CUSTODIAN AND ALLIED PLC

CONSOLIDATED FINANCIAL REPORTS

FOR THE NINE MONTH PERIOD ENDED

30-Sep-17

(GROUP ACCOUNTS)

CUSTODIAN AND ALLIED PLC
REPORTS AND ACCOUNTS

EXECUTIVE SUMMARY SHEET

	GROUP		COMPANY	
	N '000	N '000	N '000	N '000
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
Cash and cash equivalents	7,151,527	7,467,649	167,244	171,787
Financial assets:	48,589,535	40,054,271	5,234,490	4,655,217
Investment properties	8,163,869	8,141,275	4,110,636	4,098,275
Property, plant and equipment	3,056,923	3,039,637	64,342	34,794
Investment contract liabilities	3,077,238	3,487,613	-	-
Equity attributable to owners of the parent	32,272,995	29,330,241	16,021,146	14,656,653
Total Assets	80,077,227	67,794,277	17,651,776	15,973,880

	N '000	N '000	N '000	N '000
	30-Sep-17	30-Sep-2016	30-Sep-17	30-Sep-2016
Gross Revenue	31,862,231	27,114,373	3,773,019	2,225,474
Gross Premium Written	27,159,935	25,661,343	-	-
Gross Premium Income	23,499,654	20,717,673	-	-
Investment Income	4,926,694	2,801,104	3,285,189	1,861,034
Fees and Commissiom	2,510,912	1,915,628	-	-
Other Operating Income	924,971	1,679,968	487,830	364,440
Operating Expenses	(22,442,982)	(18,213,320)	-	-
Reinsurance Expenses	9,849,558	7,060,258	-	-
Underwriting Expenses	2,276,499	2,023,162	-	-
Net Claims Expenses	5,347,899	5,606,050	-	-
Changes in Claims / Annuity Reserves	4,969,026	3,523,850.00		
Management expenses	(3,874,046)	(3,623,029)	(435,956)	(323,496)
Finance costs	-	(87,279)	-	-
Total comprehensive income for the period, net of tax	5,009,063	4,108,957	3,011,415	1,616,494
EPS - Basic & Diluted (in kobo)	76	66	51	27
Net assets per share (in kobo)	549	355	272	177

CUSTODIAN AND ALLIED PLC
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER, 2017

		GROUP		COMPANY	
		30-Sep-17 UNAUDITED ₦'000	31-Dec-16 AUDITED ₦'000	30-Sep-17 UNAUDITED ₦'000	31-Dec-16 AUDITED ₦'000
Assets	**Note**				
Non-current assets					
Statutory deposits	15	500,000	802,000	-	-
Property, plant and equipment	14	3,056,923	3,039,637	64,342	34,794
Intangible assets	13	83,449	106,653	-	-
Investment properties	12	8,163,869	8,141,275	4,110,636	4,098,275
Investment in subsidiaries	10	-	-	6,209,669	6,209,669
Investment in associates	11	537,130	537,130	525,364	525,364
Reinsurance assets	7	9,711,788	6,409,135	-	-
		22,053,159	19,035,830	10,910,011	10,868,102
Other receivables and prepayments	9	1,358,370	729,970	1,340,031	278,774
Deferred acquisition costs	8	852,559	444,879	-	-
Financial assets:	5	48,589,535	40,054,271	5,234,490	4,655,217
- Equity : Fair Value through Profit or Loss		*805,664*	*600,659*	*59,800*	*38,048*
- Available For Sale (Cost)		*3,930,195*	*3,292,495*	-	-
- Debt : Held to Maturity		*43,478,738*	*35,790,839*	*4,933,913*	*4,367,500*
- Loans and Receivable		*374,938*	*370,278*	*240,777*	*249,669*
Trade receivables	6	72,077	61,678	-	-
Cash and cash equivalents	4	7,151,527	7,467,649	167,244	171,787
		58,024,068	48,758,447	6,741,765	5,105,778
Total Assets		**80,077,227**	**67,794,277**	**17,651,776**	**15,973,880**
Equity and Liabilities					
Equity					
Issued share capital	22	2,940,933	2,940,933	2,940,933	2,940,933
Share premium	23	6,412,357	6,412,357	6,412,357	6,412,357
Retained earnings	24	14,448,555	12,719,469	6,667,856	5,303,363
Contingency reserve	24	7,542,715	6,663,389	-	-
Revaluation reserve	24	283,888	283,888	-	-
Available-for-sale reserve	24	644,547	310,205	-	-
Equity attributable to owners of the parent		32,272,995	29,330,241	16,021,146	14,656,653
Non-controlling interests		880,307	764,428	-	-
Total equity		33,153,302	30,094,669	16,021,146	14,656,653
Liabilities					
Non-current liabilities					
Deferred tax liabilities	21	1,452,538	1,448,898	414,408	414,408
Investment contract liabilities	17	3,077,238	3,487,613	-	-
Total non-current liabilities		4,529,776	4,936,511	414,408	414,408
Current liabilities					
Insurance contract liabilities	16	35,427,990	26,604,796	-	-
Trade payables	18	2,567,581	2,778,161	-	-
Other payables	19	2,688,149	1,771,096	840,239	626,085
Current income tax	20	1,710,429	1,609,044	375,983	276,734
Total current liabilities		42,394,149	32,763,097	1,216,222	902,819
Total liabilities		46,923,925	37,699,608	1,630,630	1,317,227
Total equity and liabilities		**80,077,227**	**67,794,277**	**17,651,776**	**15,973,880**

The accounts were approved by the Board of directors on 26 September, 2017 and signed on its behalf by:

Wole Oshin	Richard Asabia	Ademola Ajuwon
Managing Director	Director	Chief Financial Officer
FRC/2013/CIIN/3054	FRC/2013/CISN/4762	FRC/2013/ICAN/2068

Full accounts are available on the company's website www.custodianplc.com.ng

CUSTODIAN AND ALLIED PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER, 2017

		GROUP		COMPANY	
		30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
		=N='000	=N='000	=N='000	=N='000
		UNAUDITED		UNAUDITED	
Gross Revenue	26	31,862,231	27,114,373	3,773,019	2,225,474
Operating Expenses	27	(22,442,982)	(18,213,320)	-	-
Net fair value gains/(losses)	28	384,710	32,815	21,752	7,415
Net realised gains/(losses)	29	71,666	(25,486)	100	(1,747)
Management expenses	30	(3,874,046)	(3,623,029)	(435,956)	(323,496)
Finance costs	31	-	(87,279)	-	-
Profit before taxation		6,001,579	5,198,074	3,358,915	1,907,646
Income tax expenses		(1,326,858)	(1,136,210)	(347,500)	(291,152)
Profit after taxation		4,674,721	4,061,864	3,011,415	1,616,494
Profit attributable to:					
– Owners of the parent		4,467,633	3,915,895	3,011,415	1,616,494
– Non-controlling interests		207,088	145,969	-	-
		4,674,721	4,061,864	3,011,415	1,616,494
Other comprehensive income:					
Asset Revaluation on PPE		-	-	-	-
Net gain/(losses) on available-for-sale assets, net of tax	32	334,342	47,093	-	-
Other comprehensive income for the period, net of tax		334,342	47,093	-	-
Total comprehensive income for the period, net of tax		5,009,063	4,108,957	3,011,415	1,616,494
Profit attributable to:					
– Owners of the parent		4,801,975	3,962,988	3,011,415	1,616,494
– Non-controlling interests		207,088	145,969	-	-
		5,009,063	4,108,957	3,011,415	1,616,494
Earnings/(loss) per share:					
Basic earnings/(loss) per share (kobo)	33	76	66	51	27

CUSTODIAN AND ALLIED PLC
STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 SEPTEMBER 2017

GROUP	Attributable to owners of the Parent										
	Issued share capital	Share premium	Retained earnings	Contin- gency reserve	Revaluation Reserve	Other Components of Equity	Treasury Shares	Available-for-sale reserve	Total	Non-controlling interests	Total equity
	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000		=N='000
At 1 January 2017	2,940,933	6,412,357	12,719,469	6,663,389	283,888	-	-	310,205	29,330,241	764,428	30,094,669
									-		-
Cumulative Adjustment to Retained Earnings			(212,299)						(212,299)		(212,299)
Profit for the year	-	-	4,467,633	-			-	-	4,467,633	207,088	4,674,721
Transfer between reserves	-	-	(879,326)	879,326		-			-		-
	2,940,933	6,412,357	16,095,477	7,542,715	283,888	-	-	644,547	33,919,917	971,516	34,891,433
Dividend Paid			(1,646,922)	-					(1,646,922)	(91,209)	(1,738,131)
At 30 September 2017	2,940,933	6,412,357	14,448,555	7,542,715	283,888	-	-	644,547	32,272,995	880,307	33,153,302

	Issued share capital	Share premium	Retained earnings	Contin- gency reserve	Revaluation Reserve	Other Components of Equity	Treasury Shares	Available-for-sale reserve	Total	Non-controlling interests	Total equity
At 1 January 2016	2,940,933	6,412,357	9,991,704	5,510,478	277,327	-	-	244,664	25,377,463	693,996	26,071,459
									-		
Profit for the year			5,115,868						5,115,868	215,108	5,330,976
Other Comprehensive Income					6,561			65,541	72,102		72,102
Transfer between reserves			(1,152,911)	1,152,911		-		-	-		-
Dividends Paid			(1,235,192)						(1,235,192)	(144,676)	(1,379,868)
At 31 December 2016	2,940,933	6,412,357	12,719,469	6,663,389	283,888	-	-	310,205	29,330,241	764,428	30,094,669

COMPANY	Attributable to owners of the Company								
	Issued share capital	Share premium	Retained earnings	Contin- gency reserve	Revaluation Reserve	Other Components of Equity	Treasury Shares	Available-for-sale reserve	Total
	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000	=N='000
At 1 January 2017	2,940,933	6,412,357	5,303,363	-	-	-	-	-	14,656,653
									-
									-
Profit or loss for the period			3,011,415						3,011,415
Adjustment									-
Dividend Paid			(1,646,922)						(1,646,922)
Other comprehensive income								-	-
At 30 September 2017	2,940,933	6,412,357	6,667,856	-	-	-	-	-	16,021,146

2016	Issued share capital	Share premium	Retained earnings	Contin- gency reserve		Other Components of Equity	Treasury Shares	Available-for-sale reserve	Total
	=N='000	=N='000	=N='000	=N='000		=N='000	=N='000	=N='000	=N='000
At 1 January 2016	2,940,933	6,412,357	3,991,575	-	-	-	-	-	13,344,865
									-
									-
Profit or loss for the period			2,546,980						2,546,980
									-
Transfer Between Reserves			-			-		-	-
Dividend paid			(1,235,192)						(1,235,192)
								-	-
At 31 December 2016	2,940,933	6,412,357	5,303,363	-		-	-	-	14,656,653

CUSTODIAN AND ALLIED PLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER, 2017

	GROUP		COMPANY	
	2017	2016	2017	2016
	=N='000	=N='000	=N='000	=N='000
Cash flows from operating activities				
Profit/(loss) before taxation	6,001,579	5,198,074	3,358,915	1,907,646
Adjustments for non-cash items:				
– Impairment losses/(fair value gain)	(384,710)	(32,815)	(21,752)	(7,415)
– Depreciation	216,783	223,547	13,061	14,015
– Impairment of goodwill	-	-		-
– Amortisation of intangible assets and deferred expenses	28,933	23,616	-	-
– Profit on disposal of property, plant and equipment	(486)	-	-	-
– Profit on disposal equities	(71,180)	25,486	-	1,747
– Fair value gains on investment	-	-	-	-
– Exchange rate differential	(763,023)	(1,282,724)	-	-
– Share of result of associate	-	-	-	-
– Gain on bargain purchase	-		-	-
– Dividend income	(99,995)	(905,502)	(2,581,282)	(1,532,383)
– Interest income	(4,826,699)	(1,895,602)	(703,907)	(328,651)
– Interest expense	-	87,279	-	-
– Net gain/(losses) in value of embedded derivative	-		-	-
– Net gain/(losses) on available-for-sale assets	(334,342)	(47,093)		
– Others	1,218,889	(262,338)	(1,213)	-
Changes in working capital:				
(Increase)/Decrease in reinsurance assets	(3,302,653)	(2,470,366)	-	-
(Increase)/Decrease in other receivables	(628,400)	(453,728)		-
Decrease in trade receivables	(10,399)	(10,422)	-	-
(Increase)in other debtors and prepayments	-	-	(1,061,257)	(662,745)
Decrease in deferred acquisition cost	(407,680)	(233,549)		
Increase/ (Decrease) in insurance contract liabilities	8,823,194	9,122,833	-	-
Increase /(Decrease) in investment contract liabilities	(410,375)	484,517	-	-
Increase / (Decrease) in other liablilities	706,473	3,151,380	214,154	47,672
Income tax paid	(1,225,473)	(1,091,000)	(247,038)	(213,360)
Net cash provided/(utilised) by operating activities	4,530,436	9,631,593	(1,030,319)	(773,474)
Cash flows from investing activities				
Purchase of property, plant and equipment	(235,937)	(527,300)	(42,609)	(336)
Proceeds on disposal of property, plant and equipment	1,382	8,999	-	-
Purchase of intangible	(5,731)	(5,898)	-	-
Purchase of investments	(8,535,264)	(28,933,136)	(557,521)	(3,375,993)
Acquisition of long term investment	-	-	-	
Proceeds from sale of long term investment	-	-	-	5,448
Redemption of matured investments	-	-		
Proceeds on sale of investments	-	-	-	
Purchase of investment in associates / subsidiary	-	-	-	(335,882)
Purchase of investment properties	(22,594)	(395,200)	(12,361)	(219,248)
Proceeds of sale of investment properties	-	-	-	-
Interest received	4,826,699	1,895,602	703,907	328,651
Dividend received	99,995	905,502	2,581,282	1,532,383
Net cash provided/(used) in investing activities	(3,871,450)	(27,051,431)	2,672,698	(2,064,977)
Cash flows from financing activities				
Interest paid		-	-	
Redemption of Convertible Loan		(2,498,286)	-	
Proceed from sale of treasury shares	-	-	-	-
Dividend Paid in the period	(1,738,131)	(1,323,020)	(1,646,922)	(1,235,192)
	(1,738,131)	(3,821,306)	(1,646,922)	(1,235,192)
Net increase/(decrease) in cash and cash equivalents	(1,079,145)	(21,241,144)	(4,543)	(4,073,643)
Cash and cash equivalents at beginning of the period	7,467,649	24,416,886	171,787	4,250,525
Effect of change in exchange rate	763,023	1,282,724	-	-
Cash and cash equivalents at end of the period	7,151,527	4,458,466	167,244	176,882

See notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Custodian and Allied Plc. is the investment holding company that resulted from the successful merger of Custodian and Allied Insurance Plc and Crusader (Nigeria) Plc.

Custodian and Allied Plc was incorporated on 22 August, 1991 as a private limited liability company under the name Accident and General Insurance Company Limited. It changed its name to Custodian and Allied Insurance Plc on 5 February, 1993 and became a public limited liability company on 29 September, 2006.

The Company is quoted on the Nigerian Stock Exchange and has its registered office at 16A Commercial Avenue, Sabo Yaba Lagos, Nigeria.

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

1.2. Principal activities

Custodian and Allied Plc is an investment holding company with significant interests in life and non-life insurance, pension fund administration, trusteeship and property holding companies. The subsidiaries are:

- Custodian and Allied Insurance Limited - a wholly owned that carries on general insurance business,
- Custodian Life Assurance Limited - a wholly owned subsidiary that 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.
- Custodian Trustees Limited - a wholly owned subsidiary that carries on the business of Trusteeship and Company Secretarial services.
- CrusaderSterling Pensions Limited - a subsidiary that is involved in the administration and management of Pension Fund Assets. This is not a wholly owned subsidiary.
- Leadway Pensure PFA Limited – An associate company engaged in the administration and management of pension fund assets.

1.3 Going concern

These financial statements have been prepared on the going concern basis. The group has no intention or need to reduce substantially the scope of its business operations. The management believes that the going concern assumption is appropriate for the group and company due to sufficient capital adequacy ratio and projected liquidity, based on historical experience that short-term obligations will be financed in the normal course of business. Liquidity ratio and continuous evaluation of current ratio of the group is carried out to ensure that there are no going concern threats to the operation of the group.

2. Statement of compliance

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

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

3. Summary of significant accounting policies

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

3.1 Basis of preparation

The financial statements comprise the consolidated and separate statement of financial position, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity, the consolidated and separate statement of cash flows and summary of significant accounting policies and notes to the consolidated and separate financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets and financial liabilities measured at fair value through profit or loss, and investment properties and, available-for-sale financial assets, property plant and equipment, which have been measured at fair value.

The Group classifies its expenses by the nature of expense method.

The financial statements are presented in Naira, which is the Group's presentation currency. The figures shown in the consolidated and separate financial statements are stated in thousands unless otherwise indicated.

The disclosures on risks from financial instruments are presented in the financial risk management report.

The consolidated and separate statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The cash flows from operating activities are determined by using the indirect method and the net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables and liabilities in the corresponding note. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Fees and commission received or paid, income tax paid are classified as operating cash flows.

3. Summary of significant accounting policies – continued

3.1 Basis of preparation - continued

The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model (management approach).

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

3.2 Basis of consolidation

Subsidiaries

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases. For the purpose of these financial statements, subsidiaries are entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. In the separate financial statements, investments in subsidiaries and associates are measured at cost.

Loss of Control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3. Summary of significant accounting policies – continued

3.2 Basis of consolidation – continued

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

Non-controlling interests

The group applies IFRS 10 consolidated financial statements (2012) in accounting for acquisitions of non-controlling interests. Under this accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.3 Functional and presentation currency

The financial statements are presented in Nigerian Naira, which is the Company’s functional currency. Except where expressly indicated, financial information presented in Naira has been rounded to the nearest thousand.

3. Summary of significant accounting policies – continued

3.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

i. Impairment of available-for-sale equity financial assets

The Group determined that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluated among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such qualitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

ii. Impairment on receivables

In accordance with the accounting policy, the Group tests annually whether premium receivables have suffered any impairment. The recoverable amounts of the premium receivables have been determined based on the incurred loss model. These calculations required the use of estimates based on passage of time and probability of recovery.

iii. Valuation of investment properties

The valuation of the investment properties is based on the price for which comparable land and properties are being exchanged or are being marketed for sale. Therefore, the market-approach method of valuation is used; this reflects existing use with recourse to comparison approach that is the analysis of recent sale transaction on similar properties in the neighbourhood. The best price that subsisting interest in the property will reasonably be expected to be sold if made available for sale by private treaty between willing seller and buyer under competitive market condition.

3. Summary of significant accounting policies – continued

3.4 Use of estimates and judgements - continued

iv. Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no
explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

3.5 Insurance contracts

Classification of Insurance contracts

IFRS 4 requires contracts written by insurers to be classified as either 'insurance contracts' or 'investment contracts' depending on the level of insurance risk transferred. Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policy holder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk, transferred from the holder of the contract to the
issuer.

Contracts that transfer financial risks but not significant insurance risk are termed investment contracts. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

3. Summary of significant accounting policies – continued

3.6 Premiums

Gross premium written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude Value Added Tax. Premium income includes adjustments to premiums written in prior accounting periods.

Premiums on reinsurance inward are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

The earned portion of premium written is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risk underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of indemnity received.

3.7 Unexpired risk provision

The provision for unexpired risk represents the proportion of premiums written which is estimated to be earned in subsequent financial years, computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts.

3.8 Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transferral of risks. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the gross provision for the unearned premiums. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premium ceded, claims reimbursed and commission recovered are presented in the profit or loss and statement of financial position separately from the gross amounts.

Premiums, losses and other amounts relating to reinsurance treaties are recognized over the period from inception of a treaty to expiration of the related business. The actual profit or loss on reinsurance business is therefore not recognized at the inception but as such profit or loss emerges.

In particular, any initial reinsurance commissions are recognized on the same basis as the acquisition costs incurred.

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3. Summary of significant accounting policies – continued

3.9 Claims incurred

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. The gross provision for claims represents the estimated liability arising from claims in current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims management and handling expenses. The gross provision for claims is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.
Adjustments to the amounts of claims provision for prior years are reflected in the profit or loss in the financial period in which adjustments are made, and disclosed separately if material.

In setting the provisions for claims outstanding, a best estimate is determined on an undiscounted basis and then a margin of prudence (usually required by regulation) is added such that there is confidence that future claims will be met from the provisions.

The methods used and estimates made for claims provisions are reviewed regularly.

3.10 Acquisition costs

Acquisition costs represent commissions payable and other expenses related to the acquisition of insurance contracts revenues written during the financial year. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the unearned premium provision.

3.11 Deferred expenses

Deferred acquisition costs (DAC)
Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, DAC for general insurance are amortized over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortized in the same manner as the underlying asset amortization is recorded in the profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit or loss.

DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognized when the related contracts are either settled or disposed of.

Deferred expenses - Reinsurance commissions
Commissions receivable on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected premiums payable.

3. Summary of significant accounting policies – continued

3.12 Interest

Interest income and expense for all interest bearing financial instruments, except for those classified at fair value through profit or loss, are recognised within 'investment income' and 'finance cost' in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. The effective interest rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently.

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

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

Interest income and expense presented in the profit or loss include interest on financial assets and liabilities at amortised cost on an effective interest basis.

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments and carried at fair value in the profit or loss.

3.13 Rental income

Rental income arising from operating leases on investment properties and land and building is accounted for on a straight line basis over the lease terms and is included in other operating income.

3.14 Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.15 Income tax expenses

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

3. Summary of significant accounting policies – continued

3.15 Income tax expenses – continued

3.15.1 Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in Nigeria. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in the statement of profit or loss.

3.15.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3. Summary of significant accounting policies – continued

3.15 Income tax expenses – continued

3.15.2 Deferred tax - continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

3.16 Foreign currency translation

The Nigerian Naira is the Company's functional and reporting currency. Foreign currency transactions are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the reporting date; the resulting foreign exchange gain or loss is recognized in the profit or loss.

Non-monetary assets and liabilities denominated in foreign currency at historical cost are translated using the exchange rate at the date of the transaction; no exchange differences therefore arise. Non-monetary assets and liabilities denominated in foreign currency at fair value are translated using the exchange rate ruling at the date that the fair value was determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

3.17 Dividends

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of investment income net trading income, net income on other financial instruments at fair value or other operating income depending on the underlying classification of the equity instrument.

3.18 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.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3. Summary of significant accounting policies – continued

3.19 Cash and cash equivalents

Cash and cash equivalents include cash on hand and at bank, unrestricted balances held with Central Bank, call deposits and short term highly liquid financial assets (including money market funds) with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

3.20 Financial assets and liabilities

3.20.1 Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis.

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

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Cash and cash equivalents

Cash and cash equivalents are balances that are held for the primary purpose of meeting short-term cash commitments.

This includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less (which are subject to an insignificant risk of changes in value), and net of bank overdrafts. Bank overdrafts are shown within borrowings in the statement of financial position.

3. Summary of significant accounting policies – continued

3.20 Financial assets and liabilities - continued

3.20.1 Financial assets - continued

(b) Trade and other receivables

Trade receivable are initially recognized at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is an objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Group will not be able to collect the amount due under the original terms of the invoice. Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt. Impaired debts are derecognized when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. Any subsequent reversal of an impairment loss is recognized in the profit or loss.

(c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

Available-for-sale financial assets in the Group include investment in equity instruments (both quoted and unquoted), investments in private equity, investment in treasury bills having tenor of more than three months and investment in debt securities (bonds) issued by Federal Government of Nigeria.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in other comprehensive income and accumulated in the available-for-sale reserve (equity).

3. Summary of significant accounting policies – continued

3.20 Financial assets and liabilities - continued

3.20.1 Financial assets - continued

Interest earned whilst holding available-for-sale investments is reported as interest income using the effective interest rate (EIR) method. Dividends earned whilst holding available-for-sale investments are recognized in the statement of profit or loss as 'Investment income' when the right of the payment has been established. When the asset is derecognized the cumulative gain or loss is recognized in 'net realized gains or losses', or determined to be impaired, at which time the cumulative loss is reclassified to the statement of profit or loss in finance costs and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

(d) Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognized at the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'interest income' in profit or loss. Gains and losses are recognized in the statement of profit or loss when the investments are derecognized or impaired, as well as through the amortisation process.

Loans and receivables in the Group include loan to subsidiary, loans to employees and loans to policy holders under insurance contracts.

3. Summary of significant accounting policies – continued

3.20 Financial assets and liabilities - continued

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired; Or

The Group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

The Group has transferred substantially all the risks and rewards of the asset; Or

The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in payment status or economic conditions that correlate with defaults.

3. Summary of significant accounting policies – continued

3.20 Financial assets and liabilities - continued

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. Summary of significant accounting policies – continued

3.20 Financial assets and liabilities - continued

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Company treats 'significant' generally as 20% and 'prolonged' generally as greater than six months. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest/investment income. If in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Financial assets carried at cost

For financial assets carried at cost, if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

3. Summary of significant accounting policies – continued

3.20 Financial assets and liabilities - continued

Reclassification of financial assets

The Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

3.20.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value.
The Group's financial liabilities include trade and other payables as well as borrowings.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

3. Summary of significant accounting policies – continued

3.20 Financial assets and liabilities - continued

Fair value measurement

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

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

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

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

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

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

- Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For other financial instruments other than investment in equity instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions.

3. **Summary of significant accounting policies – continued**

3.20 Financial assets and liabilities - continued

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

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

3.21 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there have separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

3.22 Reinsurance 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 insurances contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in compliance with the terms of each reinsurance contract. 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 insurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss.

The Company gathers the 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 incurred loss model for these financial assets.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party. These are deposit assets that are recognized based on the consideration paid less any explicit identified premiums or fees to be retained by the reinsured.

Investment income on these contracts is accounted for using the effective interest rate method when accrued.

3.23 Other receivables and prepayments

Other receivables are measured on initial recognition at the fair value of the consideration received and subsequently at amortised cost less provision for impairment. These include receivables from suppliers and other receivables other than those classified as trade receivable and loans and receivables. Prepayments include prepaid rents and services. These are carried at amortised cost.

If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the other receivables and prepayments accordingly and recognises that impairment loss in profit or loss.

3.24 Investment properties

Iinvestment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

3.24 Investment properties – continued

Any gains or losses on the retirement or disposal of an investment property are recognized in the profit or loss in the year of retirement or disposal. Transfers are made to or from investment properties only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

3.25 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period (three years) and the amortization method (straight line) for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the

expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit or loss.

3. Summary of significant accounting policies – continued

3.26 Property, plant and equipment

All categories of property, plant equipment (except freehold property) are initially recorded at cost. Subsequently, land and buildings are measured using revaluation model at the end of the financial period. Any increase in the value of the assets is recognized in other comprehensive income and accumulated surplus ,unless the increase is to reverse a decrease in value previously recognized in profit or loss where by the increase will be recognized in profit or loss .A decrease in value of land and building as a result of revaluation will be recognized in profit or loss unless the decrease is to reverse an increase in value previously recognized in other comprehensive income whereby the decrease will be recognized in other comprehensive income.

3.26.1 Recognition and measurement

Other items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.26.2 Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.26.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

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

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The estimated useful lives for the current and comparative period are as follows:

Land and building	33.3 years
Household equipment, Office furniture and fittings	5 years
Plant and machinery	5 years
Motor vehicles	4 years
Computer equipment	4 years
Office equipment	4 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

3. Summary of significant accounting policies – continued

3.26 Property, plant and equipment - continued

3.26.4 De-recognition

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

3.27 Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the Company. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and depreciated over the shorter of their useful economic life and the lease term. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases in which the Company does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on a straight line same as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Other leases are operating leases and are not recognised on the Company's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease

Minimum lease payments made under finance leases are apportioned between the finance expense, which is recognised as financial cost in profit or loss, and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed. Contingent rents shall be charged as expenses in the periods in which they are incurred

3. Summary of significant accounting policies – continued

3.28 Statutory deposit

Statutory deposit represents a percentage of the paid up capital of some of the subsidiary companies' deposit with Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost. The deposit is however restricted.

3.29 Insurance Contract Liabilities

3.29.1 Non-life insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money due to it short term nature. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future
contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, deficiency is recognized in the profit or loss by setting up a provision for premium deficiency.

3.29.2 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.

3.29.3 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.

3. Summary of significant accounting policies – continued

3.29 Insurance Contract Liabilities - continued

3.29.4 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).

3.29.5 Liability adequacy test

At the end of each reporting period, Liability Adequacy Tests are performed to ensure that material and reasonably foreseeable losses arising from existing contractual obligations are recognised. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, investment income backing such liabilities are considered. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. Any deficiency is charged to profit or loss by increasing the carrying amount of the related insurance liabilities.

3.30 Trade payables

Trade payables are recognised when due. These include amount due to agents, brokers and insurance contract holders. Trade payables are measured on initial recognition at the fair value of the consideration received and subsequently measured at amortized cost.

Trade payables are derecognized when the obligation under the liability is settled, cancelled or expired.

3.31 Other payables and accruals

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

3.32 Retirement benefit obligations

Defined contributory scheme

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the Pension Reform Act 2004, the Group operates a defined contribution scheme; employees are entitled to join the scheme on confirmation of their employment. The employee and the Group contribute a minimum of 8% and 10% respectively of the employee's emoluments (basic, housing and transport allowances). The Group's contribution each year is charged against income and is included in staff cost. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due.

3. Summary of significant accounting policies – continued

3.33 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

3.34 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 accordance 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.

3.35 Share capital and reserves

Share issue costs
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

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

Treasury shares
Where the Company purchases the Company's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

3. Summary of significant accounting policies – continued

3.36 Share premium equity reserve

Share premium reserve represents surplus on the par value price of shares issued. The share premium is classified as an equity instrument in the statement of financial position.

3.37 Contingency reserve

The company maintains Contingency reserves for non-life business in accordance with the provisions of S. 21 of the insurance Act 2003 to cover fluctuations in securities and valuations in statistical estimates at the rate equal to the higher of 3% of total premium or 20% of the net profits; until the reserves reaches the greater of minimum paid up capital or 50% of net premium.

3.38 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

3.9. Standards and interpretations issued but not yet effective

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

IFRS 9 Financial Instruments
Effective for annual periods beginning on or after 1 January 2018.
Key requirements
Classification and measurement of financial assets
All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by instrument basis to present changes in the fair value of non trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities
For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

3.9. Standards and interpretations issued but not yet effective - continued

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 Leases.

In determining the appropriate period to measure ELCs, entities are generally required to assess based on either 12-months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, a simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

Transition

Early application is permitted for reporting periods beginning after the issue of IFRS 9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

Impact

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. It will be important for entities to monitor the discussions of the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG).

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28

Effective for annual periods beginning on or after 1 January 2016.
Key requirements
The amendments address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value.

3.9. Standards and interpretations issued but not yet effective - continued

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Transition
The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

Impact
The amendments to IFRS 10 and IAS 28 provide helpful clarifications that will assist preparers in applying the standards more consistently. However, it may still be difficult to identify investment entities in practice when they are part of a multi-layered group structure.

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

In August 2015, the IASB issued Exposure Draft ED/2015/7 Effective Date of Amendments to IFRS 10 and IAS 28 proposing 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.

Key requirements
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. 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.

Transition
The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact
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.

3.9. Standards and interpretations issued but not yet effective - continued

IFRS 11 Accounting for Acquisitions of Interests inJoint Operations – Amendments to IFRS 11
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held
interests in the joint operation must not be remeasured if the joint operator retains joint control.

Transition
The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact
The amendments to IFRS 11 increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or of an asset, which would require judgement. Entities need to consider the definition of a business carefully and select the appropriate accounting method based on the specific facts and circumstances of the transaction.

IFRS 14 Regulatory Deferral Accounts
Effective for annual periods beginning on or after 1 January 2016.
Key requirements
IFRS 14 allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements.

Transition
Early application is permitted and must be disclosed.

Impact
IFRS 14 provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The comprehensive rate regulated activities project is on the IASB's active agenda. However, since the entity is not a first-time adopter of IFRS, this standard is unlikely to have any effect on its financial statements.

3.9. Standards and interpretations issued but not yet effective - continued

IFRS 15 Revenue from Contracts with Customers
Effective for annual periods beginning on or after 1 January 2018.
Key requirements
IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

Transition
Entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach. Early application is permitted and must be disclosed.

Impact
IFRS 15 is more prescriptive than current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to their current accounting, systems and processes. Therefore, a successful implementation will require an assessment of and a plan for managing the change. In addition, as the IASB, the US Financial Accounting Standards Board (FASB) and the Joint Transition Resource Group for Revenue Recognition (TRG) continue to discuss implementation issues, it is important that
entities monitor the discussions of those groups. See Section 3 Active IASB projects for more details.

3.9. Standards and interpretations issued but not yet effective - continued

IAS 1 Disclosure Initiative – Amendments to IAS 1
Effective for annual periods beginning on or after 1 January 2016.
Key requirements
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS1 requirements. The amendments clarify:
• The materiality requirements in IAS 1
• That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
• That entities have flexibility as to the order in which they present the notes to financial statements
• That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit

or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

Transition

Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates.

Impact

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. Although these amendments clarify existing requirements of IAS 1, the clarifications may facilitate enhanced disclosure effectiveness.

IAS 16 and IAS 38 Clarification of Acceptable

Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Transition

The amendments are effective prospectively. Early application is permitted and must be disclosed.

Impact

Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their approach to an acceptable method, such as the diminishing balance method, which would recognise increased amortisation in the early part of the asset's useful life.

3.9. Standards and interpretations issued but not yet effective - continued

IAS 16 and IAS 41 Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41
Effective for annual periods beginning on or after 1 January 2016.
Key requirements
The amendments to IAS 16 and IAS 41 Agriculture change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41. As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in IAS 16, including the choice between the cost model and revaluation model for subsequent measurement. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of IAS 41.

Transition
Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may choose to measure a bearer plant at its fair value at the beginning of the earliest period presented. Earlier application is permitted and must be disclosed.

Impact
The requirements will not entirely eliminate the volatility in profit or loss as produce growing on bearer plants will still be measured at fair value. Furthermore, entities will need to determine appropriate methodologies to measure the fair value of these assets separately from the bearer plants on which they are growing, which may increase the complexity and subjectivity of the measurement. This amendment is unlikely to affect the entity as it does not make use of bearer plants.

IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19
Effective for annual periods beginning on or after 1 July 2014.
Key requirements
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.
Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

Transition
The amendments must be applied retrospectively.

Impact
These changes provide a practical expedient for simplifying the accounting for contributions from employees or third parties in certain situations.

3.9. Standards and interpretations issued but not yet effective - continued

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:
• At cost
• In accordance with IFRS 9 (or IAS 39)
Or
• Using the equity method
The entity must apply the same accounting for each category of investment. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

Transition
The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

Impact
The amendments eliminate a GAAP difference for countries where regulations require entities to present separate financial statements using the equity method to account for investments in subsidiaries, associates and joint ventures.

2010-2012 cycle (issued in December 2013)
Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2010 – 2012 annual improvements cycle. With the exception of the amendment relating to IFRS 2 Share-based Payment, the changes summarised below are effective for annual reporting periods beginning on or after 1 July 2014. Earlier application is permitted and must be disclosed.

IFRS 2 Share-based Payment Definitions of vesting conditions
• The amendment defines 'performance condition' and 'service condition' to clarify various
issues, including the following:
• A performance condition must contain a service condition
• A performance target must be met while the counterparty is rendering service
• A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
• A performance condition may be a market or non-market condition
• If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
• The amendment is applicable for share-based payments for which the grant date is on or after 1 July 2014 and must be applied prospectively.

3.9. Standards and interpretations issued but not yet effective - continued

IFRS 3 Business Combinations Accounting for contingent consideration in a business combination

• The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination must be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

• The amendment must be applied prospectively.

IFRS 8 Operating Segments Aggregation of operating segments

• The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8.12, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross mar margins) used to assess whether the segments are similar.

• The amendment must be applied retrospectively.

Reconciliation of the total of the reportable segments' assets to the entity's assets

• The amendment clarifies that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

• The amendment must be applied retrospectively.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

Revaluation method – proportionate restatement of accumulated depreciation/amortisation

• The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed, as follows:

• Adjust the gross carrying amount of the asset to market value

Or

• Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value.

• The amendments also clarify that accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the asset.

• The amendments must be applied retrospectively.

IAS 24 Related Party Disclosures

Key management personnel

• The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

• The amendment must be applied retrospectively.

3.9. Standards and interpretations issued but not yet effective - continued

2011-2013 cycle (issued in December 2013)

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2011-2013 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 July 2014. Earlier application is permitted and must be disclosed.

IFRS 3 Business Combinations Scope exceptions for joint ventures

• The amendment clarifies that:

• Joint arrangements, not just joint ventures, are outside the scope of IFRS 3

• The scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

• The amendment must be applied prospectively.

IFRS 13 Fair Value Measurement

Scope of paragraph 52 (portfolio exception)

• The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

• The amendment must be applied prospectively.

IAS 40 Investment Property Interrelationship between IFRS 3 and IAS 40 (ancillary services)

• The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine whether the transaction is the purchase of an asset or business combination.

• The amendment must be applied prospectively

2012-2014 cycle (issued in September 2014)

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2012-2014 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted and must be disclosed.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Changes in methods of disposal

• Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

• The amendment must be applied prospectively.

3.9. Standards and interpretations issued but not yet effective - continued

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

- The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
- The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

Applicability of the offsetting disclosures to condensed interim financial statements

- The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
- The amendment must be applied retrospectively.

IAS 19 Employee Benefits Discount rate: regional market issue

- The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- The amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

Disclosure of information ‘elsewhere in the interim financial report’

- The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).
- The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.
- The amendment must be applied retrospectively.

4 Cash and cash equivalents

	GROUP		COMPANY	
	30-Sep-17 ₦'000	31-Dec-16 ₦'000	30-Sep-17 ₦'000	31-Dec-16 ₦'000
Cash-in-hand	330	657	20	20
Balances held with local banks	609,887	770,253	38,711	140,801
Balances held in domicilliary accounts	25,823	694,063	-	-
Balances held with foreign banks	59,830	182,621	-	-
Reserve with Pension Custodian	8,192	7,481		
Placements with banks	6,447,465	5,812,574	128,513	30,966
Impairment on cash and cash equivalents	-	-		
	7,151,527	**7,467,649**	167,244	171,787

Bank placements are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. All deposits are subject to an average variable interest rate of 11% p.a. (2016: 10%). Reserve with Pension Custodian relates to mandatory cash reserve placed with First Custodian Limited the custodian for our pension subsidiary's managed assets.

5 Financial assets

The Company's financial assets are summarised by categories as follows:

	GROUP		COMPANY	
	30-Sep-17 ₦'000	31-Dec-16 ₦'000	30-Sep-17 ₦'000	31-Dec-16 ₦'000
Available-for-sale	3,930,195	3,292,495		
Held-to-maturity - Amortised cost	43,478,738	35,790,839	4,933,913	4,367,500
Fair value through profit or loss	805,664	600,659	59,800	38,048
Loans and receivables	374,938	370,278	240,777	249,669
Total financial assets	48,589,535	40,054,271	5,234,490	4,655,217

(a) Available-for-sale

Quoted equity securities	702,035	500,852		-
Unquoted securities at cost	3,228,160	2,791,643	-	
Total available-for-sale	3,930,195	3,292,495	-	-

Quoted equity securities were fair valued using quoted prices from the Nigerian Stock Exchange (NSE).

Unquoted securities were fair valued using the year's average market price from Over-the-counter market and where not available, a valuation based on average of five years' dividend received at the company's annual rate of return.

(b) Held-to-maturity - Amortised cost

Federal Government Bonds	19,973,945	16,808,887		
State Government Bonds	593,791	492,961		
Corporate Bonds	9,996,079	8,169,267	-	-
T/Bills and Tenor Deposits Greater than 90 days and Others	12,914,923	10,319,724	4,933,913	4,367,500
Impairment on held-to-maturity financial instruments	-	-		
Total held-to-maturity	43,478,738	35,790,839	4,933,913	4,367,500

5 Financial assets - continued

	GROUP		COMPANY	
(c) Loans and receivables	2017 =N='000	2016 =N='000	2017 =N='000	2016 =N='000
Loans to policy holders	51,943	50,818		
Mortgage loans	-	-		
Staff Loans and advances	322,995	319,460	240,777	249,669
Impairment on loans and receivables	-	-		
Total loans and receivables	374,938	370,278	240,777	249,669

6 Trade receivables

Insurance receivables	685,019	674,619	-	-
Impairment on insurance receivables	(612,942)	(612,941)	-	-
	72,077	61,678	-	-

7 Reinsurance assets

Claims recoverable	984,091	1,048,340	-	-
Reinsurer's share of outstanding claims	1,554,001	1,192,035	-	-
Reinsurance Assets-(Deferred Reinsurance outward)	7,173,696	4,168,760	-	-
Due From Reinsurance Brokers	-	-	-	-
Reinsurer's share of life insurance funds	-	-	-	-
	9,711,788	6,409,135	-	-

8 Deferred acquisition costs

At 1 January	444,879	377,467	-	-
Movement during the year	407,680	67,412	-	-
At end of the period	852,559	444,879	-	-

9 Other receivables and prepayments

	2017 =N='000	2016 =N='000	2017 =N='000	2016 =N='000
Management Fee Receivable	272,521	229,838	-	-
Deposit for assets	555,565	141,831	144,592	141,831
Due from related parties	-	-	1,123,398	116,567
Other debit balances	403,724	59,304	17,874	20,805
Prepayment	233,885	406,324	64,857	10,261
	1,465,695	837,297	1,350,721	289,464
Impairment on other receivables	(107,325)	(107,327)	(10,690)	(10,690)
	1,358,370	729,970	1,340,031	278,774

10 Investment in subsidiaries

	GROUP		COMPANY	
	2017 =N='000	2016 =N='000	2017 =N='000	2016 =N='000
Custodian and Allied Insurance Limited	-	-	3,584,607	3,584,607
Custodian Life Assurance Limited	-	-	1,184,717	1,184,717
Crusader Sterling Pensions Limited (Note 11i)	-	-	1,139,460	1,139,460
Custodian Trustees Limited	-	-	300,885	300,885
At the end of the year	-	-	6,209,669	6,209,669

Custodian and Allied Plc is the ultimate holding company with significant equity interests in the subsidiary companies as follows:

Subsidiary	Equity Interest	Segment	Place of Incorporation / Activity
Custodian and Allied Insurance Limited	100%	Property / Casualty Insurance	Nigeria
Custodian Life Assurance Limited	100%	Life Insurance	Nigeria
CrusaderSterling Pension Limited	76.55%	Pension Asset Management	Nigeria
Custodian Trustees Limited	100%	Trusteeship / company Secretaria	Nigeria

The company along with its subsidiaries make up the Custodian Group.

Significant Restrictions
The Group does not have any significant restrictions on its ability to access or use its assets and settle liabilities that exist within the group

Non Controlling interest in subsidiaries
The Group does not have any subsidiary that has material non-controlling interest.

11 Investment in associate

	GROUP		COMPANY	
	2017 =N='000	2016 =N='000	2017 =N='000	2016 =N='000
Interstate Securities Ltd	537,130	525,364	525,364	525,364
Share of profit of associate		11,766		
	537,130	537,130	525,364	525,364

The Company invested in the equity of Interstate Securities Limited, a stock broking firm and a dealing member of the Nigerian Stock Exchange in line with its strategy to further diversify its financial service offerings. The investment is made up of 321,626,098 ordinary shares representing 46.86% of the company's issued ordinary shares; and 82,500,000 5% Convertible Preference shares.

12 Investment properties

	2017 =N='000	2016 =N='000	2017 =N='000	2016 =N='000
At 1 January	8,141,275	7,362,533	4,098,275	3,608,533
Additions	22,594	395,330	12,361	219,378
Fair value gains/loss	-	700,189	-	270,364
Reclassifications (Note 14)	-	(316,777)	-	-
Disposals during the year	-	-	-	-
Adjustments	-	-	-	-
At 30 September	8,163,869	8,141,275	4,110,636	4,098,275

i. Investment properties are stated at fair value, which has been determined based on valuations performed by Barin Epega & Company. Barin Epega & Company are industry specialists in valuing these types of investment properties. They are registered with the Financial Reporting Council of Nigeria (FRC\2012\NIESV\0000000597). The fair value was determined based on the capitalization of net rental income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. This is also supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with the standards issued by the International Valuation Standards Committee.
Valuations are performed on an annual basis and the fair value gains and losses are reported in income statement. There has been no change to the valuation technique during the year.

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

13.1 Goodwill	-	-			
13.2 Computer software					
Cost:					
At 1 January	659,268	597,230	-	-	-
Additions	5,731	62,040	-	-	-
At 30 September	**664,999**	**659,270**	**-**	**-**	**-**
Amortisation:					
At 1 January	552,617	519,693	-	-	-
Charge for the period	28,933	32,924			
At 30 September	**581,550**	**552,617**	-	-	-
Carrying Amount	**83,449**	**106,653**	**-**		**-**

14 Property, plant and equipment - Group

Cost/Valuation	Freehold property =N='000	Office equipmen =N='000	Computer equipment =N='000	Furniture and fittings =N='000	Motor Vehicles =N='000	Total =N='000
At 1 January	2,652,823	302,018	328,237	255,949	651,393	4,190,420
On acquistion of subsidiary						-
Additions	34,117	43,320	13,477	37,208	107,815	235,937
Reclassifications	-	-	-	-	-	-
Disposals	-	(2,050)	-	-	(37,033)	(39,083)
At 30 September 2017	2,686,940	343,288	341,714	293,157	722,175	4,387,274
Accumulated depreciation						
At 1 January	73,336	255,909	281,193	206,489	333,856	1,150,783
On acquistion of subsidiary	-	-	-	-	-	-
Charge for the year	54,997	20,382	15,177	18,257	107,970	216,783
Transfer		-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Disposals	-	(2,050)	-	-	(35,165)	(37,215)
At 30 September 2017	128,333	274,241	296,370	224,746	406,661	1,330,351
Net book value						
At 30 September 2017	2,558,607	69,047	45,344	68,411	315,514	3,056,923
At 31 December 2016	2,579,487	46,109	47,044	49,460	317,537	3,039,637

14 Property, plant and equipment - Company

Cost/Valuation	Office equipmen =N='000	Computer equipment =N='000	Furniture and fittings =N='000	Motor Vehicles =N='000	Total =N='000
At 1 January 2016	2,612	1,646	9,562	69,300	83,120
Additions	8,590	796	23,223	10,000	42,609
Disposals / Retirement	-	-	-	-	-
At 30 September 2017	11,202	2,442	32,785	79,300	125,729
Accumulated depreciation					
At 1 January 2016	2,413	697	9,076	36,140	48,326
Charge for the year	1,006	322	177	11,556	13,061
Disposals / Retirement	-	-	-	-	-
At 30 September 2017	3,419	1,019	9,253	47,696	61,387
Net book value					
At 30 September 2017	7,783	1,423	23,532	31,604	64,342
At 31 December 2016	199	949	486	33,160	34,794

	GROUP		COMPANY	
15 Statutory deposits	**2017 =N='000**	**2016 =N='000**	**2017 =N='000**	**2016 =N='000**
Statutory deposit	500,000	802,000	-	-

Statutory deposit represents the amount deposited with the Central Bank of Nigeria by the insurance subsidiaries in accordance with section 9(1) and section 10(3) of Insurance Act 2003. This is restricted cash as management does not have access to the balances in its day to day activities. Statutory deposits are measured at cost and attract interest rate at a rate determined by the Central Bank of Nigeria.

	GROUP		COMPANY	
16 Insurance contract liabilities	**2017**	**2016**	**2017**	**2016**
	=N='000	**=N='000**	**=N='000**	**=N='000**
Outstanding claims and IBNR	8,391,238	7,961,100	-	-
Unearned Premiums	8,874,712	5,552,463	-	-
Life fund, including Annuities	18,162,040	13,091,233	-	-
	35,427,990	26,604,796	-	-
17 Investment contract liabilities				
Welfare	3,077,238	3,487,613	-	-
Annuity	-	-	-	-
	3,077,238	3,487,613	-	-
18 Trade payables				
Due to reinsurance and Co-insurance Companies	1,784,191	361,196	-	-
Welfare Scheme	-	-	-	-
Due to Brokers and Agents	559,131	2,173,066	-	-
Premium received in advance	224,259	243,899	-	-
	2,567,581	2,778,161	-	-
19 Other payables				
Staff pension	1,438	1,433	1,438	1,433
Non Trade payable	683,625	649,842	26,386	
Statutory payables	42,153	158,369	37,866	37,998
Technology Development Levy	42,197	81,630	26,837	59,020
Provision and Accruals	629,380	68,079	67,988	1,376
Tenants' Security Deposit	18,055	14,677	18,055	14,677
Unclaimed Dividend	594,538	387,163	594,538	387,163
Unearned income	572,288	312,335	6,647	10,620
Sundry creditors	104,475	97,568	60,484	113,798
	2,688,149	1,771,096	840,239	626,085
20 Taxation				
Per profit and loss account:				
Income tax based on profit for the period	1,297,878	1,252,214	347,500	370,557
Education tax for the period	16,831	101,343	-	6,533
Underprovision in prior year	-	-	-	-
Capital gains tax	-	294	-	-
	1,314,709	1,353,851	347,500	377,090
Deferred taxation	12,149	704,995	-	108,585
Tax charge to profit and loss	1,326,858	2,058,846	347,500	485,675

Current income tax	GROUP		COMPANY	
		At December		**At December**
	2017	**2016**	**2017**	**2016**
	=N='000	**=N='000**	**=N='000**	**=N='000**
Per Balance Sheet:				
At 1 January	1,609,044	1,475,265	276,734	237,257
Current Income Tax	1,326,858	1,353,851	346,287	377,090
Payments during the period	(1,225,473)	(1,220,072)	(247,038)	(337,613)
At the end of the period	1,710,429	1,609,044	375,983	276,734

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act CAP C21 LFN 2004 (as amende). The charge for education tax is based on the provisions of the Education Tax Act CAP E4 LFN 2004.
Minimum tax requirement was used for the Company for the year as the tax computed on the assessable profit is lower than the alternative minimum tax.

21 Deferred tax liabilities

	GROUP		COMPANY	
		At December		At December
	2017	2016	2017	2016
	=N='000	=N='000	=N='000	
Losses available for offsetting against future taxable income	(300,379)	(300,379)	(300,379)	(300,379)
Fair value gains on investment properties	995,410	995,410	710,816	710,816
Accelerated depreciation for tax purposes	115,636	111,996	3,971	3,971
Unrealised exchange gains	523,016	523,016		
Revaluation Surplus	118,855	118,855	-	-
	1,452,538	1,448,898	414,408	414,408

Reconciliation of deferred tax liability is as shown below:

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
At 1 January	1,448,898	743,903	414,408	305,823
Arising on revaluation of PPE	-	-	-	-
Amounts recorded in Other Comprehensive income	-	-		
Amounts recorded in the income statement	3,640	704,995	-	108,585
At the end of the period	1,452,538	1,448,898	414,408	414,408

22 Issued share capital and reserves

	GROUP		COMPANY	
		At December		At December
	2017	2016	2017	2016
	=N='000		=N='000	
Authorised				
7,000,000,000 Ordinary shares of 50k each	3,500,000	3,500,000	3,500,000	3,500,000
Issued:				
5,881,866,000 Ordinary shares of 50k each	2,940,933	2,940,933	2,940,933	2,940,933
Movement during the year is as shown below:				
At 1 January	2,940,933	2,940,933	2,940,933	2,940,933
Additional Shares Issued During the year	-	-	-	-
At the end of the period	2,940,933	2,940,933	2,940,933	2,940,933

23 Share premium

	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
At 1 January	6,412,357	6,412,357	6,412,357	6,412,357
Net Movement during the year on combination	-	-	-	-
At the end of the period	6,412,357	6,412,357	6,412,357	6,412,357

24 Reserves

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

Retained earnings

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

Contingency reserve

The statutory contingency reserve has been computed in accordance with Section 21 (1) of the Insurance Act, Cap I17 LFN 2004.

Other components of equity

This reserve contains the equity components of the issued unsecured convertible debenture stock. The liability components are reflected in financial liabilities.

Available-for-sale

The fair value reserve shows the effects from the fair value measurement of financial instruments of the category available-for-sale after deduction of deferred taxes. Any gains or losses are not recognised in the statement of comprehensive income until the asset has been sold or impaired.

Non Controlling Interest

Custodian and Allied Plc has a controlling interest of 76.55% (2016: 76.55%) in CrusaderSterling Pensions Limited, CSP, which gives rise to a Non -controlling interest of 23.45% in the entity. The balance represents the amount attributable to the Non-controlling shareholders of CSP.

	GROUP		COMPANY	
26 Gross Revenue	**30-Sep-2017**	**30-Sep-2016**	**30-Sep-2017**	**30-Sep-2016**
	=N='000	**=N='000**	**=N='000**	**=N='000**
Gross Premium Written	**27,159,935**	**25,661,343**	**-**	**-**
Gross Premium Income	23,499,654	20,717,673	-	-
Investment Income	4,926,694	2,801,104	3,285,189	1,861,034
Fees and Commission	2,510,912	1,915,628	-	-
Other Operating Income	924,971	1,679,968	487,830	364,440
	31,862,231	27,114,373	3,773,019	2,225,474
27 Operating Expenses				
Reinsurance Expenses	9,849,558	7,060,258	-	-
Underwriting Expenses	2,276,499	2,023,162	-	-
Claims related expenses & provisions (i)	10,316,925	9,129,900	-	-
	22,442,982	18,213,320	-	-
(i). Claims related expenses & provisions:				
Gross claims expenses	6,159,349	6,222,534	-	-
Claims ceded to reinsurers	(811,450)	(616,484)	-	-
Change in Provision for Outstanding Claims and Life Fund Estimate	4,969,026	3,523,850	-	-
	10,316,925	9,129,900	-	-
28 Net fair value gains/(losses)				
Changes in Fair Value of Quoted Investments	384,710	32,815	21,752	7,415
Fair value gains/(loss) on investment	-	-	-	-
Net gain/(loss) in value of embedded derivative	-			
	384,710	32,815	21,752	7,415
29 Realized Gains (Listed Equities and Others)				
On property and equipment:				
Profit on disposal of property and equipment	486	-	100	-
Profit on disposal of investment property	-	-		
Available for sale:				
Realised gain/(loss) on disposal of equity securities / associate	71,180	(25,486)	100	(1,747)
	71,666.00	(25,486)	200.00	(1,747)

	GROUP		COMPANY	
30 Management expenses (N'000)	**30-Sep-17**	**30-Sep-16**	**30-Sep-17**	**30-Sep-16**
Staff cost	1,840,426	1,465,388	258,036	164,008
Auditors' remuneration	19,854	17,832	6,750	7,500
Amortisation of intangible assets	28,934	23,616	-	-
Depreciation on property, plant and equipment	216,783	223,547	13,061	14,015
Occupancy Expenses	128,308	113,480	12,892	11,808
Directors Fees and Allowances	83,996	83,058	9,947	24,775
Marketing and administration expenses	1,146,940	1,418,484	46,748	60,300
Other expenses	408,805	277,624	88,522	41,090
	3,874,046	3,623,029	435,956	323,496
31 Finance costs				
Interest on convertible debenture stock	-	87,279	-	-
32 Net gain/(losses) on available-for-sale assets				
Unrealised gain/(loss) on available-for-sale financial instruments during the year, net of	334,342	47,093	-	-
	-	-	-	-
	334,342	47,093	-	-
	-	-	-	-
Other comprehensive income/(loss) for the year, net of tax	334,342	47,093	-	-

33 Earnings/(loss) per share

Basic earnings/(losses) per share amount is calculated by dividing the net profit or loss for the year attributable to ordinary shareholders by the number of ordinary shares outstanding at the reporting date.

The following reflects the earnings/(losses) and share data used in the basic earnings/(losses) per share computations: