the year	-	-	-	-	(36,120)	-	(36,120)
At 31 December 2022	-	323,369	50,365	153,472	208,917	-	736,123
<b>Net book value at 31 December 2022</b>	<b>2,576,036</b>	<b>42,109</b>	<b>26,193</b>	<b>34,386</b>	<b>196,479</b>	<b>76,000</b>	<b>2,951,203</b>
<b>Net book value at 31 December 2021</b>	<b>2,576,036</b>	<b>55,854</b>	<b>27,519</b>	<b>45,710</b>	<b>172,851</b>	<b>228,175</b>	<b>3,106,145</b>

## 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	No. 9, Onireke Residential layout, Ibadan, Oyo State	Perfected	131,340	Feehold property
4	Shop H4016, Tejuosho Shopping Modern Market, Yaba, Lagos State	Received letter of allocation	8,500	Feehold property
			<u>2,576,036</u>	

### (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 2022, 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 (2021: Nil).



## Notes To The Financial Statements Contd

( c )	Analysis of revaluation of freehold property	I Jan 2022 N'000	Additions N'000	Re- classification N'000	Revaluation N'000	Depreciation N'000	Write-off/ disposal N'000	31 Dec 2022 N'000
1	16A, Commercial Avenue, Sabo, Yaba, Lagos State	2,100,000	-	-	53,641	(53,641)	-	2,100,000
2	27, Commercial Avenue, Sabo, Yaba, Lagos State	336,196	3,159	-	16,381	(19,540)	-	336,196
3	No. 9, Onireke Residential layout, Ibadan, Oyo State	131,340	-	-	3,923	(3,923)	-	131,340
4	Shop H4016, Tejuosho Shopping Modern Market, Yaba, Lagos State	8,500	-	-	255	(255)	-	8,500
		<b>2,576,036</b>	<b>3,159</b>	<b>-</b>	<b>74,200</b>	<b>(77,359)</b>	<b>-</b>	<b>2,576,036</b>

### (d) Analysis of Work-In-Progress

Work-in-progress includes land and building located at 29, Commercial Road, Sabo, Yaba, Lagos State., which was being currently developed. During the year, the existing structure, which was recently acquired, was demolished for re-development. This has resulted in a fair value loss on the carrying amount of the property as shown in the movement below:

	I Jan 2022 N'000	Revaluation N'000	31 December 2022 N'000
29, Commercial Avenue, Sabo, Yaba, Lagos State	228,175	(152,175)	76,000

## Notes To The Financial Statements Contd

15	Intangible assets	31 Dec. 2022 N'000	31 Dec. 2021 N'000
	Computer software	11,435	33,467
	Work in progress - computer software	61,783	49,299
		<u>73,218</u>	<u>82,766</u>
(a)	Computer software		
	Cost:		
	Balance, beginning of year		
	Reclassification from work in progress	316,610	316,610
	Balance, end of year	13,371	-
		<u>329,981</u>	<u>316,610</u>
	Accumulated amortisation and impairment:		
	Balance, beginning of year	283,143	216,865
	Amortisation of intangible assets	35,403	66,278
	Balance, end of year	<u>318,546</u>	<u>283,143</u>
	Carrying amount	<u>11,435</u>	<u>33,467</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. 2022 N'000	31 Dec. 2021 N'000
Balance, beginning of year	49,299	-
Reclassification to Intangible Assets	(13,371)	-
Reclassification to IT Expenses (see note 44(a))	(6,511)	-
Additional payments during year	33,280	49,299
Write-off during the year	(914)	-
Balance, end of year	<u>61,783</u>	<u>49,299</u>

### 16 Statutory deposit

Statutory deposit with Central Bank of Nigeria	<u>260,000</u>	<u>260,000</u>
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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

	31 Dec. 2022 ₹'000	31 Dec. 2021 ₹'000
Outstanding claims- reported (see note (a))	2,407,144	1,932,739
Outstanding claims - IBNR - Group Life (see note (b))	1,955,256	2,340,215
Unearned premium reserve - Group Life (see note (c))	898,021	735,722
Individual life fund (see note (d))	6,498,722	4,676,182
Annuity fund - Liabilities under PRA (see note (e))	73,341,805	62,190,998
<b>Total</b>	<b>85,100,948</b>	<b>71,875,856</b>

#### Reinsurance assets

Reinsurers' share of outstanding claims (see note 8 (a))	65,560	119,067
Reinsurers' share of IBNR (see note 8(b))	410,604	265,352
Prepaid reinsurance (see note 8(c))	153,872	41,392
<b>Total</b>	<b>630,036</b>	<b>425,811</b>

#### Net insurance contract liabilities

<b>84,470,912</b>	<b>71,450,045</b>
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### (a) Outstanding claims- reported

Group life (see note 17.1 (a-i))	2,007,738	1,596,949
Individual life and annuity (see note 17.1 (a-ii))	399,406	335,790
	<b>2,407,144</b>	<b>1,932,739</b>

## Notes To The Financial Statements Contd

	31 Dec. 2022 ₦'000	31 Dec. 2021 ₦'000
<b>(a-i) Outstanding claims - Group life</b>		
Balance, beginning of year	1,596,949	1,580,209
Increase during the year	410,789	16,740
Balance, end of year	<u>2,007,738</u>	<u>1,596,949</u>
<b>(a-ii) Outstanding claims - Individual life</b>		
Balance, beginning of year	335,790	229,025
Increase during the year	63,616	106,765
Balance, end of year	<u>399,406</u>	<u>335,790</u>

All duly documented claims are paid immediately their Executed Discharge Vouchers (EDV) are received. The outstanding claims as at 31 December 2022 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 Insurance contract liabilities - continued

(a-iii) The aging analysis of the outstanding claims by amount for the year ended 31 December 2022 is as follows:

Outstanding claims per amount	0 - 90 days ₦	91 - 180 days ₦	180 - 270 days ₦	270 - 365 days ₦	Above 366 days ₦	Total ₦
₦1 - <del>₦</del> 250,000	9,710,047	2,408,745	1,801,197	2,052,270	21,944,767	37,917,026
₦250,001 - <del>₦</del> 500,000	16,669,606	7,692,866	9,196,058	3,026,398	36,525,679	73,110,607
₦500,001 - <del>₦</del> 1,500,000	160,189,961	47,789,148	42,660,550	25,564,946	167,196,315	443,400,920
₦1,500,001 - <del>₦</del> 2,500,000	127,487,326	52,949,792	28,734,930	22,240,656	95,611,738	327,024,442
₦2,500,001 - <del>₦</del> 5,000,000	140,611,595	72,473,375	33,225,841	38,258,524	109,211,711	393,781,046
Above <del>₦</del> 5,000,000	375,987,757	182,001,180	77,899,218	56,069,838	439,951,858	1,131,909,851
Total	830,656,292	365,315,106	193,517,794	147,212,632	870,442,068	2,407,143,892

The aging analysis of the outstanding claims by amount for the year ended 31 December 2021 is as follows:

Outstanding claims per amount	0 - 90 days ₦	91 - 180 days ₦	180 - 270 days ₦	270 - 365 days ₦	Above 366 days ₦	Total ₦
₦1 - <del>₦</del> 250,000	17,743,842	3,614,770	3,113,305	2,241,574	24,487,907	51,201,398
₦250,001 - <del>₦</del> 500,000	20,280,553	5,453,245	2,714,389	4,313,628	36,250,733	69,012,548
₦500,001 - <del>₦</del> 1,500,000	110,028,647	35,216,768	16,605,279	14,614,877	146,694,457	323,160,028
₦1,500,001 - <del>₦</del> 2,500,000	72,516,036	37,044,964	3,756,093	3,693,819	88,070,402	205,081,314
₦2,500,001 - <del>₦</del> 5,000,000	75,554,147	33,279,583	13,006,625	16,250,322	105,718,438	243,809,115
Above <del>₦</del> 5,000,000	288,100,970	101,738,051	77,532,533	26,764,335	546,338,708	1,040,474,597
Total	584,224,195	216,347,381	116,728,224	67,878,555	947,560,645	1,932,739,000

## Notes To The Financial Statements Contd

### 17.1 Insurance contract liabilities - continued

(a-iv) The aging analysis of the outstanding claims by class of business for the year ended 31 December 2022 is as follows:

Outstanding claims per class of business	0 - 90 days ₹	91 - 180 days ₹	180 - 270 days ₹	270 - 365 days ₹	Above 366 days ₹	Total ₹
Group life	606,483,584	280,240,088	144,276,231	103,092,676	595,698,608	1,729,791,186
Individual life	160,046,174	49,574,678	32,594,068	36,460,607	237,815,020	516,490,547
Annuity	64,126,535	35,500,340	16,647,495	7,659,349	36,928,440	160,862,159
<b>Total</b>	<b>830,656,292</b>	<b>365,315,106</b>	<b>193,517,794</b>	<b>147,212,632</b>	<b>870,442,068</b>	<b>2,407,143,892</b>

The aging analysis of the outstanding claims by class of business for the year ended 31 December 2021 is as follows:

Group life	418,087,303	149,727,440	97,732,771	48,406,004	882,995,377	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
<b>Total</b>	<b>584,224,195</b>	<b>216,347,381</b>	<b>116,728,224</b>	<b>67,878,555</b>	<b>947,560,645</b>	<b>1,932,739,000</b>

(a-v) The aging analysis of the outstanding claims by processing stage and reason for the year ended 31 December 2022 is as follows:

Outstanding claims per processing stage	No.	0 - 90 days ₹	No.	91 - 180 days ₹	No.	180 - 270 days ₹	No.	270 - 365 days ₹	No.	Above 366 days ₹	No.	Total ₹
Awaiting documentation	54	141,152,199	29	70,759,787	21	18,583,404	7	10,460,274	99	87,200,164	210	328,155,828
Incomplete documentation	258	614,318,970	120	292,593,484	87	169,441,622	67	134,658,411	437	775,931,947	969	1,986,944,434
Discharge voucher not yet signed and returned by client	143	75,185,123	23	1,961,835	17	5,492,768	19	2,093,947	139	7,309,957	341	92,043,630
<b>Total</b>	<b>455</b>	<b>830,656,292</b>	<b>172</b>	<b>365,315,106</b>	<b>125</b>	<b>193,517,794</b>	<b>93</b>	<b>147,212,632</b>	<b>675</b>	<b>870,442,068</b>	<b>1,520</b>	<b>2,407,143,892</b>

## Notes To The Financial Statements Contd

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

Outstanding claims processing Stage	No.	0 - 90 days ₦	No.	91 - 180 days ₦	No.	180 - 270 days ₦	No.	270 - 365 days ₦	No.	Above 366 days ₦	No.	Total ₦
Awaiting documentation	125	116,004,292	32	65,305,726	27	24,803,008	23	13,237,037	177	225,694,067	384	445,044,130
Incomplete documentation	62	93,787,471	11	28,609,115	9	7,407,272	26	14,315,152	70	63,125,459	178	207,244,469
Discharge voucher not yet signed and returned by client	239	374,432,431	76	120,913,531	53	86,081,956	42	40,326,367	440	658,696,116	850	1,280,450,401
<b>Total</b>	<b>426</b>	<b>584,224,194</b>	<b>119</b>	<b>214,828,372</b>	<b>89</b>	<b>118,292,236</b>	<b>91</b>	<b>67,878,556</b>	<b>687</b>	<b>947,515,642</b>	<b>1,412</b>	<b>1,932,739,000</b>

(a-vi) Analysis of number of claimants for the year ended is as follows:

	No.	0 - 90 days ₦	No.	91 - 180 days ₦	No.	180 - 270 days ₦	No.	270 - 365 days ₦	No.	Above 366 days ₦	No.	Total ₦
31 December 2022	455	830,656,292	172	365,315,106	125	193,517,794	93	147,212,632	675	870,442,068	1,520	2,407,143,892
31 December 2021	426	584,224,194	119	214,828,372	89	118,292,236	91	67,878,556	687	947,515,642	1,412	1,932,739,000

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 2022, the balance of outstanding claims represents claims which are unpaid due to incomplete documentation or ongoing claims verification exercise.



## Notes To The Financial Statements Contd

### 17.1 Insurance contract liabilities - continued

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
<b>(b) Movement in Group Life IBNR</b>		
Balance, beginning of year	2,340,215	1,621,307
Movement during the year	(384,959)	718,908
Balance, end of year	<u>1,955,256</u>	<u>2,340,215</u>
 <b>(c) Movement in Group Life Unearned Premium Reserve</b>		
Balance, beginning of year	735,722	743,879
Premiums written during the year	7,612,217	6,926,310
Premiums earned during the year	(7,449,918)	(6,934,467)
Balance, end of year	<u>898,021</u>	<u>735,722</u>
 <b>(d) Movement in individual life fund</b>		
Balance, beginning of year	4,676,182	6,532,205
Movement during the year	1,822,540	(1,856,023)
Balance, end of year	<u>6,498,722</u>	<u>4,676,182</u>

## Notes To The Financial Statements Contd

### 17.1 Insurance contract liabilities - continued

	31 Dec. 2022 ₹'000	31 Dec. 2021 ₹'000
<b>(e) Movement in annuity fund</b>		
Balance, beginning of year	62,190,998	67,021,040
Movement during the year	11,150,807	(4,830,042)
Balance, end of year	<b>73,341,805</b>	<b>62,190,998</b>
<b>(f) Movement in PRA Annuity fund is analysed below:</b>		
Balance, beginning of year	62,190,998	67,021,040
Annuity premium written during the year	22,711,566	19,291,841
Annuity payout during the year	(10,906,548)	(8,691,961)
Accretion to/ (release from) annuity fund	(654,211)	(15,429,922)
Balance, end of year	<b>73,341,805</b>	<b>62,190,998</b>

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

### 17.1 Insurance contract liabilities - continued

(g) Reconciliation of insurance contract liabilities	Insurance contracts N'000	Re- insurance N'000	Net N'000
At 1 January 2021	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	(15,208,688)	688,869	(14,519,819)
Benefits and claims experience variations	(23,107,964)	1,611,143	(21,496,821)
At 31 December 2021	71,875,856	(425,811)	71,450,045
Premium received	37,769,832	(1,769,635)	36,000,197
Liabilities paid for deaths, benefits, claims	(18,827,261)	337,073	(18,490,188)
Benefits and claims experience variations	(5,717,479)	1,228,337	(4,489,142)
At 31 December 2022	<b>85,100,948</b>	<b>(630,036)</b>	<b>84,470,912</b>

## Notes To The Financial Statements Contd

<b>18. Investment contract liabilities</b>	<b>31 Dec. 2022 ₹'000</b>	<b>31 Dec. 2021 ₹'000</b>
Welfare scheme fund (see note (a) below)	3,350,018	2,945,906
Individual DA (see note (b) below)	5,720,194	5,670,285
	<b>9,070,212</b>	<b>8,616,191</b>
<b>(a) Movement in welfare scheme fund</b>		
Balance, beginning of year	2,945,906	2,223,096
Deposit during the year	559,113	1,016,356
Withdrawals during the year	(387,544)	(503,435)
Guaranteed interest charge	232,543	209,889
Balance, end of year	<b>3,350,018</b>	<b>2,945,906</b>
<b>(b) Individual DA</b>		
Balance, beginning of year	5,670,285	3,849,526
Movement during the year	49,909	1,820,759
Balance, end of year	<b>5,720,194</b>	<b>5,670,285</b>

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. 2022 N'000	31 Dec. 2021 N'000
Reinsurance premium payable (see note (a))	31,094	21,204
Commission payable	243,987	96,736
Deposit for premium (see note (b))	1,212,101	1,567,501
	<b>1,487,182</b>	<b>1,685,441</b>
Current	1,487,182	1,685,441
Non-current	-	-
(a) Movement in reinsurance premium payable		
Balance, beginning of year	21,204	46,380
Reinsurance premium during the year (see note 8 (c))	1,882,115	1,982,311
Reinsurance premium paid during the year	(1,872,225)	(2,007,487)
Balance, end of year	31,094	21,204
(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

<b>20 Other payables</b>	<b>31 Dec. 2022 N'000</b>	<b>31 Dec. 2021 N'000</b>
Deferred rental income	96,431	131,452
Non-trade payables (see note (a))	1,378,590	1,417,035
Statutory payables (see note (b))	53,813	45,226
Information technology development levy	48,344	43,805
	<u>1,577,178</u>	<u>1,637,518</u>
Current	1,577,178	1,637,518
Non-current	<u>-</u>	<u>-</u>
<b>(a) Breakdown of non-trade payables</b>		
Audit fees	10,782	6,698
NAICOM Levy	397,489	349,669
Consulting and other professional fees	245,812	384,727
Advert and publicity	172,474	162,538
Nigeria Insurers Association dues payable	105,066	102,241
Deferred commission income	41,090	37,672
Provision for staff performance pay	405,877	373,490
	<u>1,378,590</u>	<u>1,417,035</u>
<b>(b) Statutory payables consist of amounts due to be paid in respect of withholding tax (WHT), value added tax industrial training fund (ITF) levy and payroll - related taxes.</b>		

## Notes To The Financial Statements Contd

### 21 Taxation

	31 Dec. 2022 ₹'000	31 Dec. 2021 ₹'000
<b>Current income tax</b>		
Balance, beginning of year	(119,159)	(190,865)
Current income tax charge	68,360	61,706
Prior period underprovision for tax	14,705	10,000
Education tax	166,351	-
Withholding tax credits utilised	(30,853)	-
Payments during the year	(45,559)	-
<b>Balance, end of year</b>	<b>53,845</b>	<b>(119,159)</b>

### 22 Deferred tax liabilities

Balance, beginning of year	545,728	520,578
Tax charge relating to components of other comprehensive income	(23,393)	25,150
<b>Balance, end of year</b>	<b>522,335</b>	<b>545,728</b>

## Notes To The Financial Statements Contd

### (a) Movement in deferred tax liability

	At 1 January N'000	Other comprehensive income N'000	At 31 December N'000
<b>31 December 2022</b>			
Property, plant and equipment	453,577	(23,393)	430,184
Unrealised gains on foreign currency translation	10,895	-	10,895
Fair value gains on investment property	81,256	-	81,256
	<u>545,728</u>	<u>(23,393)</u>	<u>522,335</u>
<b>31 December 2021</b>			
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>

### (b) Unrecognised deferred tax assets

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Deductible temporary differences	163,810	177,666
Unrelieved tax losses (will never expire)	27,338,670	25,146,738
	<u>27,502,480</u>	<u>25,324,404</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. 2022 N'000	31 Dec. 2021 N'000
Balance, beginning of year	25,324,404	24,437,137
Increase during the year	2,178,076	887,267
Balance, end of year	27,502,480	25,324,404

### 23 Share capital

Share capital comprises:

Authorised, issued and fully paid - 16,000,000,000 (2021 : 16,000,000,000)  
ordinary shares of 50 kobo each

Balance, beginning of year	8,000,000	8,000,000
Shares issued during the year	-	-
Balance, end of year	8,000,000	8,000,000

### Movement in ordinary shares in issue

	Units '000	Units '000
Balance, beginning of year	16,000,000	16,000,000
Shares issued during the year	-	-
Balance, end of year	16,000,000	16,000,000

## Notes To The Financial Statements Contd

### 24 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. 2022 ₹'000	31 Dec. 2021 ₹'000
Balance, beginning of year	1,698,098	1,354,712
Transfer from retained earnings (see note 27)	396,371	343,386
Balance, end of year	<u>2,094,469</u>	<u>1,698,098</u>

### 25 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. 2022 ₹'000	31 Dec. 2021 ₹'000
Balance, beginning of year	659,931	601,248
Revaluation (loss)/ gain on property, plant and equipment	(77,975)	83,833
Deferred tax impact of the gains	23,393	(25,150)
Balance, end of year	<u>605,349</u>	<u>659,931</u>

## Notes To The Financial Statements Contd

### 26 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.

<b>Movement in the fair value reserve:</b>	<b>31 Dec. 2022 N'000</b>	<b>31 Dec. 2021 N'000</b>
Balance, beginning of year	91,691	90,126
Changes in equities at fair value through other comprehensive income (see note 6b(ii))	(25,310)	1,565
<b>Balance, end of year</b>	<b>66,381</b>	<b>91,691</b>
<b>Net changes on equities classified at fair value through other comprehensive income</b>		
Changes in equities at fair value through other comprehensive income (see note 6b(ii))	(25,310)	1,565
Deferred tax impact on changes in fair value through other comprehensive income	-	-
	<b>(25,310)</b>	<b>1,565</b>

## Notes To The Financial Statements Contd

### 27 Retained earnings

Retained earnings represent the amount available for distribution to the equity shareholders of the Company.

Movement in retained earnings:	31 Dec. 2022 ₦'000	31 Dec. 2021 ₦'000
Balance, beginning of year	3,670,905	1,680,438
Profit for the year	3,963,710	3,433,853
Transfer to contingency reserves (see note 24))	(396,371)	(343,386)
Dividend declared and paid (see note 48)	(1,520,000)	(1,100,000)
<b>Balance, end of year</b>	<b>5,718,244</b>	<b>3,670,905</b>

### 28 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.

The Company is presently involved in four (4) (2021 : three (3)) cases as a defendant with total claims amounting to ₦38.8 million (2021 : ₦31 million).

While it is not practicable to forecast or determine final results of all pending or threatened legal proceedings, based on legal advice, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position. No provision was made for this liability in the financial statements for the year ended 31 December 2022.

## Notes To The Financial Statements Contd

### 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.

29	Gross premium income	31 Dec. 2022 N'000	31 Dec. 2021 N'000
	Gross premium written-Group life	7,612,217	6,926,310
	Gross premium written-Individual life traditional	7,446,049	6,246,692
	Gross premium written-Annuity	22,711,566	19,291,841
	Gross written premium	37,769,832	32,464,843
	Movement in unearned premium reserve	(162,298)	8,157
		<b>37,607,534</b>	<b>32,473,000</b>
30	Reinsurance expenses		
	Reinsurance premium cost	1,882,115	1,982,311
	Changes in prepaid reinsurance expenses	(112,480)	100,993
		<b>1,769,635</b>	<b>2,083,304</b>
31	Fees and commission income		
	Insurance contracts	283,439	278,603
	Investment contracts	-	-
		<b>283,439</b>	<b>278,603</b>

## Notes To The Financial Statements Contd

32	Net insurance benefits and claims	31 Dec. 2022 N'000	31 Dec. 2021 N'000
	Death	3,143,681	2,996,977
	Maturities	4,052,654	2,900,214
	Annuity Payout	10,906,548	8,691,961
	Surrenders	724,378	619,536
	Gross claims paid	18,827,261	15,208,688
	Change in provision for outstanding claims	410,789	16,740
	Change in provision for outstanding claims-Individual life	63,617	106,764
	Change in outstanding claims - IBNR	(384,959)	718,908
	Gross claims incurred	18,916,708	16,051,100
	Reinsurers' share of insurance liability:		
	Reinsurance/co-insurance recovery	(337,073)	(688,869)
	Changes in incurred but not reported claims (IBNR)	(145,252)	137,374
	Changes in reinsurance/co-insurance recoverable	53,507	(21,659)
		(428,818)	(573,154)
	<b>Net insurance benefits and claims</b>	<b>18,487,890</b>	<b>15,477,946</b>
33	<b>Changes in life/ annuity fund estimate</b>		
	Changes in individual life fund (see note 17.1 (d))	1,822,540	(1,856,023)
	Changes in individual DA (see note 18(b))	49,909	1,820,759
	Changes in annuity fund (see note 17.1 (e))	11,150,807	(4,830,042)
		<b>13,023,256</b>	<b>(4,865,306)</b>
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

34 Underwriting expenses	31 Dec. 2022 ₦'000	31 Dec. 2021 ₦'000
Acquisition (commission) expenses (see note (a) below)	3,000,545	2,919,850
Maintenance expenses	538,580	498,981
	<u>3,539,125</u>	<u>3,418,831</u>
(a) Acquisition (commission) expenses		
Brokers commission	616,883	987,825
Agents allowance and commission	2,382,845	1,964,217
Total commission paid	<u>2,999,728</u>	<u>2,952,042</u>
Change on deferred acquisition costs	817	(32,192)
	<u>3,000,545</u>	<u>2,919,850</u>
35 Investment income		
Dividend income (see note (a) below)	564,024	404,240
Income on cash and cash equivalents (see note (b) below)	573,256	203,941
Income on bonds, treasury bills and commercial papers (see note	10,496,810	8,206,302
c)below) Income on statutory deposit	10,912	(2,631)
	<u>11,645,002</u>	<u>8,811,852</u>
(a) Dividend income comprises cash dividend of ₦560 million (2021: ₦189 million) and scrip dividend of ₦3.8 million (2021: ₦215 million).		
(b) Income on cash and cash equivalents includes interest received of ₦549 million (2021: ₦9.287 million) as disclosed in note 5(c).		
(c) Income on bonds, treasury bills and commercial papers comprise income of ₦10.388 billion (2021: ₦8.164 billion) on bonds, NIL (2021: ₦3.8million) on treasury bills and ₦96.8 million (2021: ₦168 million) on commercial papers.		

## Notes To The Financial Statements Contd

36	Profit on investment contracts	31 Dec. 2021 N'000	31 Dec. 2020 N'000
	Investment income on investment contracts	276,316	320,000
	Guaranteed interest on investment contracts	(232,543)	(209,889)
		<b>43,773</b>	<b>110,111</b>
37	Net fair value loss		
	Net fair value through profit or loss assets:		
	- Fair value gain/(loss) on investment properties	140,480	(2,200)
	- Net fair value loss on financial assets	(6,168,888)	(22,678,888)
		<b>(6,028,408)</b>	<b>(22,681,088)</b>
38	Impairment write-back/(charge)		
	Impairment charge on cash and cash equivalents (see note 5d(ii))	(4,479)	(11,475)
	Fair value through OCI Impairment write-back/(charge) on financial assets (see note 6c(vi))	8,864	(19,470)
	Impairment charge on claims recoverable	-	(18,394)
		<b>4,385</b>	<b>(49,339)</b>
39	Net realised (loss)/gain		
	Realised loss on equity accounted investee	(1,556,658)	-
	Realised gain on fair value instruments	1,447,025	2,702,628
	Realised loss on financial assets at amortised cost	-	(25,215)
		<b>(109,633)</b>	<b>2,677,413</b>



## Notes To The Financial Statements Contd

<b>40</b>	<b>Share of profit of equity accounted investee</b>	<b>31 Dec. 2021 N'000</b>	<b>31 Dec. 2020 N'000</b>
	Share of profit of equity accounted investee	208,804	224,146
		<b>208,804</b>	<b>224,146</b>
<b>41</b>	<b>Other operating income</b>		
	Rental Income	109,675	106,239
	Foreign exchange gain	205,360	315,334
	Other income	56,978	11,210
	Profit on disposal of fixed assets	3,447	800
		<b>375,460</b>	<b>433,583</b>
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.		
<b>42</b>	<b>Employee benefit expenses</b>		
	Salaries & wages	553,428	467,523
	Pension contribution	23,173	21,472
	Other HR costs	186,433	109,974
		<b>763,034</b>	<b>598,969</b>

## Notes To The Financial Statements Contd

<b>43</b>	<b>Marketing and administrative expenses</b>	<b>31 Dec. 2022 N'000</b>	<b>31 Dec. 2021 N'000</b>
	Advertising	263,979	282,850
	Travelling expenses	4,594	4,292
	Office maintenance	156,316	139,685
	Vehicle repairs and maintenance	32,916	25,960
		<b>457,805</b>	<b>452,787</b>
<b>44</b>	<b>Other operating expenses</b>		
	Depreciation of property, plant and equipment	205,339	194,581
	Amortisation of intangible assets	35,403	66,278
	Auditors' remuneration	16,500	13,000
	Directors' expenses (see note 46(b))	49,414	35,276
	Bank charges	40,856	44,830
	Information technology (IT) expenses (see note (a) below)	41,320	24,020
	Rent and rates	146,059	103,020
	Training	65,963	37,942
	NIA Levy	8,375	14,560
	Depreciation expense on right-of-use assets	24,860	25,651
	NAICOM supervisory levy	383,132	334,881
	Contract service costs	64,211	51,841
	Shared service cost	481,959	451,482
	Write-off of fixed assets	620	-
	Legal and professional fees	169,558	173,419
		<b>1,733,569</b>	<b>1,570,781</b>

## Notes To The Financial Statements Contd

- (a) Included in information technology (IT) expenses is the sum of ~~N~~6.5 million which was reclassified from intangible asset work-in-progress (refer to Note 15(b)).

45	Income tax expense	31 Dec. 2022 N'000	31 Dec. 2021 N'000
	Per profit and loss account:	68,360	61,706
	Company income tax expense	42,916	35,410
	ITF levy	166,351	-
	Education tax	14,705	10,000
	Prior period underprovision for tax	292,332	107,116
	Deferred tax expense	-	-
	<b>Income tax expense</b>	<b>292,332</b>	<b>107,116</b>

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

Effective tax rate reconciliation analysis	31 Dec. 2022 ₦'000	31 Dec. 2021 ₦'000
Profit before income tax	4,256,042	3,540,969
Tax calculated at domestic rate applicable in Nigeria at 30% (2021 : 30%).	1,276,813	1,062,291
Effect of:		
Tax exempt income	(3,159,651)	(2,417,458)
Non-deductible expenses	597,162	383,100
Impact of industry tax law	(892,400)	(290,809)
Unrecognised temporary difference	2,178,076	1,262,876
Minimum tax impact	68,360	61,706
Education tax	166,351	-
Prior period underprovision for tax	14,705	10,000
ITF levy	42,916	35,410
<b>Total</b>	<b>292,332</b>	<b>107,116</b>

## Notes To The Financial Statements Contd

### 46 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. 2022 Number	31 Dec. 2021 Number
₦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	24
Above ₦4,000,000	20	19
	<hr/> 55	<hr/> 54

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

Numbers	31 Dec. 2022	31 Dec. 2021
Executive	2	2
Management staff	6	6
Non-management staff	47	46
<b>Total</b>	<hr/> 55	<hr/> 54

## 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. 2022 N'000	31 Dec. 2021 N'000
Directors' fees	8,000	4,263
Directors' sitting allowance	11,200	8,150
Travelling allowance	30,214	22,863
	<u>49,414</u>	<u>35,276</u>

Fees and other emoluments disclosed above include amounts paid to:

Chairman	3,694	3,694
Highest paid Director	8,320	8,320

### 47 Earnings per share

	31 Dec. 2022	31 Dec. 2021
Net profit attributable to shareholders (N'000)	3,963,710	3,433,853
Weighted average number of ordinary shares in issue:		
- Opening balance ('000)	16,000,000	16,000,000
- Effect of additional bonus issue ('000)	-	-
Weighted average number of ordinary shares in issue	<u>16,000,000</u>	<u>16,000,000</u>
Basic earnings per share (kobo)	25	21

## Notes To The Financial Statements Contd

### 48 Dividend

During the year under review, the Company declared and paid interim dividend in the sum of 3 kobo (2021: 3.5 kobo) per ordinary share on the issued and paid-up capital of 16,000,000,000 (2021: 16,000,000,000) ordinary shares of 50 kobo each, subject to the appropriate withholding tax deduction.

A final dividend of 12kobo (2021: 6.5kobo) per ordinary share on the issued and paid-up capital of 16,000,000,000 (2021: 16,000,000,000) ordinary shares of 50 kobo each was also proposed, subject to the appropriate withholding tax deduction.

The proposed final dividend has been approved by the National Insurance Commission (NAICOM) in line with the new Prudential Guidelines which became effective 1st October 2022.

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Dividend payable, beginning of year	-	-
Prior year final dividend declared	1,040,000	540,000
Interim dividend declared during the year	480,000	560,000
Gross dividend paid during the year (see note 27)	(1,520,000)	(1,100,000)
Dividend payable, end of year	-	-

The final dividend in respect of 2021 was paid in April 2022 while the 2022 interim dividend was approved by the Board of Directors in July 2022 and paid in August 2022.

### 49 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.

## Notes To The Financial Statements Contd

### Entities under common control

Transactions between Custodian Life Assurance Limited and other entities under common control also meet the definition of related party transactions.

### Transactions with key management personnel

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

The volume of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

- (i) Receivable from Crusader Sterling Pensions Limited (under common control)

	31 Dec. 2022 N'000	31 Dec. 2021 N'000
Balance, beginning of year	416,617	467,450
Net payment made/(amount received) during the year	250,000	(50,833)
Balance, end of year	666,617	416,617



## Notes To The Financial Statements Contd

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

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

### (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 entities 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 - ~~₦~~10,707,200
- (2) Custodian & Allied Insurance Limited - ~~₦~~25,335,000
- (3) Custodian Trustees Limited - ~~₦~~3,150,400
- (4) Crusader Sterling Pension Limited - ~~₦~~527,810
- (5) Interstate Securities Limited - ~~₦~~250,000

## Notes To The Financial Statements Contd

### 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.

### Project advisory fee / facility management fee

UPDC Plc, one of the entities within the Group, provides project advisory services to the Company for the development of our investment properties. The project advisory fee of ₦15 million was paid for this service during the period. The fee has been reported as part of other operating expenses.

UPDC Facility Management Limited, one of the entities within the Group, renders facility management services to the Company's headquarters as well as some of its branches. The entity earns management fee for the services rendered, which is included in operating expenses.

Intercompany balances	31 Dec. 2022 ₦'000	31 Dec. 2021 ₦'000
Gross premium written	21,973	16,959
Rental income	39,970	38,565
Shared service cost	481,959	451,482
Project advisory fee	15,000	-
Facility management fee	6,000	-

# Notes To The Financial Statements Contd

## **50 Change in the Board of Directors**

Dr. Olusegun Oso and Mrs. Titilayo Olujobi were appointed to the Board on 26 April 2022. Their appointments were approved by the National Insurance Commission (NAICOM) on 5 August 2022.

Messrs. Ibrahim Dikko and Adeniyi Falade, both Non-executive Directors, retired during the year, after completing their respective tenures. Their retirements were approved by the Board on 28 October 2022.

## **51 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 (2021 : NIL).

## **52 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.

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 continued 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.

## Notes To The Financial Statements Contd

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.

### 53 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 2022 or the financial performance for the year then ended that have not been adequately provided for or disclosed.

### 54 Pension Reform Act (PRA) Regulated Annuity Fund Statement of Assets and Liabilities

As at 31 December 2022

Assets	Units	₦'000
<b>Quoted securities</b>		
Chapel Hill Denham Nig Infrastructure Debt Fund 18.05%	37,564,752	4,012,291
<b>Cash and cash equivalents:</b>	<b>Carrying amount</b>	
- Bank placements	3,042,112	
- Cash at bank	409,797	
	<u>3,451,909</u>	

## Notes To The Financial Statements Contd

### Bonds

Corporate bonds	Maturity Date	Coupon Rate	Fair Value ₦'000
14.90 NMRC I 29-JUL-2030	29-Jul-30	14.90%	229,204
15.75 STANBIC I 5-DEC-2023	5-Dec-23	15.50%	530,354
15.50 ACCESS GB I 8-MAR-2024	5-Dec-23	15.75%	115,785
10.50 FBNQ SPV I 5-FEB-2023	18-Mar-24	15.50%	138,384
13.00 LAPO MFB II 30-MAR-2025	24-Jan-23	10.50%	309,539
12.50 DANGCEM I 30-APR-2025	30-Mar-25	13.00%	138,210
12.00 NOVAMBL SPV I 23-JUL-2027	17-Apr-25	12.50%	30,979
12.50 DANGCEM I 30-APR-2032	27-Apr-32	13.00%	459,483
NIGERIA EUROBOND 2049 9.248%	17-Jul-27	9.25%	330,311
NIGERIA EUROBOND 2031 8.747% (VIA UBA)	21-Jan-31	8.75%	51,581
			<u>2,333,830</u>

State Government bonds	Maturity Date	Coupon Rate	Fair Value ₦'000
15.85% LAGOS STATE AUG 2027	11-Aug-27	15.85%	482,757
12.25% LAGOS STATE JAN 2030	23-Jan-30	12.25%	474,142
			<u>956,899</u>

## Notes To The Financial Statements Contd

### Bonds

<b>Federal Government bonds</b>	<b>Maturity Date</b>	<b>Coupon Rate</b>	<b>Fair Value ₦'000</b>
FGN BOND 2023 (VIA STANBIC)	27-Apr-23	12.75%	207,375
FGN BOND 2025 (VIA UBA)	23-Mar-25	13.53%	37,401
FGN BOND 2027 (VIA UBA)	23-Mar-25	13.53%	87,493
FGN BOND 2028 (VIA UBA)	17-Mar-27	16.29%	96,867
FGN BOND 2029 (VIA UBA)	23-Feb-28	13.98%	78,657
FGN BOND 2030 (VIA UBA)	26-Apr-29	14.55%	272,654
FGN BOND 2034 (VIA UBA)	23-Jul-30	10.00%	154,573
FGN BOND 2036 (VIA UBA)	18-Jul-34	12.15%	1,232,293
FGN BOND 2037 (VIA UBA)	18-Mar-36	12.40%	182,212
FGN BOND 2042 (VIA STANBIC)	18-Apr-37	16.25%	10,013,548
FGN BOND 2049 (VIA STANBIC)	21-Jan-42	13.00%	21,448,785
FGN BOND 2050 (VIA UBA)	26-Apr-49	14.80%	38,992,492
FGN BOND SUKUK 2024 (VIA STANBIC)	25-Sep-24	16.47%	111,496
FGN BOND SUKUK 2025 (UBA)	28-Dec-25	15.74%	190,291
			<b>73,106,137</b>
	<b>Maturity Date</b>	<b>Coupon Rate</b>	<b>Amortised Cost ₦'000</b>
12.15% FGN JULY 2034	18-Jul-34	12.15%	948,801
ECL			(1,034)
			<b>947,767</b>
<b>Government and corporate bonds</b>			<b>77,344,633</b>
<b>Total assets</b>			<b>84,808,833</b>
<b>Liabilities - Annuity Reserve</b>			<b>73,341,805</b>

## Notes To The Financial Statements Contd

### 55 Revenue Account

For the year ended 31 December 2022

	Individual life N'000	Group life N'000	Annuity N'000	2022 Total N'000	2021 Total N'000
Gross Premium Written	7,446,049	7,612,217	22,711,566	37,769,832	32,464,843
Gross premium income	7,446,049	7,449,919	22,711,566	37,607,534	32,473,000
Reinsurance expenses	(39,496)	(1,730,139)	-	(1,769,635)	(2,083,304)
<b>Net premium income</b>	<b>7,406,553</b>	<b>5,719,780</b>	<b>22,711,566</b>	<b>35,837,899</b>	<b>30,389,696</b>
Fees and commission income	6,578	276,861	-	283,439	278,603
Net underwriting income	7,413,131	5,996,641	22,711,566	36,121,338	30,668,299
Net insurance benefits and claims	(4,813,620)	(2,705,845)	(10,968,425)	(18,487,890)	(15,477,946)
Changes in life/ annuity fund estimate	(1,872,449)	-	(11,150,807)	(13,023,256)	4,865,306
Underwriting expenses	(999,016)	(1,156,280)	(1,383,829)	(3,539,125)	(3,418,831)
<b>Underwriting result</b>	<b>(271,954)</b>	<b>2,134,516</b>	<b>(791,495)</b>	<b>1,071,067</b>	<b>16,636,828</b>



## Other National Disclosures



# Five-Year Financial Summary

Statement of Financial Position

As at 31 December

	2022 N'000	2021 N'000	2020 N'000	2019 N'000	2018 N'000
<b>Assets</b>					
Cash and cash equivalents	5,922,756	4,433,390	3,333,239	2,753,298	2,211,751
Financial assets	101,376,567	84,183,377	84,912,544	56,208,875	35,031,736
Trade receivables	40,750	19,019	12,533	27,346	24,056
Reinsurance assets	630,036	425,811	681,006	859,184	799,782
Deferred acquisition cost	110,772	111,589	79,397	124,436	62,293
Other receivables and prepayments	1,786,464	593,355	529,605	515,863	480,087
Current tax assets	-	119,159	190,865	-	-
Right-of-use assets	1,078	25,938	42,969	3,278	-
Investment in equity accounted investee	-	4,117,991	4,179,232	-	-
Investment properties	1,143,299	1,002,819	1,002,819	1,002,819	954,925
Property, plant and equipment	2,951,203	3,106,145	3,018,580	2,970,829	2,616,034
Intangible assets	73,218	82,766	99,745	165,060	231,763
Statutory deposit	260,000	260,000	260,000	260,000	200,000
<b>Total assets</b>	<b>114,296,143</b>	<b>98,481,359</b>	<b>98,342,534</b>	<b>64,890,988</b>	<b>42,612,427</b>
<b>Liabilities</b>					
Insurance contract liabilities	85,100,948	71,875,856	77,727,665	47,114,330	29,231,997
Investment contract liabilities	9,070,212	8,616,191	6,072,622	3,985,348	3,089,658
Lease liabilities	-	-	-	744	-
Trade payables	1,487,182	1,685,441	1,114,387	1,347,889	29,686
Other payables	1,577,178	1,637,518	1,180,758	1,653,668	986,252
Current tax liability	53,845	-	-	243,439	75,439
Deferred tax liability	522,335	545,728	520,578	495,920	551,339
Deposit for shares	-	-	-	500,000	-
<b>Total liabilities</b>	<b>97,811,700</b>	<b>84,360,734</b>	<b>86,616,010</b>	<b>55,341,338</b>	<b>33,964,371</b>
<b>Equity</b>					
Share capital	8,000,000	8,000,000	8,000,000	2,500,000	2,500,000
Share premium	-	-	-	1,594,668	1,654,693
Contingency reserve	2,094,469	1,698,098	1,354,712	1,094,107	872,209
Asset revaluation reserve	605,349	659,931	601,248	543,711	483,023
Fair value reserve	66,381	91,691	90,126	85,132	602,664
Retained earnings	5,718,244	3,670,905	1,680,438	3,732,032	2,535,467
<b>Total equity</b>	<b>16,484,443</b>	<b>14,120,625</b>	<b>11,726,524</b>	<b>9,549,650</b>	<b>8,648,056</b>
<b>Total liabilities and equity</b>	<b>114,296,143</b>	<b>98,481,359</b>	<b>98,342,534</b>	<b>64,890,988</b>	<b>42,612,427</b>

## Five-Year Financial Summary

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

	2022 N'000	2021 N'000	2020 N'000	2019 N'000	2018 N'000
Gross premium written	37,769,832	32,464,843	26,058,468	22,189,831	13,679,683
Investment and other income	6,139,383	(10,473,322)	24,455,405	11,104,236	3,283,337
Profit before taxation	4,256,042	3,540,969	2,444,680	2,390,363	1,442,475
Income tax (expense)/write-back	(292,332)	(107,116)	169,663	(277,665)	(113,933)
Profit after taxation	3,963,710	3,433,853	2,614,343	2,112,698	1,328,542
Total comprehensive income	3,883,818	3,494,101	2,676,874	2,161,501	1,570,482
Basic earnings per share (kobo) (as previously reported)				42	27
Basic earnings per share (kobo)	25	21	16	13*	8*

\*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 2022

	2022 N'000	%	2021 N'000	%
Gross premium income	37,607,534		32,473,000	
Fees and commission income	283,439		278,603	
Investment and related income	5,763,923		(10,906,905)	
Other income	375,460		433,583	
	44,030,356		22,278,281	
Claims incurred, commission paid and other operating expenses - Local	(38,770,538)		(17,877,484)	
<b>Value added</b>	<b>5,259,818</b>	<b>100%</b>	<b>4,400,797</b>	<b>100%</b>
<b>Applied as follows:</b>				
<b>To pay employees:</b>				
Salaries, wages and benefits	763,034	15%	598,969	14%
<b>To Government as taxes:</b>				
Taxes	249,416	5%	71,706	2%
IT development levy	42,916	1%	35,410	1%
<b>Retained for asset replacement and future expansion of business:</b>				
- Depreciation and amortization	240,742	5%	260,859	6%
- Profit for the year	3,963,710	74%	3,433,853	77%
	<b>5,259,818</b>	<b>100%</b>	<b>4,400,797</b>	<b>100%</b>

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.



