Contents **Page**

Corporate Information

Directors	Fidelis Ayebae	Chairman
	Mr. Tope Smart	Group Managing Director/CEO
	Mrs. Susan Abisola Giwa-Osagie	Deputy Group Managing Director
	Mr. Alani Olojede	Executive Director
	Mrs. Yinka Aletor	Director
	Alh. Ahmed Yakasai	Director
	Chief Ede Dafinone	Director (Appointed Dec 2016)

Company Secretary
Mrs. Olajumoke Philip-Akede
NEM Insurance Plc
199, Ikorodu Road
Obanikoro, Lagos

Registered Office
NEM House
199, Ikorodu Road
Obanikoro, Lagos

FRCN Number
FRC/2012/0000000000249

Registration Number
6971

Corporate Head Office
NEM House
199, Ikorodu Road
Obanikoro, Lagos

Registrars
APEL Capital & Trust Limited
8, Alhaji Bashorun Street
Off Norman Williams Crescent,
South West, Ikoyi
Lagos
Tel: 01-2932121
Mobile No: 07046126698

Bankers
Access Bank Plc
Diamond Bank Plc
Ecobank Nigeria Limited
First Bank of Nigeria Limited
First City Monument Bank Plc
GT Bank Plc
Keystone Bank Plc
Standard Chartered Bank Limited
Sterling Bank Plc
United Bank for Africa Plc
Zenith Bank Plc

Auditors
SIAO (Chartered Accountants)
18b, Olu Holloway Road
Off Alfred Rewane Road
Falomo- Ikoyi
P.O.Box 55461, Falomo
Ikoyi, Lagos.
Tel: +234 01 463 0871-2
Website: www.siao-ng.com
E-mail: enquiries@siao-ng.com

Corporate Information (Cont'd)

Solicitors

Koya & Kuti Solicitors
5th Floor, 3, Ajele Street
Lagos.

Sola Abidakun & Co
9th Floor, UBA House
57, Marina
Lagos.

Reinsurers

African Reinsurers Corporation
Continental Reinsurance Corporation
SWISS Reinsurance Company
WAICA Reinsurance Pool

Subsidiary

NEM Asset Management Ltd
199, Ikorodu Road
Obanikoro
P.O. Box 654
Lagos
Tel: 01-4489574

Associate

Regency Nem Insurance (Ghana) Limited
No 65, Patrice Lumumba Road,
Airport Residential Area
Accra
P.O. Box 6342,
Cantonments,

Branch Networks

Abuja - Garki
3, Ringim Close
Off Sokoto Street
Area 7, Garki, Abuja
Branch Manager: Michael A. Giwa
Mobile Nos: 08033208141

Abuja – Wuse
Plot 960, Ahmadu Bello Way
Wuse II, Abuja
Branch Manager: Mr. Martins Ilegoma
Mobile Nos: 08077284843
08078153184, 08037020262

Abuja – Central Business District
82, Imo State Liaison office
Opp. Federal Ministry of Finance
Central Business District
Branch Manager: Davies O. Dada
Mobile Nos: 08150849411

Apapa
2nd Floor
41/43 Itire Road
Surulere, Lagos
Tel: 01-7375546, 07028442653
Branch Manager: Uzor Enubuzo
Mobile No: 08059301673, 0802896842

Calabar
2nd Floor, 26, Etta-Agbor Road
Calabar
Cross River
Branch Manager: Opeoluwa Olaku
Mobile Nos: 08054642551, 08033542048

Corporate Information (Cont'd)

Akure
3rd Floor, BIO Building Alagabaka
Akure, Ondo State
Tel: 034-215829
Branch Manager: Kehinde Agbelade
Mobile No: 08033509419

Ibadan
3rd Floor, Broking House
1, Alhaji Jimoh Odutola Street
PMB 5328, Ibadan
Oyo State
Tel: 02-2411992
Branch Manager: Rufus Olumide
Mobile Nos: 08033463697

Jos
10, Rwang Pam Street
P.O. Box 1261
Jos, Plateau State
Tel: 073-454216
Branch Manager: Oyeronke Oyegbamile-Bello
Mobile No: 08077284946

Lagos Mainland
199, Ikorodu Road
Obanikoro, Lagos
Tel: 01-8171844, 01-4824737, 01-2710060
Branch Manager: Lucky Okparavero
Mobile Nos: 08076175287, 08023123006
08077284829

Kano
3rd Floor, Union Bank Building
37, Niger Street
P.O. Box 1185, Kano
Tel: 064-649374
Branch Manager: Peter I. Agono
Mobile No: 08035923740
070228243127, 07029909242

Onitsha
2nd Floor, (AIB) Building
107, Upper New Market Road, Onitsha
Tel: 046-410736
Branch Manager: Cyracus Akujobi
Mobile Nos: 08033457426, 07029219983

Kaduna
Ground Floor, Turaki Ali House
3, Kanata Road
P.O Box 822, Kaduna
Tel: 062-217683
Branch Manager: Eyitayo Ogboyomi
Mobile Nos: 07028243118

Oshogbo
1st Floor, Former Afribank Building
Opposite Fakunle Comprehensive High School
Fakunle, Gbongan/Ibadan Road
Osogbo, Osun Sate
Tel: 035-214844
Branch Manager: Victor Eweme
Mobile Nos: 08023276477, 08033698967

Warri
57, Effurun, Sapele Road
Effurun, Delta State
Branch Manager: Kayode Arimoro
Mobile No: 08034221374 0802388188

Port Harcourt
House 2, Road 2
Circular Road, Residential Estate
Port Harcourt, Rivers State
Tel: 084-233513
Branch Manager: Akintan Kolawole
Mobile Nos: 08037236009

Corporate Information (Cont'd)

Vision
To be the preferred choice of the insuring public

Mission
To build a customer-satisfying Insurance Institution that is passionate about adding value to the interests of all stakeholders.

Core Values
- Discipline
- Integrity
- Humility
- Excellence
- Empathy

REPORT OF THE DIRECTORS

Results at a glance

	31 Dec. 2017	31 Dec. 2016	Change	
Financial Position	N'000	N'000	N'000	%
Cash and cash equivalents	3,328,800	3,471,854	(143,054)	(4)
Trade receivable	723,535	668,040	55,495	8
Financial assets	5,916,920	4,005,983	1,910,937	48
Reinsurance asset	2,382,458	1,725,098	657,360	38
Property and equipment	2,864,796	2,819,986	44,810	2
Other receivables and prepayments	259,516	198,439	61,078	31
Deferred acquisition cost	587,244	488,195	99,049	20
Investment properties	676,555	442,558	233,997	53
Statutory deposit	320,000	320,000	-	-
Intangible asset	18,997	20,747	(1,750)	(8)
Deferred tax Asset	92,773	66,687	26,086	
Total Assets	**17,564,096**	**14,492,410**	**3,071,685**	21
Insurance contract liabilities	6,518,667	6,017,381	501,286	8
Trade payables	73,694	65,315	8,379	13
Other payables	581,595	497,269	84,326	17
Retirement benefit obligations	91,910	84,824	7,086	8
Income tax liability	560,622	426,473	134,149	31
Total Liabilities	**7,826,488**	**7,091,263**	**735,226**	10
Issued share capital	2,640,251	2,640,251	-	-
Share premium	272,551	272,551	-	-
Contingency reserve	3,152,139	2,599,514	552,624	21
Retained earnings	3,660,787	1,860,580	1,800,207	97
Shareholders Fund	**9,737,608**	**7,401,147**	**2,336,461**	32
Comprehensive Income				
Gross premiums written	13,416,270	10,757,674	2,658,595	25
Gross premiums earned	13,031,778	10,628,183	2,403,596	23
Reinsurance expense	(3,229,828)	(2,115,716)	(1,114,112)	53
Investment Income	709,944	479,472	230,472	48
Other revenue	1,534,281	1,134,625	399,656	35
Total Revenue	**12,046,176**	**10,126,564**	**1,919,612**	19
Claims paid	(1,783,574)	(2,669,780)	886,207	(33)
Underwriting expenses	(4,164,175)	(2,950,523)	(1,213,652)	41
Management expenses	(2,977,882)	(2,359,156)	(618,727)	26
Total Claims and Other Expenses	**(8,951,407)**	**(7,980,792)**	**(970,615)**	12
Profit before tax	**3,094,769**	**2,145,772**	**948,997**	44
Income tax expense	(319,499)	(327,974)	8,476	
Profit For the Year	**2,775,270**	**1,817,797**	**957,473**	53
Other Comprehensive loss for the year	(16,370)	(307,153)	290,784	(95)
Total comprehensive income for the year	**2,758,901**	**1,510,644**	**1,248,256**	83
Basic Earnings Per Share (Kobo)	**53**	**34**	18	53
Diluted Basic Earnings Per Share (Kobo)	**53**	**34**	18	53

The Directors present their annual reports on the affairs of NEM Insurance Plc together with the financial statements and auditor's report.

1. LEGAL FORM

The Company was incorporated in 1970 as a Nigerian Company in accordance with the Companies Act 1968. The Company became listed on the Nigerian Stock Exchange in 1989 following its privatization by the Federal Government of Nigeria.

2. PRINCIPAL ACTIVITIES

The Company is engaged in General Insurance business which includes marine, motor vehicle, fire etc.

2.1 SUMMARY OF THE RESULT

Comprehensive Income	**2017**
	N'000
Gross premiums written	**13,416,270**
Gross premiums earned	**13,031,778**
Reinsurance expense	**(3,229,828)**
Investment Income	**709,944**
Other revenue	**1,534,281**
Total Revenue	**12,046,176**
Claims paid	**(1,783,574)**
Underwriting expenses	**(4,164,175)**
Management expenses	**(2,977,882)**
Total Claims and Other Expenses	**(8,951,407)**
Profit before tax	**3,094,769**
Income tax expense	**(319,499)**
Profit For the Year	**2,775,270**
Other Comprehensive loss for the year	**(16,370)**
Total comprehensive income for the year	**2,758,901**
Basic Earnings Per Share (Kobo)	**53**
Diluted Basic Earnings Per Share (Kobo)	**53**

Report of the Director's (Cont'd)

3. CORPORATE GOVERNANCE REPORT

Introduction

The business of NEM Insurance Plc is conducted under a corporate governance structure that incorporates the Board, the Committees, and a functional Management System with the Board as the apex decision making body. This is in accordance with the Code of Corporate Governance for the Insurance industry in Nigeria, the Securities and Exchange Commission (SEC) Code of Corporate Governance and best practices. "At NEM Insurance Plc, we have ensured that our business activities are implicitly transparent".
For the financial year under review, 2017; the Board is of the opinion that NEM Insurance Plc has in all material respects, complied with the requirements of the Code of Corporate Governance for Insurance industry in Nigeria.
A summary of the key components of our Corporate Governance System is provided hereunder.

The Board

The Board of the Company is responsible for establishing the policy framework that would ensure that the Company fully discharges its legal, financial, as well as regulatory responsibilities. The Board monitors the performance of the Company, monitors the effectiveness of the Governance Structure under which it operates and renders the Accounts of its stewardship of the organization's resources to the shareholders. The Board of Directors of the Company is composed of a mix of non-executives and executives whereby the number of non-executives exceeds the number of executives while the position of the Chairman of the Board is clearly delineated from the Chief Executive Officer.

The Chairman

The Chairman of NEM Insurance Plc was duly appointed. The Chairman's primary role is to ensure that the board carries out its governance role in the most effective manner. The Chairman manages the operations of the Board effectively in order to ensure that members made concrete contributions towards the decisions of the Board and that the Board operates in harmony.

The Chief Executive Officer (CEO)

The CEO monitors the day-to-day operations of the Company and its strategic and financial plans with the cooperation and support of the Board. The CEO ensures transparency and the effective operation and management of the Company's resources in order to ensure profitability of its operations and that all significant matters affecting the Company are brought to the attention of the Board.

Independent Director

The Board appointed one independent Director who has remained truly independent since his appointment.

Report of the Director's (Cont'd)

Annual Board Appraisal

In accordance with the requirements of the NAICOM Code, the Board renewed the mandate of New Version Consultants Ltd to conduct the appraisal of its performance for 2017. The Board embarked on implementation of some of the recommendations of the last Appraisal Report.

Activities of the Board

The Board meets regularly to discuss critical issues affecting the organization and performs other responsibilities that fall within its purview as provided in the Company's Article of Association and by other relevant regulatory authorities. Meetings were well attended with sufficient notice given well in advance of the meetings. Sufficient time was also allotted to meetings as required to cover the items on the Agenda.

Composition of the Board/Schedule of Attendance at Meetings

S/N	Name of Director	Status	Meetings Held	Meetings Attended
1.	Dr. Fidelis Ayebae	Chairman	5	5
2.	Mr. Tope Smart	Group Managing Director/CEO	5	5
3.	Mrs. Susan Giwa-Osagie	Deputy Managing Director	5	5
4.	Mr. Alani Olojede	Executive Director	5	5
5.	Alhaji Ahmed I. Yakasai	Independent Non-Executive Director	5	5
6.	Mrs Joy Teluwo	Non-Executive Director	5	4
7.	Mrs. Yinka Aletor	Non-Executive Director	5	5
8.	Chief Ede Dafinone	Non-Executive Director	5	3

Report of the Director's (Cont'd)

Board Committees

The Board's committee structure is as specified in the NAICOM Code and adequate for the complexity of the operations of the Company. The Committees and committee members for the 2017 financial year were:

- Finance, General Purpose and Investment Committee.
- Enterprise Risk Management and Strategy Committee.
- Remuneration, Nomination And Governance Committee
- Audit and Compliance Committee.

The Committees listed above were provided with specified Terms of Reference to guide their activities.

Finance, General Purpose and Investment Committee

The key responsibilities Committee are:

- Monitoring the Company's Budget
- Setting investment policies and guidelines
- Monitoring Sources of Income Generation.
- Overseeing investment and reinvestment of the funds of the company
- Ensuring Integrity of Financial Reporting.
- Expense Control.

The Committee met on the 3rd of May and 7th of 11th of October 2017.

Composition of Committee/Attendance

Name	Status	Meetings Held	Meetings Attended
1. Mrs Yinka Aletor	Chairman	2	2
2. Mr. Tope Smart	Group Managing Director	2	2
3. Mrs. Susan Giwa-Osagie	Deputy Managing Director	2	2

Enterprise Risk Management and Strategy Committee

The key responsibilities of the Committee are:

- Determine the policies in respect of Risk Profile and Risk Limits.
- To develop, recommend and implement strategic management plans
- Review Policies as required by the Emerging dynamics of the operating environment.
- To study and give advice on the strategic plans for the long term development of the Company

Report of the Director's (Cont'd)

- Ensure that all the Departments of the Company are adequately sensitized to the level of risks inherent in their Operations.
- Assess Adequacy of Risk mitigants for major risk indicators.

The Committee met three times during the year: 4th of May, 23rd August and 5th October 2017.

Composition of the Committee/Attendance

Name	Status	Meetings Held	Meetings Attended
1. Chief Ede Dafinone	Chairman	3	3
2. Mrs Joy Teluwo	Non-Executive Director	3	2
3. Mr. Alani Olojede	Executive Director	3	3
4. Alhaji Ahmed I. Yakasai	Independent Non-Executive Director	3	3

Remuneration, Nomination and Governance Committee (Formerly Establishment and Corporate Governance Committee

The Terms of Reference of the Committee are:

- Approve, guide and influence key human resource policies and strategies.
- Ensure disclosure of remuneration in a proper, complete, accurate and transparent manner.
- To advise the Board on the Company's compliance with the Naicom and SEC Corporate Governance Codes; and the Nigerian Stock Exchange Listed Company Rules and other applicable governance requirements.
- Make recommendations to the board on matters pertaining to appointments, removals, and resignations of executive and non-executive directors
- Ensure that the process of appointing executives is credible and transparent; and oversee induction and ongoing development of directors.

The Committee met three times during the year 14th March, 23rd of November and 13th December 2017

Composition of the Committee/Attendance

Name	Status	Meetings Held	Meetings Attended
1. Alhaji Ahmed I. Yakasai	Chairman	3	3
2. Mrs. Yinka Aletor	Non-Executive Director	3	3
3. Mr. Alani Olojede	Executive Director	3	3

Report of the Director's (Cont'd)

Audit and Compliance Committee

The NAICOM Code makes the following provisions in respect of the responsibilities of the Audit and Compliance Committee:

- The Committee shall have a written mandate and Terms of Reference.
- The Committee shall be responsible for the review of integrity of the data and information provided in the Audit and/or Financial Report.
- The Committee shall provide oversight functions with regards to both the Company's Financial Statement and its Internal Control and Risk Management Functions.
- The Committee shall review the terms of engagement and recommend the appointment or reappointment and compensation of External Auditors to the Board and the Shareholders.
- Review the procedure put in place to encourage honest whistle blowing.
- The Audit Committee shall meet at least three times in a year and at least once with the External Auditors.
- The Committee performance shall be evaluated periodically.

S.359 (6) of the Companies and Allied Matters Act Cap (20) Laws of the Federation of Nigeria 2004 provides for the functions of the Committee.

The Committee met four times during the year and covered the basic components of these responsibilities.

The Composition of the Committee and schedule of attendance are as follows:

Name	Status	Meetings Held	Meetings Attended
1. Chief Ede Dafinone	Chairman	4	4
2. Mr. Peter Okoh	Shareholders' Representative	4	4
3. Mr. Taiwo Oderinde	Shareholders' Representative	4	4
3. Mr. Samuel Mpamaugo	Shareholders' Representative	4	4
4. Mrs Joy Teluwo	Non-Executive Director	4	2
6. Mrs. Yinka Aletor	Non-Executive Director	4	4

The current members of the Audit and Compliance Committee are:

Chairman: Mr. Peter Okoh (Shareholders' Representative)
Members: Mr. Taiwo Oderinde (Shareholders' Representative),
Mr. Samuel Mpamaugo (Shareholders' Representative)
Mr. Alani Olojede,
Mr. Ede Dafinone
Mrs. Yinka Aletor.

Report of the Director's (Cont'd)

4. Dividend

The Directors recommend a declaration of dividend of ₦ 528,050,291.30 which translates to 10 Kobo per ordinary share of 50 kobo each subject to the approval of the shareholders at the next Annual General Meeting.

5. Directors and Directors' Interest

i. Directors

No Director has disclosed any declarable interest in any contract with the Company during the year in pursuant to Section 277 of the Companies and Allied Matters Act CAP C20 LFN 2004.

ii. Directors' Interest

The Interest of the Directors in the issued share capital of the Company as recorded in the register of shareholders and/or as notified by them for the purposes of Sections 275 and 276 of the Companies and Allied Matters Act CAP C20 LFN 2004 are as follows:

SN	NAME	DIRECT	INDIRECT	TOTAL
1	DR FIDELIS AYEBAE	24,373,852	NIL	24,373,852
2	MRS SUSAN GIWA-OSAGIE	12,328,592	NIL	12,328,592
3	MRS YINKA ALETOR	NIL	383,492,958	383,492,958
4	MR ALANI OLOJEDE	837,373	NIL	837,373
5	MR TOPE SMART	124,643,848	NIL	124,643,848
6	ALHAJI YAKASAI AHMED	NIL	NIL	NIL
7	CHIEF EDE DAFINONE	NIL	368,445,497	368,445,497

6. Directors Responsibilities

The Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the income statement for that year and comply with the Insurance Act, 2003. Financial Reporting Council of Nigeria Act, No. 6 2011 CAP 117 LFN 2004 and the Companies And Allied Matters Act CAP C20 LFN 2004.

Report of the Director's (Cont'd)

7. Shareholding

The Registrars have advised that the called up and fully paid up shares of the Company as at 31st December, 2017 were beneficially held as follows:

BEGINNING RANGE	ENDING RANGE	TOTAL SHAREHOLDERS	% OF HOLDINGS	TOTAL SHAREHOLDING	% OF SHAREHOLDING
1	1,000	4,587.00	10.24%	2,831,262.00	0.05%
1,001	5,000	11,025.00	24.61%	35,302,001.00	0.67%
5,001	10,000	8,424.00	18.81%	70,788,609.00	1.34%
10,001	50,000	14,653.00	32.71%	371,658,999.00	7.04%
50,001	100,000	3,318.00	7.41%	263,005,370.00	4.98%
100,001	500,000	2,240.00	5.00%	472,646,993.00	8.95%
500,001	1,000,000	273.00	0.61%	210,097,334.00	3.98%
1,000,001	5,000,000	197.00	0.44%	410,306,769.00	7.77%
5,000,001	10,000,000	37.00	0.08%	270,549,892.00	5.12%
10,000,001	50,000,000	22.00	0.05%	421,583,638.00	7.98%
50,000,001	100,000,000	3.00	0.01%	259,371,941.00	4.91%
100,000,001	9,999,999,999	13.00	0.03%	2,492,360,105.00	47.20%
		44,792.00	100.00%	5,280,502,913.00	100.00%

Shareholders with 5% and above of the Company's issued and fully paid shares as at 31st December, 2017

S/N	ACCT NO	NAME	ADDRESS	HOLDING	%
1	2979	JEIDOC LIMITED	CEDDI TOWERS 16, WHARF ROAD , APAPA LAGOS STATE LAGOS	368,445,497	6.98%
2	147140	BUKSON INVESTMENT LIMITED	C/O NEM INSURANCE PLC BROAD STREET, LAGOS LAGOS	337,054,367	6.38%
3	194768	CAPITALEXPRESS ASSURANCE LIMITED	C/O NEM INSURANCE PLC, 138/146 BROAD STREET LAGOS ISLAND LAGOS	383,492,958	7.26%

Chief Ede Dafinone is representing Jeidoc Limited, Mrs. Joy Teluwo represents Bukson Investment Limited while Mrs. Yinka Aletor represents Capital Express Assurance Company Limited.

Retirement by Rotation and Re-election

In accordance with the Articles of Association of the Company will retire by rotation and being eligible offers herself for re-election.

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Composition of Directors

The Board of Directors of the company is currently comprised of the under listed individuals:

Dr. Fidelis Ayebae	Chairman
Mr. Tope Smart	Group Managing Director
Mrs. Susan Giwa-Osagie	Deputy Managing Director
Alhaji Ahmed I. Yakasai	Independent Non-Executive Director
Mrs. Yinka Aletor	Non-Executive Director
Mrs. Joy Teluwo	Non-Executive Director
Chief Ede Dafinone	Non-Executive Director

Report of the Director's (Cont'd)

Records of the Directors Attendance
In accordance with Section 258 (2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the records of the Directors attendance at Director's meeting in 2017 are available for inspection at the Annual General Meeting.

Report of the Director's (Cont'd)

9. DONATIONS

Donations during the year ended December 31, 2017 amounted to ₦ 7,645,000 **(2016: ₦ 4,837,597)** as follows:

Raco Child Orphanage/Little Saints	150,000
West Africa Examination Council	300,000
Professional Insurance Ladies Association	150,000
Nigeria Red Cross Society	50,000
Breast Cancer Association of Nigeria	200,000
Risks association of Nigeria	100,000
Assbifi	150,000
Nubifie	60,000
Chartered Insurance Institute of Nigeria	1,310,000
Rotary Club of Gbagada South	75,000
Lagos Chamber of Commerce & Industry	100,000
Nigerian Insurers Association	1,500,000
ICAN Lagos Mainland District Society	50,000
Nigerian Council of Registered Insurance Brokers	2,000,000
LASPOTECH tennis Club	500,000
Boys Brigade Nigeria	500,000
Almond productions Ltd	200,000
Amuwo-Odofin Klub Lagos	250,000
	7,645,000

10. EVENTS AFTER REPORTING DATE

There were no significant events after reporting date which could have had a material effect on the consolidated financial statements for the year ended 31 December, 2017 which have not been adequately provided for or disclosed in the financial statements.

11. EMPLOYMENT AND EMPLOYEES

It is the policy of the Group not to adopt discriminatory criteria for considering applications for employment including those from disabled persons. All employees whether or not physically challenged are given equal opportunities to develop their experience and knowledge and to qualify for promotion.

When an employee becomes disabled during the course of his or her employment, the Group endeavours to retain the individual for employment in spite of his disability, when this is reasonably possible. As at 31st December, 2017 one physically challenged person was in the employment of the Company.

Report of the Director's (Cont'd)

12. EMPLOYEES INVOLVEMENT, TRAINING AND DEVELOPMENT

i. Information dissemination

"The employees are regularly provided with information on matters that are of concern to them through established channels of communication."

ii. Consultation with employees

There are regular consultations between the senior and junior staff unions and Management, particularly on matters affecting staff welfare.

iii. Encouraging employees' involvement and training

The employees are the Group's most valuable and cherished resource. The Company is therefore committed to their continuous training and development. In line with this policy of continuous development of the human resources, members of staff are sent on training programs. The courses are aimed at broadening their technical/professional knowledge and managerial skills.

iv. Health, safety at work and welfare of employees

The Group places high premium on health and welfare of its employees. Medical facilities are provided for staff and their families at private hospitals retained in their respective localities. Transportation, housing and lunch subsidies are provided to all levels of employees. Fire fighting equipments are also installed in strategic positions in the office building.

13. AUDITORS

In compliance with Section 33(2) of the Securities and Exchange Commission's Code of Corporate Governance and Section 22(1) of National Insurance Commission 2010 guidelines on the tenure of External Auditors, Messrs SIAO (Chartered Accountants) has shown willingness to continue in office as the auditors in accordance with Section 357(2) of the Companies and Allied Matters Act 2004, as amended. A resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remunerations.

BY ORDER OF THE BOARD

OLAJUMOKE PHILIP-AKEDE (MRS.)
COMPANY SECRETARY
Lagos, Nigeria
FRC/2017/NBA/00000015972
Date:

REPORT OF EXTERNAL CONSULTANTS ON BOARD APPRAISAL

NEM INSURANCE PLC

In compliance with the requirement of the NAICOM "Code of Good Corporate Governance for the Insurance Industry in Nigeria" "The Code" the Board of NEM Insurance Plc commissioned **New Version Consultants Limited** to conduct an appraisal of the performance of the Board of the Company. The exercise was guided by the provisions of The NAICOM Code and other recognised Codes of Best Practices which promote enhanced governance values. Our findings are as follows:

i. The Board is composed of a mix of executives and non-executives which indicates that the non-executives are in greater proportion than the executives. The proportion of executives to non-executives is 3:4. Members are individuals of diverse professional backgrounds and business experience. Among the non-executives are: A legal practitioner, foremost industrialist and investment expert as well as astute businessmen with interests in key sectors of the economy including: Insurance, Pharmaceuticals, Real Estate and Manufacturing who have established successful track records in their chosen fields of endeavours and are well exposed to taking business and financial decisions in their day-to-day activities. The Executive Directors are qualified professionals with cognate experience in their areas of specialization and a vast knowledge of Insurance business and its operating terrain. Members have been bringing their experience to bear in directing the affairs of the Company which has since stabilized its operations post-consolidation.

   In accordance with The NAICOM Code, the Board Chairman is a Non-Executive Director; there is a clear delineation of responsibilities between the position of the GMD and the Chairman while no one individual occupies the two positions at the same time thereby avoiding the issue of executive duality. The two individuals are not members of the same family.

ii. The Operations/Processes of the Board were managed within the context of regulatory requirements and in accordance with Best Practices. Accordingly, the Board held four meetings during the year under review and attendance was outstanding whereby each member met the 75% minimum requirement prescribed in The Code in respect of attendance. A Committee structure comprising of the minimum requirement of the NAICOM Code was institutionalized and the Committees were provided with the required Terms of Reference. The agenda contained issues meant for the attention of the Board and the preparation of the agenda was flexible in allowing all members to introduce relevant subject matters to the Board.

   Adequate notice was given for meetings and Board materials were circulated promptly to members which allowed them adequate time to prepare for the meetings. Members were given equal opportunity and they made cogent contributions to deliberations and most decisions were arrived at by consensus. The Board enjoys a cordial working relationship and meetings were conducted in an atmosphere devoid of rancor. The above review suggests that the Composition and Processes/Operations of the Board meet most of the parameters of The NAICOM Code.

iii. Members performed their oversight responsibilities with respect to the activities of management in particular as regards the Group's growth strategy, its Financial Performance, Business Prospects as well as status of Regulatory Compliance.

Report of External Consultants (Cont'd)

Following the recommendation made to the Board, particularly the regularization of its size, we observed that the Board has instituted the required mechanism to address the issue in order to enhance its governance practices.

BY ORDER OF THE BOARD

MOSUNMOLA OYERINDE (MRS.)
MANAGING CONSULTANT
Lagos, Nigeria
Date:

Statement of Directors' Responsibilities

In accordance with the provisions of Section 334 and 335 of the Companies and Allied Matters Act 2004 and Sections 24 and 28 of the Banks and Other Financial Institutions Act 1991, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the financial position at the end of the financial year of the Company and of the operating result for the year then ended.

The responsibilities include ensuring that:

- Appropriate and adequate internal controls are established to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- The Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, 2004, Banks and Other Financial Institutions Act, 1991, Insurance Act 2003, Financial Reporting Council Act 2011 and the yearly Operational Guidelines issued by NAICOM.
- The Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and
- The financial statements are prepared on a going concern basis unless it is presumed that the Company will not continue in business.

The Directors accept responsibility for the year's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with;

- Insurance Act 2003
- International Financial Reporting Standards;
- Companies and Allied Matters Act 2004;
- Banks and Other Financial Institutions Act, 1991;
- NAICOM Operational Guidelines; and
- Financial Reporting Council Act, 2011.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of its operating result for the year ended.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of financial control. Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors on ……………………. by:

………………………….	**………………………………….**
Mr. Tope Smart	**Fidelis Ayebae**
GMD	**Chairman, Board of Directors**
FRC/2013/CIIN/00000001331	FRC/2013/CIANG/00000002376

Certification Pursuant to Section 60 (2) of Investment and Securities Act No. 29 of 2007

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended December 31, 2017 that:

- We have reviewed the report;

- To the best of our knowledge, the report does not contain:
  - Any untrue statement of a material fact, or
  - Omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statements were made;

- To the best of our knowledge, the financial statement and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the company as of, and for the periods presented in this report.

- We:
  - are responsible for establishing and maintaining internal controls.
  - have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiary is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
  - have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
  - have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;

- We have disclosed to the auditors of the Company and Audit Committee:

  - all significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weakness in internal controls, and
  - any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls;

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

Mr. Tope Smart (GMD)	**Miss Stella Omoraro CFO**
FRC/2013/CIIN/00000001331	**FRC/2013/ICAN/00000001238**

Report of the Audit Committee

To the members of NEM Insurance Plc

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, Cap 59 of the Laws of the Federation of Nigeria 2004, we the Members of the Audit Committee of NEM Insurance Plc, having carried out our statutory functions under the Act, hereby report as follows:

- We have reviewed the scope and planning of the audit for the year ended December 31, 2017 and we confirm that they were adequate.

- The Company's reporting and accounting policies as well as internal control systems conform to legal requirements and agreed ethical practices.

- We are satisfied with the departmental responses to the External Auditors' findings on management matters for the year ended December 31, 2017

Finally, we acknowledge and appreciate the co-operation of Management and Staff in the conduct of these duties.

Chief Ede Dafinone
Chairman of the Audit Committee
FRC/2013/ICAN/00000002802

Date.........................

Members of the Audit Committee

Chief Ede Dafinone	-	(Non Exec Director)	Chairman
Mr. Peter Okoh	-	(Shareholders' Representative)	Member
Mr. Taiwo Oderinde	-	,, ,,	Member
Mr. Samuel Mpamaugo	-	,, ,,	Member
Mrs. Yinka Aletor	-	(Non. Exc. Director)	Member
Mrs. Joy Teluwo	-	(Non Exc. Director)	Member

The Company Secretary/Legal Adviser acted as the Secretary to the Committee.

Statement of Significant Accounting Policies

The following are the significant accounting policies adopted by the Group in the preparation of these financial statements. These accounting policies have been consistently applied for all years presented.

1.0 General Information

NEM Insurance Plc ("NEM" or ''the Company") is a public limited liability company domiciled in Nigeria. The Company's registered and corporate office is 199, Ikorodu Road, Obanikoro, Lagos. The Company is principally engaged in the business of General Insurance activities. Such services include provision of non-life insurance services for both corporate and individual customers.

In 2016, the Company opened a subsidiary NEM Asset Management Ltd and NEM Insurance Ghana Limited became an Associate after merger with Regency Insurance to transact the same line of business.

The financial statement was authorised by Board on .

2.0 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Going Concern Assessment

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

2.2 Basis of Preparation and Compliance with IFRS

The Group's financial statements for the year 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Companies and Allied Matters Act, CAP C20 LFN 2004, Insurance Act 2003 of Nigeria and Investment and Securities Act 2007 to the extent that they do not conflict with the requirements of International Financial Reporting Standard (IFRS).

Functional and Presentation Currency

The financial statements are presented in Nigerian currency (Naira) which is the Company's functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand (₦ '000)

Basis of Measurement

The financial statements have been prepared under the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss.
- Financial assets classified as available for sale which are measured at fair value through other comprehensive income.
- Loans and receivables and held to maturity financial assets and financial liabilities which are measured at amortized cost.
- Investment properties which are measured at fair value.

Statement of Significant Accounting Policies (Cont'd)

2.3 Critical Accounting Estimates, Judgments and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. 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 judgments 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. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the company's financial statements therefore present the financial positions and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.4.

2.4 Judgment, Estimates and Assumption

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or if the revision affects both current and future periods.
Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described below:

2.4.1 Income Taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions.

2.4.2 Retirement Benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of gratuity obligations. The assumptions used in determining the net cost (income) for gratuity include the discount rate, rate of return on assets, future salary increments and mortality rates.

The Group determines the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related gratuity liability. Other key assumptions for gratuity obligations are based in part on current market conditions.

In most cases, no explicit assumptions are made regarding the 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

Statement of Significant Accounting Policies (Cont'd)

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.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortization of unearned premium on a basis other than time apportionment.

2.4.3 Fair Valuation of Investment Properties

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is determined by reference to observable market prices. The fair value of investment property does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers. Assumptions are made about expected future cash flows and the discounting rates

2.5 New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial period.

Standards and interpretations effective during the reporting period

It is important to note that no standard or amendment to existing standard took effect during the reporting period. Hence, there was no impact on the accounting policies, financial position or performance of the Group.

For the preparation of these financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 January 2016 (the list does not include information about new or amended requirements that affect interim financial reporting or first-time adopters of IFRS – eg IFRS 14 Regulatory Deferral Accounts (issued in January 2014) - since they are not relevant to IFRS Statements).

• Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments had no material effect on the Company's financial statements.

• Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014) – The amendments, prospectively effective for annual periods beginning on or after 1 January 2016, add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. The amendments had no effect on the Company's financial statements.

Statement of Significant Accounting Policies (Cont'd)

• Amendments to IAS 16 and IAS 41 titled Agriculture: Bearer Plants (issued in June 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, define bearer plants – i.e living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives - and include them within IAS 16's scope while the produce growing on bearer plants remains within the scope of IAS 41. As the Company does not undertake agricultural activity, this amendment had no effect on the Company's financial statements.

• Amendment to IAS 19 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, clarifies that, in determining the discount rate for post employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bonds in the relevant currency should be used. This amendment had no effect on the Company's financial statements.

• Amendments to IAS 27 titled Equity Method in Separate Financial Statements (issued in August 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment has no effect on financial statements.

• Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014) - The amendment, applicable prospectively to annual periods beginning on or after 1 January 2016, adds specific guidance when an entity reclassifies an asset (or a disposal Company) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. This amendment had no effect on the Company's financial statements.

• Amendment to IFRS 7 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014) - The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. The amendment had no effect on the Company's financial statements.

• Amendments to IFRS 10, IFRS 12 and IAS 28 titled Investment Entities: Applying the Consolidation Exception (issued in December 2014) – The amendments, applicable to annual periods beginning on or after 1 January 2016, clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendments had no effect on the Company's financial statements.

• Amendments to IFRS 11 titled Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014) – The amendments, applicable prospectively to annual periods beginning on or after 1 January 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). This amendment had no effect on the Company's financial statements.

Statement of Significant Accounting Policies (Cont'd)

New and amended standards in issue but not yet effective
The Company has not applied the following new or amended standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2016 (the list does not include information about new or amended requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to IFRS Statements). The Directors anticipate that the new standards and amendments will be adopted in the Company's financial statements when they become effective. The Group has assessed, where practicable, the potential effect of all these new standards and amendments that will be effective in future periods.

• Amendments to IAS 7 titled Disclosure Initiative (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, require entities to provide information that enable users of financial statements to evaluate changes in liabilities arising from their financing activities. This is not expected to have a material effect on the Group's financial statements.

• Amendments to IAS 12 titled Recognition of Deferred Tax Assets for Unrealised Losses (issued in January 2016) – The amendments, applicable to annual periods beginning on or after 1 January 2017, clarify the accounting for deferred tax assets related to unrealised losses on debt instruments measured at fair value, to address diversity in practice. This is not expected to have an effect on the Group's financial statements.

• Amendments to IFRS 2 titled Classification and Measurement of Share-based Payment Transactions (issued in June 2016) - The amendments, applicable to annual periods beginning on or after 1 January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled. The amendments are not expected to have a material effect on the Group's financial statements.

• Amendments to IFRS 4 titled Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016) - The amendments give all entities that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before implementing the replacement insurance contracts Standard for IFRS 4 that is under drafting by the Board. Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption from applying IFRS 9 (until 2021), thus continuing to apply IAS 39 instead. The Group has assessed the potential effect of the new standard and will reflect this in future financial statements when it becomes effevtive.

• IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

Statement of Significant Accounting Policies (Cont'd)

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
Since the list reflects new and amended standards issued up to 30 September 2016, it should be extended to include all such changes up to the date of authorisation for issue of the 2016 financial statements For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The derecognition provisions are carried over almost unchanged from IAS 39. The Directors anticipate that IFRS 9 will be adopted in the Group's financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

• Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014) – The amendments address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after 1 January 2016, is now deferred indefinitely but earlier application is still permitted. This is not expected to have an effect on the Group's financial statements.

• IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and amended for clarifications in April 2016) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The Directors anticipate that IFRS 15 will be adopted in the Company's financial statements when it becomes mandatory and that the application of the new standard might have a significant effect on amounts reported in respect of the Companys' revenue. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

• IFRS 16 Leases (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 and its interpretations. The biggest change introduced is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of lowvalue assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. The Directors anticipate that IFRS 16 will be adopted in the Company's financial statements when it becomes mandatory and that the application of the new standard will have a significant effect on amounts

Statement of Significant Accounting Policies (Cont'd)

reported in respect of the Company's leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- IFRS 17 Insurance Contracts: The standard that replaces IFRS 4 – effective for annual periods beginning on or after 1 January 2021 (earlier application permitted only if IFRS 9 and IFRS 15 also applied) – requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts, giving basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The impact of this amendment has been reviewed and have been estimated to have no or minimal impact on the financial statements of the entity in future periods. The impact of this amendment has been reviewed and have been estimated to have impact on the financial statements of the entity in future periods.

2.6 Foreign Currency Transactions

2.6.1 Functional and Presentation Currency

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

2.6.2 Transactions and Balances

Transactions denominated in foreign currencies are recorded in Naira at the rate of exchange ruling at the date of each transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at that date. Exchange gains arising from the revaluation of monetary assets and liabilities are recognized in the income statement while those on non-monetary items are recognized in other comprehensive income. For non-monetary financial investments available-for-sale, unrealized exchange differences are recorded directly in equity until the asset is disposed or impaired.

2.7 Investment in Subsidiary and Associate

2.7.1 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. Investment in subsidiaries in the separate financial statement of the parent entity is measured at cost.

Statement of Significant Accounting Policies (Cont'd)

Acquisition-related Costs are expensed as Incurred
If the business combination is achieved in stages, fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

2.7.2 Disposal of Subsidiaries

On loss of control, the Group de-recognizes 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 from the loss of control is recognised in income statement.

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.

2.7.3 Associate
In the financial statements, the Company's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate.
The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

During the year, the regulatory authorities in Ghana came up with a new capital base regime which stipulates a minimum capital of $ 5m (five million dollars), In order to meet up with this capital requirement, The Board of NEM Insurance Ghana Ltd decided to merge their operations with Regency Alliance Ghana Limited. This merger has been consummated and the product of this merger is RegencyNem Insurance Ghana Limited. As a result of this merger, the status of NEM Insurance Ghana Limited in the books of NEM Insurance Plc changed from being a subsidiary of NEM Insurance Plc to an associate since the stake in the new company is 40%.

3.0 Detailed Accounting Policies

3.1 Cash and Cash Equivalents
Cash and cash equivalents include cash in hand and at bank, call deposits and short term highly liquid financial assets with original maturities of three months or less from the acquisition date, 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.

3.2 Financial assets

3.2.1 Classification
The classification of financial assets depends on the purpose for which the investments were acquired or originated. The Company classifies its financial assets into the following categories:
Financial assets at fair value through profit or loss;

- Held-to-maturity investments.
- loans and receivables, and
- available-for-sale financial assets

Statement of Significant Accounting Policies (Cont'd)

3.2.2 Financial assets held at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets classified as trading are acquired principally for the purpose of selling in the short term.

These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value, with gains and losses arising from changes in this value recognized in the income statement in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices. The fair values of unquoted equities, and quoted equities for which there is no active market, are established using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in investment income.

3.2.3 Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intention and ability to hold to maturity other than:

- Those that the Company designates as available for sale.
- Those that meet the definition of loans and receivables.

Such instruments include corporate bonds, government bonds, convertible debt notes and are carried at amortised cost, using the effective interest method, less any provisions for impairment.

3.2.4 Available-for-sale

Available for sale financial investments include equity and debt securities. The Company classifies as available-for-sale those financial assets that are generally not designated as another category of financial assets, and strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are carried at fair value, with the exception of investments in equity instruments where fair value cannot be reliably determined, which are carried at cost. Fair values are determined in the same manner as for investments at fair value through profit or loss. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income while the investment is held, and are subsequently transferred to the income statement upon sale or de-recognition of the investment.

Dividends received on available-for-sale instruments are recognised in income statement when the Company's right to receive payment has been established.

3.2.5 Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as at fair value through profit or loss or available-for-sale.

Loans and advances consist primarily of commercial loans, staff loans, premium debtors, due from reinsurers, other debtors. These are managed in accordance with a documented policy.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans granted at below market rates are fair valued by reference to expected future cash flows and current market interest rates for instruments in a comparable or similar risk

Statement of Significant Accounting Policies (Cont'd)

class and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs.

3.2.6 Fair Value Measurement

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

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the statement of financial position date from a financial asset with similar terms and conditions.
Where pricing models are used, inputs are based on observable market indicators at the statement of financial position date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting price.

3.3 Trade Receivables

Trade receivables arising from insurance contracts are stated after deducting allowance made for specific debts considered doubtful of recovery. Trade receivables are reviewed at every reporting period for impairment. They are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtors that the Group will not be able to collect the entire amount due under the original terms of the invoice.

Allowances are made based on an impairment model which considers 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 recognised, the previous recognised 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 Income Statement.

Statement of Significant Accounting Policies (Cont'd)

3.3.1 De-recognition

The Group derecognizes a financial asset only when the contractual rights to cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.4 Reinsurance Assets

The Group cedes business to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks. Premium ceded comprise gross written premiums. Reinsurance arrangements do not relieve the Group from its direct obligations to its policy holders.

Reinsurance assets are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract. The Group has the right to set off reinsurance payables against amounts due from reinsurers and brokers in line with the agreed arrangements between both parties.

3.5 Deferred Acquisition Costs (DAC)

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

3.6 Other Receivables and Prepayments

Other receivables and prepayments are carried at cost less accumulated impairment losses.

3.7 Investment in Subsidiary

3.7.1 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

Statement of Significant Accounting Policies (Cont'd)

the policies adopted by the Group. Investment in subsidiaries in the separate financial statement of the parent entity is measured at cost.

Acquisition-related Costs are expensed as Incurred

If the business combination is achieved in stages, fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

3.7.2 Disposal of Subsidiaries

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 from the loss of control is recognised in income statement. 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.

3.8 Investment Property

Investment property comprises investment in land or buildings held primarily to earn rentals or capital appreciation or both. Investment property is initially recognized 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 cost of day to day servicing of an investment property. An investment property is subsequently measured at fair value with any change therein recognised in profit or loss. Fair values are determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location.

3.8.1 Recognition and Measurement

Fair values are reviewed annually by an independent valuer, holding a recognized and relevant professional qualification and with relevant experience in the location and category of investment property being valued. Any gain and loss arising from a change in the fair value is recognized in the income statement.
Subsequent expenditure on investment property is capitalized only if future economic benefit will flow to the Company; otherwise they are expensed as incurred.

Investment properties are disclosed separately from property and equipment used for the purposes of the business. The Company separately accounts for a dual purpose property as investment property if it occupies only an insignificant portion. Otherwise, the portion occupied by the Company is treated as property plant and equipment. However, the Company considers an occupation of 30% as significant.

3.8.2 Transfer

If an item of property and equipment becomes an investment property its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognized in other comprehensive income as a revaluation of property, plant and equipment.
However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the Statement of Comprehensive Income. Upon the disposal of such investment property, any surplus

Statement of Significant Accounting Policies (Cont'd)

previously recorded in equity is transferred to retained earnings; the transfer is not made through the statement of comprehensive income.

3.8.3 De-recognition

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. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

3.9 Statutory Deposits

Statutory deposits are cash balances held with the Central Bank of Nigeria and are only available to the Company upon liquidation of the Company. They have been separately disclosed due to their nature and liquidity. They represent 10% of the paid up capital of the Company as stipulated by Section 10 (3) of the Insurance Act of 2003. Statutory deposits are measured at cost.

3.10 Intangible assets (Software)

3.10.1 Recognition and Measurement

Recognition of software acquired is only allowed if it is probable that future economic benefits to this intangible asset are attributable to and will flow to the Company. Software acquired is initially measured at cost. The cost of acquired software comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. After initial recognition, software acquired is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Maintenance costs should not be included.

Internally developed software is capitalized when the Company has the intention and demonstrates the ability to complete the development and use of the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs include all costs directly attributable to the development of the software. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

3.11 Property, Plant and Equipment

3.11.1 Recognition & Measurement

Property, Plant and Equipment comprise land and buildings and other property owned by the Group. Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

3.11.2 Subsequent Costs

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

Subsequent costs on replacement parts on an item of property are recognized in the carrying amount of the asset and the carrying amount of the replaced or renewed component is derecognized.

Statement of Significant Accounting Policies (Cont'd)

3.11.3 Depreciation

Depreciation is calculated on property, plant and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life. Depreciation methods, useful lives and residual values are reassessed at each reporting date. No depreciation is charged on fixed assets until they are brought into use. Depreciation reduces an asset's carrying value to its residual value at the end of its useful life, and is allocated on a straight line basis over the estimated useful lives, as follows:

Land	-	over the lease period
Buildings	-	2%
Office equipment	-	20%
Computer hardware	-	20%
Furniture and fittings	-	20%
Motor vehicles	-	20%

3.12 Insurance Contract

NEM Insurance issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. NEM Insurance defines significant insurance risk as the possibility of having to pay benefits, on the occurrence of an insured event, that are significantly more than the benefits payable if the insured event did not occur.

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

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

In accordance with IFRS 4, the Company has continued to apply the accounting policies it applied in accordance with the change over from Nigerian GAAP.

3.12.1 Salvages

Some non-life insurance contracts permits the company to sell (usually damaged) property acquired in the process of settling a claim. The Company may also have the right to pursue third parties for payment of some or all costs of damages to its client's property (subrogation right).
Salvage recoveries are used to reduce the claim expenses when the claim is settled.

3.12.2 Subrogation

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

Statement of Significant Accounting Policies (Cont'd)

3.12.3 Insurance Contract Liabilities

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

3.12.3.1 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 balance sheet date. The IBNR is based on the liability adequacy test (See Note 12.1)

3.12.3.2 Reserves for Unexpired Risk

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

3.12.4 Liability Adequacy Test

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

The provisions of the Insurance Act 2003 require an actuarial valuation of life reserves only. However, IFRS 4 requires a liability adequacy test for insurance reserves.

The provision of Section 59 of the Financial Reporting Council Act 2011 gives superiority to the provision of IFRS and since it results in a more conservative position than the provision of the Insurance Act 2003, it serves the Company's prudential concerns well.

3.13 Trade Payables

Trade payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

3.13.1 De-recognition of Trade Payables

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

3.13.2 Other Payables and Accruals

A financial liability is derecognized 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement. Gains and losses are recognised in the income statement when the liabilities are derecognized.

Statement of Significant Accounting Policies (Cont'd)

3.14 Employee Benefits
3.14.1 Short-term benefits
Short-term employee benefit obligations include wages, salaries and other benefits which the Group has a present obligation to pay, as a result of employees' services provided up to the statement of financial position date. The accrual is calculated on an undiscounted basis, using current salary rates.
A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.14.2 Post-Employment Benefits
The Group operates a defined contributory retirement scheme as stipulated in the Pension Reform Act 2004. Under the defined contribution scheme, the Group pays minimum contributions of 10% to a separate entity – Pension Fund Administrators; employees also pay a minimum of 8% to the same entity. Once the contributions have been paid, the Group retains no legal or constructive obligation to pay further contributions if the Fund does not hold enough assets to finance benefits accruing under the retirement benefit plan. The Group's obligations are recognized in the profit or loss account.

3.14.3 Gratuity Benefits
Prior to 31 December, 2004, NEM Insurance operated a gratuity scheme under which employees were entitled to one month basic salary, transport and housing allowance for each completed year of service. Effective 31 December, 2014, the gratuity scheme was terminated. Under the terms of the termination, amounts payable to employees who were in the employment of the Company as at the termination date will be paid when such employees leave the service of the Company based on benefits determined as at 31 December 2014. The gratuity assets are managed in-house.
The valuation of the scheme was made at the close of the year by HR Limited.

3.14.4 Other Long-Term Employee Benefits
The company recognizes obligations for defined benefit plans in respect of its long term service award as determined by actuarial valuation.

3.14.5 Termination Benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or to provide termination benefits as a result of an offer made to encourage voluntarily redundancy if it is probable that the offer will be accepted and the number of acceptances can be estimated. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

3.15 Taxation

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

Statement of Significant Accounting Policies (Cont'd)

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. Current income Tax asset and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity is recognised in other comprehensive income and not in income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

3.15.2 Deferred tax

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method.

Deferred taxation is provided fully on timing differences, which are expected to reverse at the rate of tax likely to be in force at the time of reversal. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future and differences arising from investment property measured at fair value whose carrying amount will be recovered through use. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.16 Issued Share Capital

The issued ordinary shares of the Group are classified as equity instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

3.16.1 Dividends on ordinary share capital

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

3.17 Share Premium

This represents the excess amount paid by the shareholder on the nominal value of its shares. This amount is distributable to the shareholders at the discretion. The share premium is classified as an equity instrument in the statement financial position.

Statement of Significant Accounting Policies (Cont'd)

3.18 Contingency Reserves

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

3.19 Retained earnings

The reserve comprises of undistributed profit/loss from previous years and the current year. Retained earnings are classified as part of equity in the statement of financial position.

3.20 Available-for-sale Reserve

The available-for-sale reserve comprises the cumulative net change in the fair value of the Group's available-for-sale investments. Net fair value movements are recycled to income statement if an available-for-sale investment is either derecognized or impaired.

3.21 Other Reserves- Employee Benefit Actuarial Surplus

Actuarial surplus/ deficit on employee benefits represent changes in benefit obligation due to changes in actuarial valuation assumptions or actual experience differing from experience. The gains/ losses for the year, net of applicable deferred tax assets /liability on employee benefit obligation, are recognized in other comprehensive income.

3.22 Gross Premiums Written

Gross written premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. These are shown gross of any taxes or duties levied on premiums.

3.22.1 Gross premium earned

Gross premium earned includes estimates of premium due but not yet received, less unearned premium.

3.22.2 Unearned premiums

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

3.22.3 Reinsurance Premium

Reinsurance premiums are recognized as outflows in accordance with the tenor of the reinsurance contract.

3.23 Reinsurance Cost

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

Statement of Significant Accounting Policies (Cont'd)

3.24 Fees and Commission Income

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue over the period in which the related services are performed.

3.25 Claims Expenses

Claims expenses consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims. The provision for outstanding claims represent the amount computed on Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date whether reported or not. The provision includes an allowance for claims management and handling expenses.

The provision for outstanding claims for reported claims is estimated based on current information and the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provision for prior years are reflected in the income statement in the financial period in which adjustments are made, and disclosed separately if material.

Reinsurance recoverable is recognized when the Company records the liability for the claims and is not netted off. Claim expenses are presented separately in the income statement.

3.26 Underwriting expenses

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

3.27 Investment Income

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

Interest income is recognised in the income statement as it accrues and is calculated using the effective interest rate method. Fees and commissions that form part of an integral part of the effective yield of a financial instrument are recognised as an adjustment to the effective interest rate of the instrument.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

3.28.1 Dividend income

Dividend is recognized as earned when the quoted price of the related security is adjusted to reflect the value of the dividend and is stated net of withholding tax. Scrip dividend is recognized on the basis of the market value of the shares on the date they are quoted.

Statement of Significant Accounting Policies (Cont'd)

3.29 Impairment of Financial Assets

The carrying amounts of these assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset and can be reliably estimated. For financial assets measured at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate.

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the statement of financial position date, that have an impact on the future cash flows of the asset.

All impairment losses are recognized through profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to the income statement and is recognized as part of the impairment loss. The amount of the loss recognized in the income statement is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

Subsequent decreases in the amount relating to an impairment loss, that can be linked objectively to an event occurring after the impairment loss was recognized in the income statement, is reversed through the income statement. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the income statement but accounted for directly in equity.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are considered to be impaired when existence of an indication that the asset's recoverable amount is less than the carrying amount. Impairment losses are recognised in profit or loss.
Impairments or losses of non-financial assets, related claims for or payments of compensation from third parties and any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

Impairment losses recognised 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 recognised. Reversals of impairment losses are recognised in profit or loss.

3.30 Administrative expenses

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

Statement of Significant Accounting Policies (Cont'd)

3.31 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group by the number of shares outstanding during the year. Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares adjusted for the bonus shares issued.

3.32 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing. Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

A contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized but are disclosed in the financial statement as they arise.

3.33 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year.

3.34 Segment reporting

A segment is a distinguishable component of the Group that is engaged 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 Group's primary format for segment reporting is based on business segments. Significant geographical regions have been identified as the secondary basis of reporting.

Consolidated Statement of Financial Position

		Group		Parent	
	Notes	2017 N'000	2016 N'000	2017 N'000	2016 N'000
Assets					
Cash and cash equivalents	1	**3,328,800**	3,471,854	**3,325,340**	3,464,575
Financial assets	2	**5,916,920**	4,005,983	**5,916,920**	4,005,983
Trade receivables	3	**723,535**	668,040	**723,535**	668,040
Reinsurance assets	4	**2,382,458**	1,725,098	**2,382,458**	1,725,098
Deferred acquisition cost	5	**587,244**	488,195	**587,244**	488,195
Other receivables	6	**259,516**	198,439	**183,755**	129,741
Investment in Associate	7	**392,501**	264,824	**392,501**	264,824
Investment in Subsidiary	8	**-**	-	**142,500**	142,500
Investment properties	9	**676,555**	442,558	**676,555**	442,558
Statutory deposit	10	**320,000**	320,000	**320,000**	320,000
Intangible asset	11	**18,997**	20,747	**10,270**	7,656
Property, Plant and Equipment	12	**2,864,796**	2,819,986	**2,861,500**	2,815,591
Deferred tax asset	17.3	**92,773**	66,687	**83,305**	57,220
Total Assets		**17,564,096**	14,492,410	**17,605,884**	14,531,978
Liabilities					
Insurance contract liabilities	13	**6,518,667**	6,017,381	**6,518,667**	6,017,381
Trade payables	14	**73,694**	65,315	**73,694**	65,315
Other payables	15	**581,595**	497,269	**604,712**	506,016
Retirement benefit obligations	16	**91,910**	84,824	**91,910**	84,824
Income tax liability	17.1	**560,622**	426,473	**560,622**	426,473
Deferred tax liability	17.3	**-**	-	**-**	-
		7,826,488	7,091,263	**7,849,605**	7,100,010
Equity					
Share capital	18	**2,640,251**	2,640,251	**2,640,251**	2,640,251
Share premium	19	**272,551**	272,551	**272,551**	272,551
Contingency reserve	20	**3,154,568**	2,599,514	**3,154,568**	2,599,514
Retained earnings	21	**3,658,357**	1,860,581	**3,677,029**	1,891,400
Available for sale reserve	22	**(128,734)**	(138,249)	**(128,734)**	(138,249)
Other Reserves - Employee benefit	23	**140,614**	166,499	**140,614**	166,499
Total Equity		**9,737,608**	7,401,147	**9,756,280**	7,431,968
Total Equity and Liabilities		**17,564,096**	14,492,410	**17,605,884**	14,531,978

These accounts were approved by Board on………………………….. and signed on its behalf by:

Mr Fidelis Ayabae (Chairman)	**Mr. Tope Smart (GMD/CEO)**	**Miss. Stella Omoraro (CFO)**
FRC/2013/CIANG/00000002376	FRC/2013/CIIN/00000001331	FRC/2013/ICAN/00000001238

The accounting policies on pages 27 to 47 and the accompanying notes on pages 53 to 76 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

		Group		Parent	
		2017	**2016**	**2017**	**2016**
	Notes	**N'000**	**N'000**	**N'000**	**N'000**
Gross premiums written	24	**13,416,270**	10,757,674	**13,416,270**	10,757,674
(Increase) in unearned premium		**(384,491)**	(129,492)	**(384,491)**	(129,492)
Gross premium income	24	**13,031,778**	10,628,183	**13,031,778**	10,628,183
Reinsurance expenses	25	**(3,229,828)**	(2,115,716)	**(3,229,828)**	(2,115,716)
Net premium income	24	**9,801,951**	8,512,467	**9,801,951**	8,512,467
Fee and commission income	26	**658,353**	544,813	**658,353**	544,813
Net underwriting income		**10,460,303**	9,057,280	**10,460,303**	9,057,280
Claims expenses	27	**(1,783,574)**	(2,669,780)	**(1,783,574)**	(2,669,780)
Underwriting expenses	28	**(4,164,175)**	(2,950,522)	**(4,164,175)**	(2,950,522)
Underwriting profit		**4,512,555**	3,436,978	**4,512,555**	3,436,978
Investment income	29	**709,944**	479,472	**709,944**	479,472
Net Fair value gain	30	**719,245**	101,015	**719,245**	101,015
Other income	31	**56,699**	417,279	**26,889**	406,866
Loss on disposal of Properties & Equipment	34	**(25,776)**	(1,334)	**(25,776)**	(1,334)
Share of profit in Associate	7.1	**99,985**	71,516	**99,985**	71,516
Management expenses	33	**(2,977,882)**	(2,359,156)	**(2,960,221)**	(2,308,456)
Profit before tax		**3,094,769**	2,145,772	**3,082,621**	2,186,057
Income taxes	17.2	**(319,499)**	(327,974)	**(319,499)**	(337,441)
Profit after tax		**2,775,270**	1,817,797	**2,763,122**	1,848,616
Other Comprehensive Income					
Fair value loss on available for sale	22	**9,515**	(311,617)	**9,515**	(311,617)
Actuarial (loss) / profit on defined benefit plan	23	**(25,885)**	4,464	**(25,885)**	4,464
		2,758,901	1,510,644	**2,746,753**	1,541,463
Basic earnings per share (kobo)	35	53	34	52	35
Diluted Basic earnings per share (kobo)	35	53	34	52	35

The accounting policies on pages 27 to 47 and the accompanying notes on pages 53 to 76 form an integral part of these financial statements.

Consolidated Statement of Change in Equity – Group

GROUP	Issued Share Capital	Share Premium	Retained Earnings	AFS Reserve	Other Reserves	Contingency Reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At January 1, 2017	2,640,251	272,551	1,860,581	(138,249)	166,499	2,599,514	7,401,147
Profit for the year	-	-	2,775,270	-	-	-	2,775,270
Transfer between reserves	-	-	(555,054)	-	-	555,054	-
Actuarial gain on defined benefit plan	-	-	-	-	(25,885)	-	(25,885)
Other comprehensive income	-	-	-	9,515	-	-	9,515
Dividend paid during the year	-	-	(422,440)	-	-		(422,440)
As at December 31, 2017	**2,640,251**	**272,551**	**3,658,357**	**(128,734)**	**140,614**	**3,154,568**	**9,737,607**

GROUP	Issued Share Capital	Share Premium	Retained Earnings	AFS Reserve	Other Reserves	Contingency Reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At January 1, 2016	2,640,251	272,551	628,262	173,368	162,035	2,322,895	6,199,362
Profit for the year	-	-	1,817,797	-	-	-	1,817,797
Transfer between reserves	-	-	(322,730)	-	-	322,730	-
Actuarial gain on defined benefit plan	-	-	-	-	4,464	-	4,464
Other comprehensive loss	-	-	-	(311,617)	-	-	(311,617)
Effect of foreign-exchange translation	-	-	54,082	-	-	(46,112)	7,970
Dividend paid during the year	-	-	(316,830)	-	-		(316,830)
As at December 31, 2016	**2,640,251**	**272,551**	**1,860,581**	**(138,249)**	**166,499**	**2,599,514**	**7,401,147**

Statement of Change in Equity – Parent

STATEMENTS OF CHANGES IN EQUITY

Parent	Issued Share Capital	Share Premium	Retained Earnings	AFS Reserve	Other Reserves	Contingency Reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At January 1, 2017	2,640,251	272,551	1,891,400	(138,249)	166,499	2,599,514	7,431,967
Profit for the year	-	-	2,763,122	-	-	-	2,763,122
Transfer between reserves	-	-	(555,054)	-	-	555,054	-
Other Comprehensive Income			-	9,515		-	9,515
Actuarial gain on defined benefit plan	-	-	-	-	(25,885)	-	(25,885)
Distribution to Owners							-
Dividend paid	-	-	(422,440)	-	-	-	(422,440)
As at December 31, 2017	**2,640,251**	**272,551**	**3,677,028**	**(128,734)**	**140,614**	**3,154,568**	**9,756,279**

Parent	Issued Share Capital	Share Premium	Retained Earnings	AFS Reserve	Other Reserves	Contingency Reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At January 1, 2016	2,640,251	272,551	682,345	173,368	162,035	2,276,784	6,207,334
Profit for the year	-		1,848,615				1,848,615
Transfer between reserves	-		(322,730)			322,730	-
Other Comprehensive loss				(311,617)			(311,617)
Actuarial gain on defined benefit plan	-				4,464		4,464
Distribution to Owners							-
Dividend paid during the year	-	-	(316,830)				(316,830)
As at December 31, 2016	**2,640,251**	**272,551**	**1,891,400**	**(138,249)**	**166,499**	**2,599,514**	**7,431,967**

Consolidated Statement of Cash Flows

		Group		Parent	
		Dec. 2017	Dec. 2016	**Dec. 2017**	Dec. 2016
	Notes	**N'000**	N'000	**N'000**	N'000
Cash flows from Operating Activities:					
Premium received from policy holders	3.1	**13,360,775**	10,621,131	**13,360,775**	10,621,131
Reinsurance Premium Paid	24	**(3,373,580)**	(2,614,627)	**(3,373,580)**	(2,614,627)
Fees and Commission Received	25	**658,353**	544,813	**658,353**	544,813
Direct Claims Paid	26	**(5,011,489)**	(4,059,851)	**(5,011,489)**	(4,059,851)
Claims Received from Reinsurers		**2,831,102**	1,580,888	**2,831,102**	1,580,888
Commission Paid	5	**(2,664,169)**	(1,789,721)	**(2,664,169)**	(1,844,905)
Maintenance Expense Paid	27.2	**(1,599,056)**	(1,150,134)	**(1,599,056)**	(1,150,134)
Cash paid to and on behalf of Employees		**(1,355,056)**	(1,127,239)	**(1,346,838)**	(1,114,406)
Other Operating Expense paid		**(1,227,486)**	(783,076)	**(1,231,885)**	(469,325)
Company Income Tax Paid	16.1	**(211,435)**	(106,470)	**(211,435)**	(106,470)
	32	**1,407,959**	1,115,714	**1,411,777**	1,387,114
Cash flows from Investing Activities:					
Purchase of FVTPL	2.1	**(5,000)**	(115,000)	**(5,000)**	(115,000)
Short term placement above 90 days	2.3	**(1,386,112)**	(446,858)	**(1,386,112)**	(743,175)
Proceeds from Redemption of HTM	2.5	**11,343**	39,070	**11,343**	39,070
Purchase of HTM	2.5	**-**	(50,000)	**-**	(50,000)
Investment Income received	28	**709,944**	479,472	**709,944**	479,472
Acquisition of Investment property	9	**(36,405)**	(4,926)	**(36,405)**	(4,926)
Acquisition of Subsidiary	7.3	**-**	-	**-**	(142,500)
Investment in Associate	7.1	**(27,692)**	(193,308)	**(27,692)**	-
Statutory Deposits		**-**	23,489	**-**	-
Purchase of Intangible Asset	11	**(3,267)**	(17,455)	**(3,267)**	-
Acquisition of Property and Equipments	12.1	**(386,476)**	(489,833)	**(386,476)**	(484,340)
Proceeds from disposal on PPE	34	**1,063**	1,194	**1,063**	1,194
Net cash outflow for investment activities		**(1,122,602)**	(774,155)	**(1,122,602)**	(1,020,205)
Cash outflow for financing activities					
Dividends paid to equity holders of the parent		**(422,440)**	(316,830)	**(422,440)**	(316,830)
Unclaimed Dividend received	15	**(5,970)**	59,451	**(5,970)**	59,451
Net cash outflow for financing activities		**(428,410)**	(257,379)	**(428,410)**	(257,379)
Total cash inflow/(outflow)		**(143,055)**	84,180	**(139,235)**	109,531
Cash and cash equivalent at January 1		**3,471,854**	3,387,674	**3,464,575**	3,355,044
Cash and cash equivalent at December 31		**3,328,800**	3,471,854	**3,325,340**	3,464,575
Represented by:					
Cash and cash equivalent at December 31		**3,328,800**	3,471,854	**3,325,340**	3,464,575

The accounting policies on pages 27 to 47 and the accompanying notes on pages 53 to 76 form an integral part of these financial statements.

Notes to the Financial Statements

1	Cash and Cash Equivalents		Group		Parent	
			2017	2016	2017	2016
			N'000	N'000	N'000	N'000
	Cash and bank balances		1,064,310	863,510	1,060,850	863,510
	Short - term deposits	1.1	2,264,490	2,608,344	2,264,490	2,601,065
	Total cash and cash equivalents		3,328,800	3,471,854	3,325,340	3,464,575

Short-term deposits are made for varying periods averaging between 1 - 90 days depending on the immediate cash requirements of the Group. All deposits are subject to an average interest rate of 9%. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

1.1	**Short term deposit**					
	Placements with Local Bank		2,264,490	2,608,344	2,264,490	2,601,065
2	**Financial Assets**					
	Financial assets at fair value through profit or loss	2.1	1,347,461	820,809	1,347,461	820,809
	Available for sale	2.2	4,388,095	2,992,467	4,388,095	2,992,467
	Held to maturity financial assets	2.5	181,365	192,707	181,365	192,707
			5,916,920	4,005,983	5,916,920	4,005,983
	Current		4,388,095	2,992,467	4,388,095	2,992,467
	Non- current		1,528,825	1,013,516	1,528,825	1,013,516
			5,916,920	4,005,983	5,916,920	4,005,983

2.1	Financial assets at fair value through profit or loss		Group		Parent	
			2017	2016	2017	2016
			N'000	N'000	N'000	N'000
	At 1 January		820,809	654,054	820,809	654,054
	Purchases		5,000	115,000	5,000	115,000
	Fair value gain/(loss)	30	521,653	51,755	521,653	51,755
	At 31 December		1,347,461	820,809	1,347,461	820,809

Fair value through profit or loss

Management valued the Company's quoted investment at market value which is a reasonable measurement of fair value since the prices of the shares are quoted in an active market. This prompted the classification of quoted investment as Financial assets at FVTPL (Fair Value Through Profit or Loss).

Notes to the Financial Statements (Cont'd)

2.2 Available for Sale

		Group		Parent	
		2017	2016	**2017**	2016
		N'000	N'000	**N'000**	N'000
Short term Investment over 90 days	2.3	**3,220,756**	1,834,644	**3,220,756**	1,834,644
Unquoted investments	2.4	**1,167,339**	1,157,823	**1,167,339**	1,157,823
		4,388,095	2,992,467	**4,388,095**	2,992,467

The fair value of unquoted equities was determined on market price as at year end. The over the counter price (OTC) that was used in the last transaction before the reporting date was used as a reflection of fair value.

Fixed deposits with tenor of more than 90 days are classified as available for sale. This could easily be turned to liquidity if there is urgent need for cash usage. It is valued at cost because there is no active market or other similar market that could be used for its valuation.

2.3 Short term Investment over 90 days

At 1 January		**1,834,644**	1,387,786	**1,834,644**	1,091,469
Addition during the year		**1,386,112**	446,858	**1,386,112**	743,175
At 31 December		**3,220,756**	1,834,644	**3,220,756**	1,834,644

2.4 Unquoted Investment

At 1 January		**1,157,823**	1,469,440	**1,157,823**	1,469,440
Fair Value (loss)/gain	22	**9,515**	(311,617)	**9,515**	(311,617)
At 31 December		**1,167,339**	1,157,823	**1,167,339**	1,157,823

The Company holds a number of investments in unquoted securities with a market value of N 1.167 billion of which investment in MTN Nigeria Ltd is the significant holding. This investment has a market value of N 1.158 billion (cost N 1.15 billion) as at 31 December 2017. MTN Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform.

2.5 Held to maturity financial assets

	Group		Parent	
	2017	2016	**2017**	2016
	N'000	N'000	**N'000**	N'000
At 1 January	**192,707**	181,777	**192,707**	181,777
Purchased during the year	**-**	50,000	**-**	50,000
Matured during the year	**(11,343)**	(39,070)	**(11,343)**	(39,070)
At 31 December	**181,365**	192,707	**181,365**	192,707

The held to maturity investment relates to the fixed rate bond of the Lagos State Government, It was purchased in 2010 whose coupon rates is 10% payable half yearly.

Other investment relates to the fixed rate bond of UBA Bond, GT Bank Euro, Ondo State Government, Osun State Government, Fidson Bond and Niger State Bond with coupon rate of 16.45%, 7.5%, 15.5%, 14.75%, 15.5% and 14% with tenure period of 2014 to 2021, 2012 to 2016, 2012 to 2017, 2013 to 2020, 2014 to 2019 and 2014 to 2018 respectively.

WEMA Bond was purchased with coupon rate of 17.5% payable half yearly and tenure period of 2016 to 2023.

Also, part of Osun State Bond, Ondo State Bond, NIGER State Bond and Fidson bond matured during the year.

The bonds were issued at par with no discount and they are redeemable at par on their respective due dates. Based on all these facts, management is of the opinion that the fair values of these bonds are equal to their face values.

Notes to the Financial Statements (Cont'd)

		Group		Parent	
3 Trade Receivables		**2017**	2016	**2017**	2016
		N'000	N'000	**N'000**	N'000
Premium Receivable		**723,535**	668,040	**723,535**	668,040
Impairment - Trade Receivables		**-**	-	**-**	-
		723,535	668,040	**723,535**	668,040
3.1 Premium Receivable					
Opening Balance		**668,040**	531,497	**668,040**	531,497
Gross Premium written during the year	23	**13,416,270**	10,757,674	**13,416,270**	10,757,674
Premium received in the year		**(13,360,775)**	(10,621,131)	**(13,360,775)**	(10,621,131)
Closing balance		**723,535**	668,040	**723,535**	668,040
3.3 Analysis of Trade Receivables					
Amount due from Insurance Companies		**-**	-	**-**	-
Amount due from Insurance Brokers		**723,535**	668,040	**723,535**	668,040
		723,535	668,040	**723,535**	668,040
3.4 The age analysis of trade receivable					
Within 30 days		**723,535**	668,040	**723,535**	668,040
Above 30 days		**-**	-	**-**	-
		723,535	668,040	**723,535**	668,040

The Group's policy in line with the provisions of "No Premium, No Cover" on impairment of trade receivables recognize trade receivables from Brokers only. Such receivables should not exceed a period of 30 days.

Notes to the Financial Statements (Cont'd)

			Group		Parent	
4	**Reinsurance Assets**		**2017**	2016	**2017**	2016
			N'000	N'000	**N'000**	N'000
	Prepaid Reinsurance expense	4.1	**947,030**	803,278	**947,030**	803,278
	Reinsurance share of IBNR	4.2	**323,698**	192,374	**323,698**	192,374
	Reinsurance share of Outstanding Claim	4.3	**729,310**	692,999	**729,310**	692,999
	Reinsurance share of Claims paid	4.4	**382,420**	36,447	**382,420**	36,447
			2,382,458	1,725,098	**2,382,458**	1,725,098
4.1	**Prepaid Reinsurance expense**					
	Reinsurance share of UPR	4.1.1	**834,129**	716,431	**834,129**	716,431
	Prepaid reinsurance premium	4.1.2	**112,901**	86,846	**112,901**	86,846
			947,030	803,278	**947,030**	803,278
4.1.1	**Reinsurance share of UPR**					
	Opening balance		**716,431**	304,366	**716,431**	304,366
	Changes during the year		**117,698**	412,065	**117,698**	412,065
	Balance at the end of year		**834,129**	716,431	**834,129**	716,431
4.1.2	**Prepaid reinsurance premium**					
	Opening balance		**86,846**	-	**86,846**	-
	Premium ceded during the year	25	**3,373,580**	2,614,627	**3,373,580**	2,614,627
	Amortised Reinsurance		**(3,347,526)**	(2,527,781)	**(3,347,526)**	(2,527,781)
	Closing balance		**112,901**	86,846	**112,901**	86,846
4.2	**Reinsurance share of IBNR**					
	Opening balance		**192,374**	63,740	**192,374**	63,740
	Changes during the year		**131,324**	128,634	**131,324**	128,634
	Closing balance		**323,698**	192,374	**323,698**	192,374
4.3	**Reinsurance share of Outstanding Claim**					
	Opening balance		**692,999**	300,303	**692,999**	300,303
	Changes during the year		**36,311**	392,696	**36,311**	392,696
	Closing balance		**729,310**	692,999	**729,310**	692,999
4.4	**Reinsurance share of Claims paid**					
	Opening balance		**36,447**	22,428	**36,447**	22,428
	Reinsurance recoveries from Claims paid		**2,561,766**	1,414,453	**2,561,766**	1,414,453
	Receipt from reinsurance during the year		**(2,215,794)**	(1,400,433)	**(2,215,794)**	(1,400,433)
	Closing balance		**382,420**	36,447	**382,420**	36,447

Notes to the Financial Statements (Cont'd)

			Group		Parent	
5	**Deferred acquisition cost**		**2017**	2016	**2017**	2016
			N'000	N'000	**N'000**	N'000
	At January 1		**488,195**	498,862	**488,195**	443,678
	Acquisition during the year		**2,664,169**	1,789,721	**2,664,169**	1,844,905
	Apportionment during the year	28.1	**(2,565,119)**	(1,800,388)	**(2,565,119)**	(1,800,388)
			587,244	488,195	**587,244**	488,195

Deferred acquisition cost represents commissions paid on unearned premium relating to the unexpired risk.

6	**Other Receivables and Prepayments**					
	Prepayments		**9,559**	16,577	**9,559**	16,577
	Accrued Income		**86,197**	65,109	**86,197**	65,109
	Deposit for Software		**2,500**		**2,500**	
	Other Debtors		**125,762**	77,050	**-**	8,352
	Other receivables	6.1	**35,498**	39,702	**85,498**	39,702
			259,516	198,439	**183,755**	129,741

6.1	**Other Receivables**					
	Mortgage Loan		**28,632**	35,216	**28,632**	35,216
	Staff Loan		**6,866**	4,486	**6,866**	4,486
	Deposit for Shares in NEM Asset Management Ltd		**-**	-	**50,000**	-
			35,498	39,702	**85,498**	39,702

Deposit for shares in NEM Assets Management Ltd represents amount given to NEM Assets Management Limited for future increase in shares

7	**Investment in Associate**					
	Cost of Investment		**193,308**	193,308	**193,308**	193,308
	Addition during the year		**27,692**	-	**27,692**	-
	Share of Associate Profit	7.1	**171,501**	71,516	**171,501**	71,516
			392,501	264,824	**392,501**	264,824

During the year, the regulatory authorities in Ghana came up with a new capital base regime which stipulates a minimum capital of $ 5 m(five million dollars) for insurance companies operating in the country as against the previous capital of $ 1m (one million dollars).

In order to meet up with this new capital requirement, the board of NEM Insurance Ghana Ltd decided to merge their operations with Regency Alliance Ghana Limited. This merger has been consummated and the product of this merger is RegencyNem Insurance Ghana Limited. As a result of this merger, the status of NEM Insurance Ghana Limited in the books of NEM Insurance Plc changed from being a subsidiaryof NEM Insurance Plc to an associate since the stake in the new company is 40%.

7.1	**Share of Associate Profit**					
	Opening balance		**71,516**	-	**71,516**	-
	Share during the year		**99,985**	71,516	**99,985**	71,516
			171,501	71,516	**171,501**	71,516

Notes to the Financial Statements (Cont'd)

8	**Investment in subsidiary**		**Group**		**Parent**	
			2017	2016	**2017**	2016
			N'000	N'000	**N'000**	N'000
	As at 1 January		**-**	-	**142,500**	*193,308*
	Addition in the year (NEM Asset Management Ltd)		**-**	-	**-**	*142,500*
	Transfer to Associate	7	**-**	-	**-**	*(193,808)*
	As at 31 December		**-**	-	**142,500**	*142,500*

NEM Insurance Plc acquired 100% interest in NEM Assets Management in 2016. The principal activity of NEM Asset Management is asset leasing and LPO financing. The Assets and Liabilities of the new Subsidiary (NEM Asset Management) are consolidated in these Financial Statements. During the year, the subsidiary made a Profit after tax of N 12 million.

9	**INVESTMENT PROPERTIES**	**Group**		**Parent**	
		2017	2016	**2017**	2016
		N'000	N'000	**N'000**	N'000
	Opening Balance	**442,558**	*388,371*	**442,558**	388,371
	Addition	**36,405**	*4,926*	**36,405**	4,926
	Revaluation (Loss)/gain	**197,592**	*49,261*	**197,592**	49,261
	Closing Balance	**676,555**	*442,558*	**676,555**	442,558

9.1	**CARRYING AMOUNT OF INVESTMENT PROPERTIES**	**Carrying amount 2016**	Amount capitalised	**Total**	Gain/(Loss)	**Carrying amount 2017**
	ONIRU-BLOCK XV1, PLOT 11, AREMO ADESEGUN ONIRU CRECENT, OFF ONIGEFON ROAD, ONIRU, LAGOS	147,400		147,400	78,643	226,043
	EBUTE-METTA- 22A, BORNO WAY, EBUTE-METTA LAGOS	261,300		261,300	134,008	395,308
	ZARIA- PLOT NO 34, LIVERPOOL STREET, OFF RIVER ROAD, GRA EXTENSION ZARIA, KADUNA STATE	33,858	36,405	70,263	(15,059)	55,204
		442,558	**36,405**	**478,963**	**197,592**	**676,555**

Investment properties are held at fair value which has been determined based on valuations performed by independent valuation experts, Diya Fatimilehin & Co. (Estate Surveyors & Valuers) ; Plot 237B, Muri Okunola Street, Victoria Island , Lagos; The Valuers Fatimilehin Adegboyega and Diya Maurise Kolawole are registered with Financial reporting Council of Nigeria with registration Number FRC/2013/NIESV/00000000754 and FRC/2013/NIESV/00000002773 respectively.
The valuers are the industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between knowledgeable, willing buyers and knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with standards issued by International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the statement of comprehensive income.
This is an investment in land and building held primarily for generating income or capital appreciation and occupied substantially for use in the operations of the Company. This is carried in the statement of financial position at their market value.

In the year, there is revaluation loss on investment properties of N 25.671 million and addition to Investment Property of N 36.4 million

10	**Statutory deposit**	**Group**		**Parent**	
		2017	2016	**2017**	2016
		N'000	N'000	**N'000**	N'000
	Statutory deposit	**320,000**	320,000	**320,000**	320,000

This represents the amount deposited with the Central Bank of Nigeria as at 31 December, 2017: N320,000,000 (2016: N 320m) which was in accordance with section 9(1) and section 10 (3) of Insurance Act 2003 Statutory deposits are measured at cost.

Notes to the Financial Statements (Cont'd)

11 INTANGIBLE ASSET	Group		Parent	
	2017	*2016*	**2017**	*2016*
Cost	**N'000**	*N'000*	**N'000**	*N'000*
At January 1,	**75,783**	*61,089*	**58,329**	*58,329*
Addition	**3,267**	*17,455*	**3,267**	
Adjustment for NEM Ghana		*(2,761)*	**-**	-
At December 31	**79,051**	*75,783*	**61,596**	*58,329*
Amortisation				
At January 1,	**55,037**	*48,006*	**50,673**	*46,172*
Adjustment for NEM Ghana	**-**	*(1,834)*	**-**	-
Amortisation during the year	**5,017**	*8,865*	**653**	4,501
At December 31	**60,054**	*55,037*	**51,326**	*50,673*
Net Book Value	**18,997**	*20,747*	**10,270**	*7,656*

The only intangible asset of the Company was a software named **"IES**' used in posting the business transactions of the Company and this was acquired. It was formerly treated as Office Computer Equipment. In accordance with IAS 38, it is now being recognised under intangible asset.

The addition to Intangible asset occurred in respect of upgrade to the new version of Insurance enterprise software (IES).

Notes to the Financial Statements (Cont'd)

12.1 PROPERTY, PLANT AND EQUIPMENT - GROUP

Cost/Valuation	Building under Construction	Building	Office Partitioning	Machinery & equipt	Motor Vehicles	Furniture & fittings	Computer Equipment	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
As at Jan. 1 2017	654,874	1,514,157	284,379	140,194	451,898	135,924	359,516	3,540,943
Addition	185,000	2,472	-	3,946	176,637	1,563	16,858	386,476
Disposal					(134,706)	(2,623)	(11,116)	(148,445)
At Dec. 31, 2017	**839,874**	**1,516,629**	**284,379**	**144,140**	**493,829**	**134,864**	**365,258**	**3,778,974**
Depreciation								
As at Jan. 1 2017	-	60,106	111,686	64,107	278,548	57,519	148,990	720,954
Charged for the year	-	30,332	56,876	28,828.03	98,766	26,973	73,052	314,826
Disposal	-	-	-	-	(107,867)	(2,623)	(11,116)	(121,606)
At Dec. 31, 2017	**-**	**90,438**	**168,562**	**92,935**	**269,447**	**81,868**	**210,925**	**914,175**
NET BOOK VALUE At December 31, 2017	**839,874**	**1,426,191**	**115,817**	**51,206**	**224,382**	**52,996**	**154,333**	**2,864,796**
At December 31, 2016	*654,874*	*1,454,051*	*172,693*	*76,088*	*173,350*	*78,406*	*210,527*	*2,819,989*

The carrying value of assets had been carried under cost model. There is no indication of impairment on any items of property and equipment as at the reporting date.

Notes to the Financial Statements (Cont'd)

12.2 PROPERTY, PLANT AND EQUIPMENTS - PARENT

Cost/Valuation	Building under Construction	Building	Office Partitioning	Machinery & equipment	Motor Vehicles	Furniture & fittings	Computer& off Equipt	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
As at Jan. 1 2017	654,874	1,514,157	284,379	140,194	447,298	135,836	358,712	3,535,451
Addition	185,000	2,472	-	3,946	176,637	1,563	16,858	386,476
Disposal	-	-	-	-	(134,706)	(2,623)	(11,116)	(148,445)
At Dec. 31, 2017	**839,874**	**1,516,629**	**284,379**	**144,140**	**489,229**	**134,776**	**364,453**	**3,773,480**
Depreciation								
As at Jan. 1 2017	-	60,107	111,686	64,107	277,629	57,501	148,829	719,859
Charge for the year		30,332	56,876	28,828	97,846	26,955	72,891	313,728
Disposal					(107,867)	(2,623)	(11,116)	(121,606)
At Dec. 31, 2017	**-**	**90,439**	**168,562**	**92,935**	**267,608**	**81,833**	**210,603**	**911,981**
NET BOOK VALUE								
At December 31, 2017	**839,874**	**1,426,190**	**115,817**	**51,205**	**221,621**	**52,943**	**153,850**	**2,861,499**
At December 31, 2016	*654,874*	*1,454,050*	*172,693*	*76,088*	*169,669*	*78,335*	*209,883*	*2,815,591*

The carrying value of assets had been carried under cost model. There is no indication of impairment on any items of property and equipment as at the reporting date.

Notes to the Financial Statements (Cont'd)

13 Insurance Contract Liabilities

		Group		Parent	
		2017	2016	**2017**	2016
		N'000	N'000	**N'000**	N'000
Outstanding Claims reserve	13.2	**1,592,296**	1,462,507	**1,592,296**	1,462,507
Incurred but not reported (IBNR)		**1,483,100**	1,496,094	**1,483,100**	1,496,094
Total outstanding Claims (including IBNR)		**3,075,396**	2,958,601	**3,075,396**	2,958,601
Unearned Premium Reserve	13.3	**3,443,271**	3,058,780	**3,443,271**	3,058,780
		6,518,667	6,017,381	**6,518,667**	6,017,381

The firm Ernst & Young (Formally HR Nigeria Limited), an actuarial service organisation did the valuation of Gratuity for the reporting period. The actuarial valuation reports were authorised by Mr. Okpaise Olurotimi Olatokunbo, a professional actuary registered with the Financial Reporting Council of Nigeria with registration number (FRC/2012/NAS/00000000738).

13.1 Outstanding Claims reserve

	Group 2017	Group 2016	Parent 2017	Parent 2016
Opening balance	**2,958,601**	2,371,368	**2,958,601**	2,232,434
Exchange difference /(Reversed)	**-**	(138,934)	**-**	-
Increase in the year	**116,795**	726,167	**116,795**	726,167
Closing balance	**3,075,397**	2,958,601	**3,075,396**	2,958,601

13.2 The sum outstanding as unsettled claims as at 31 December 2017 according to age analysis is as follows:

	Group 2017	Group 2016	Parent 2017	Parent 2016
0 - 90 days	**310,816**	390,101	**310,816**	390,101
91 - 180 days	**368,919**	356,209	**368,919**	356,209
181 - 270 days	**490,206**	287,334	**490,206**	287,334
270 - 365 days	**275,390**	217,877	**275,390**	217,877
365 days and above	**146,966**	210,986	**146,966**	210,986
	1,592,296	1,462,507	**1,592,296**	1,462,507

0 - 90 days	Prior year settled
91 - 180 days	Awaiting Settlement Decision
181 - 270 days	Being Adjusted
270 - 365 days	Awaiting Documentation
365 days and above	Awaiting Documentation

13.3 Unearned Premium reserve

	Group 2017	Group 2016	Parent 2017	Parent 2016
Opening balance	**3,058,780**	3,111,592	**3,058,780**	2,929,288
Exchange difference	**-**	(182,304)	**-**	-
Increase in the year	**384,491**	129,492	**384,491**	129,492
Closing balance	**3,443,271**	3,058,780	**3,443,271**	3,058,780

The above balances represent the amounts payable on direct insurance business and assumed reinsurance business. The carrying amounts disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

13.4 Allocation of Assets to Policy Holders Fund

	Group 2017	Group 2016	Parent 2017	Parent 2016
Cash and cash equivalents	**3,325,340**	3,375,176	**3,325,340**	3,375,176
Financial assets	**5,280,929**	2,642,205	**5,280,929**	2,642,205
	8,606,269	6,017,381	**8,606,269**	6,017,381

Notes to the Financial Statements (Cont'd)

			Group		Parent	
			2017	2016	**2017**	2016
			N'000	N'000	**N'000**	N'000
13.5	**Cash and Cash equivalents**					
	Policy holders Fund		**3,325,340**	3,375,176	**3,325,340**	3,375,176
	Shareholders Fund		**-**	11,854	**-**	4,575
	Staff Gratuity		**-**	84,824	**-**	84,824
			3,325,340	3,471,854	**3,325,340**	3,464,575
13.6	**Financial Assets**					
	Policy holders Fund		**5,280,929**	2,642,205	**5,280,929**	2,642,205
	Shareholders Fund		**544,081**	1,363,778	**544,081**	1,363,778
	Staff Gratuity		**91,910**		**91,910**	
			5,916,920	4,005,983	**5,916,920**	4,005,983
13.7	**Investment Property**					
	Shareholders Fund		**453,292**	442,558	**453,292**	442,558
			453,292	442,558	**453,292**	442,558
13.8	**Plant, Equipment and Others**					
	Policy holders Fund		**-**	-	**-**	-
	Shareholders Fund		**2,864,796**	2,819,986	**2,861,500**	2,815,591
			2,864,796	2,819,986	**2,861,500**	2,815,591
13.9	**Work in Progress**					
	Policy holders Fund		**-**	-	**-**	-
	Shareholders Fund		**839,874**	654,874	**839,874**	654,874
			839,874	654,874	**839,874**	654,874
	Due to Reinsurance Broker - A.O.N.		**60,800**	49,017	**60,800**	49,017
	Due to Reinsurance Broker - SCIB		**12,894**	16,299	**12,894**	16,299
			73,694	65,315	**73,694**	**65,315**

The carrying amount disclosed above reasonably approximates fair value at the reporting date. All amounts are payable within one year.

15	**Other Payables**					
	Accruals		**150,043**	123,786	**149,043**	132,534
	Unclaimed Dividend payable		**287,636**	293,605	**287,636**	293,605
	Other creditors	15.1	**143,916**	79,877	**168,033**	79,877
			581,595	497,269	**604,712**	506,016

The carrying amount disclosed above reasonably approximates fair value at the reporting date. All amounts are payable within one year.
Dividend payable represents Unclaimed Dividend returned to the Group by African Prudential Registrars Plc for investment as required by Securities and exchange commission.

15.1 Other Creditors

Frontline Trust	**70,430**	6,748	**70,430**	6,748
NEM Assets Management Ltd	**-**	10,667	**24,776**	10,667
FSDH	**6,995**	6,760	**6,995**	6,760
Information technology levy	**65,269**	52,139	**65,269**	52,139
Deferred Income	**1,221.86**	3,563	**563**	3,563
	143,916	79,877	**168,033**	79,877

The Deferred income represents Rental Income received in advance from FSDH Merchant Bank Limited .
Statutory payable represent both Pension payable and Information Technology levy due within one year.
NEM Assets Management Ltd financed the purchase of some motor cars for NEM Insurance Plc under finance . The total amount outstanding as at 31 December 2017 was N24.776m

RELATED PARTY TRANSACTIONS

NEM Assets Management Limited is a subsidiary of NEM Insurance Plc

Notes to the Financial Statements (Cont'd)

16 Retirement Benefit Obligations

The Company has a defined benefit gratuity scheme covering its entire employee who has spent a minimum number of five years continuous service. The scheme is funded, therefore, no contribution is made to any fund.

The amounts recognised in the income statement (Management expenses) are as follows:

	Group		Parent	
	2017	2016	**2017**	2016
	N'000	N'000	**N'000**	N'000
Current service cost	**-**	-	**-**	-
Interest cost on benefit obligation	**13,164**	12,301	**13,164**	12,301
	13,164	12,301	**13,164**	12,301

The amounts recognised in the statement of financial position at the reporting date are as follows:

	Group 2017	Group 2016	Parent 2017	Parent 2016
Present value of the defined benefit obligation	**91,910**	84,824	**91,910**	84,824
Total defined benefit obligation	**91,910**	84,824	**91,910**	84,824

The movement in the defined benefit obligation is, as follows:

	Group 2017	Group 2016	Parent 2017	Parent 2016
At 1 January	**84,824**	108,956	**84,824**	108,956
Current service cost	**-**	-	**-**	-
Interest cost	**13,164**	12,301	**13,164**	12,301
Benefits paid	**(31,963)**	(31,969)	**(31,963)**	(31,969)
Plan Amendment	**-**	-		
Actuarial gains - Due to change in assumption	**7,413**	(22,613)	**7,413**	(22,613)
Actuarial losses - Due to experience adjustment	**18,472**	18,149	**18,472**	18,149
At 31 December 2017	**91,910**	*84,824*	**91,910**	*84,824*

Notes to the Financial Statements (Cont'd)

Actuary Report Extracts

Valuation Assumption

The Valuation assumption fall under two broad categories:

A Financial Assumptions

B Demographic Assumptions

The assumptions depict the estimate of the likely future experience of the company.

A **Financial Assumptions**

	Group		Parent	
Long Term Average	**2017**	2016	**2017**	2016
Discount Rate (p.a)	**15.8%**	15.8%	**15.8%**	15.8%
Average Pay Increase (p.a)	**N/A**	N/A	**N/A**	N/A
Average Rate Inflation (p.a)	**12%**	12%	**12%**	12%
Rate of Interest Credit (p.a)	**0%**	0%	**0%**	0%
Mortality rate				
Less than or equal to 30	**3**	**3**	**3**	**3**
31-39	**2**	**2**	**2**	**2**
40-44	**2**	**2**	**2**	**2**
45-50	**0**	**0**	**0**	**0**

In order to measure the liability, the projected benefit must be discounted to a net present value as at the current balance sheet date, using an interest assumption (called the discount rate under IAS 19).

The discount rate should be determined on the company's balance sheet date by reference to market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on Government bonds). The discount rate should reflect the duration of the liabilities of the benefit programme.

We calculated the weighted average liability duration and adopted the corresponding Nigerian Government bonds market yield at the calculation date.

The weighted average liability duration for the Plan is 5.95years. The average weighted duration of the longest Nigerian Government bond was 5.85years as at the valuation date with a gross redemption yield of 15.32%.

We have adopted a discount rate of 15.8% for the current valuation.

B **Demographic Assumption**

Mortality in Service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

Sample Age	**No of Death in year out of 1000 lives**		**No of Death in year out of 1000 lives**	
	2017	2016	**2017**	2016
25	7	7	7	7
30	7	7	7	7
35	9	9	9	9
40	14	14	14	14
45	26	26	26	26

Withdrawal from service

Age Band	Rate		Rate	
	2017	2017	**2017**	2016
Less than or equal to 30	**3%**	3%	**3%**	3%
31-39	**2%**	2%	**2%**	2%
40-44	**2%**	2%	**2%**	2%
45-50	**0%**	0%	**0%**	0%

Notes to the Financial Statements (Cont'd)

Valuation Method

As required by IAS 19, we have adopted the Projected Unit Credit (PUC) method to establish **the value of the accrued liabilities**. In calculating the liabilities, the method:

I recognises the company service rendered by each member of staff at the review date.

Ii anticipates that salaries will increase between the review date and the eventual exit date of the employee via withdrawal, death or retirement and then

Iii discounts the expected benefit payments to the review date.

The emerging total value (for each individual) is described by IAS 19 as the **Defined Benefit Obligation (DBO).**

B MEMBERSHIP DATA

Our Calculations are based on the membership data supplied by the company as summarised below.

Data Reconcilation Summary

	Count	**Crystallised Gratuity as 31st December 2014**
2016 Opening	125	260,245,641
Exits*	(25)	(29,235,081)
2016 Closing	**100**	**231,010,560**

Had the plan discontinued as at 31st December 2017, we estimate the accrued benefits payable as N231.01million. This is the sum of the crystallised gratuity benefits of all qualified employees as at the review date.

The Balance Sheet liability of N84.8million is lower because it is the discounted value of the crystallised gratuity benefits (with no interest credit) from their expected payment date to the review date.

ACTUARY'S STATEMENT

The calculations reported above have been made on a basis consistent with my understanding of the statement purpose of fulfilling the employer's financial accounting standards.

Figures required for other purposes should be calculated in accordance with the specific requirements for such purposes and it should not be assumed the figures herein have any relevance beyond the scope of the International Accounting Standards requirements.

The firm Ernst & Young (Formally HR Nigeria Limited), an actuarial service organisation did the valuation of Gratuity for the reporting period. The actuarial valuation reports were authorised by Mr. Okpaise Olurotimi Olatokunbo, a professional actuary registered with the Financial Reporting Council of Nigeria with registration number (FRC/2012/NAS/00000000738).

Notes to the Financial Statements (Cont'd)

			Group		Parent	
17	**Taxation**		**2017**	2016	**2017**	2016
17.1	**Per Financial Position**		**N'000**	N'000	**N'000**	N'000
	At January 1,		**426,473**	*156,858*	**426,473**	*154,348*
	Income tax for the year	17.2	**345,584**	*378,595*	**345,584**	*378,595*
	Reversal of Ghana Tax		**-**	*(2,510)*	**-**	-
	Paid during the year		**(211,435)**	*(106,470)*	**(211,435)**	*(106,470)*
	At December 31,		**560,622**	*426,473*	**560,622**	*426,473*
17.2	**Per Income Statement**					
	Income tax		**243,897**	*344,503*	**243,897**	*344,503*
	Education tax		**35,098**	*34,093*	**35,098**	*34,093*
	Prior year under-provision		**66,590**	-	**66,590**	-
			345,584	378,595	**345,584**	*378,595*
	Deferred tax		**(26,086)**	*(50,621)*	**(26,086)**	*(41,154)*
	Charge for the year		**319,499**	327,974	**319,499**	337,441
17.3	**Deferred tax (Asset)/Liability**					
	At January 1,		**(66,687)**	*(16,066)*	**(57,220)**	*(16,066)*
	(Release) / charge for the year		**(26,086)**	*(50,621)*	**(26,086)**	*(41,154)*
	At December 31,		**(92,773)**	*(66,687)*	**(83,305)**	*(57,220)*

17.4 Profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

		Group 2017	Group 2016	Parent 2017	Parent 2016
	Profit before income tax	**3,094,769**	*2,145,772*	**3,082,621**	*2,186,057*
	Tax calculated at the corporate tax rate	**928,431**	*643,731*	**924,786**	*655,817*
	Effect of:				
	Non-deductible expenses	**90,354**	*(70,743)*	**90,354**	*(82,829)*
	Effect of Education tax levy	**35,098**	*34,093*	**35,098**	*34,093*
	Effect of Capital allowance on income tax	**(272,465)**	*(167,351)*	**(272,465)**	*(167,351)*
	Effect of Deferred tax	**(26,086)**	*(50,621)*	**(26,086)**	*(41,154)*
	Tax exempt income	**(432,189)**	*(61,135)*	**(432,189)**	*(61,135)*
	Total income tax expense in income statement	**323,142**	*327,974*	**319,498**	337,441
	Effective tax rate	**10**	*15*	**10**	*15*

		Group 2017	Group 2016	Parent 2017	Parent 2016
18	**Issued Share Capital**				
	Authorised share:				
	8,400,000,000 ordinary shares of 50k each	**4,200,000**	*4,200,000*	**4,200,000**	*4,200,000*
18.1	**Ordinary shares At January 1 issued and fully paid:**				
	5,280,502,913 ordinary shares of 50k each	**2,640,251**	*2,640,251*	**2,640,251**	*2,640,251*
		2,640,251	*2,640,251*	**2,640,251**	*2,640,251*

Notes to the Financial Statements (Cont'd)

19 Share Premium

		Group		Parent	
		2017	2016	**2017**	2016
		N'000	N'000	**N'000**	N'000
Share Premium		**272,551**	272,551	**272,551**	272,551

Premium from the issue of shares are reported in share premium

20 Contingency Reserve

As at 1 January		**2,599,514**	2,322,895	**2,599,514**	2,276,784
Transfer from retained earnings		**555,054**	322,730	**555,054**	322,730
Reversal of Ghana Reserve			(46,111)	**-**	-
		3,154,568	2,599,514	**3,154,568**	2,599,514

Contingency reserve is calculated in accordance with the provisions of Section 21(2) of the Insurance Act, 2003 at the higher of 3% of the total premium or 20% of total profit after tax. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50% of net premium.

During the current year, this is calculated based on 20% of the Profit after tax.

21 Retained earnings

As at 1 January		**1,860,581**	628,262	**1,891,400**	682,345
Profit for the year		**2,775,270**	1,817,797	**2,763,122**	1,848,616
Transfer to contingency reserve		**(555,054)**	(322,730)	**(555,054)**	(322,730)
Dividend paid		**(422,440)**	(316,830)	**(422,440)**	(316,830)
Reversal of loss from Ghana Reserve			54,082	**-**	-
		3,658,357	1,860,581	**3,677,028**	1,891,400

22 Available for sale reserve

Opening Balance		**(138,249)**	173,368	**(138,249)**	173,368
Fair Value loss	2.4	**9,515**	(311,617)	**9,515**	(311,617)
		(128,734)	(138,249)	**(128,734)**	(138,249)

The fair value reserve shows the effect from the fair value measurement of financial instruments of the category available for sale. Any gains or losses are not recognised in the comprehensive income statement until the asset has been sold or impaired. The negative movement was due to change in the long term Unquoted Investment.

23 Other Reserve-

Opening Balance		**166,499**	162,035	**166,499**	162,035
(Loss)/Gain during the year		**(25,885)**	4,464	**(25,885)**	4,464
		140,614	166,499	**140,614**	166,499

This represents actuarial gains on employee retirement benefit.

Notes to the Financial Statements (Cont'd)

24 Gross Premium written

	Note	Group		Parent	
		2017	2016	**2017**	2016
		N'000	N'000	**N'000**	N'000
Fire		**3,055,910**	2,345,795	**3,055,910**	2,345,795
Oil and Gas		**1,619,954**	1,018,253	**1,619,954**	1,018,253
General accident		**2,670,641**	2,362,277	**2,670,641**	2,362,277
Marine		**1,428,975**	1,153,369	**1,428,975**	1,153,369
Motor		**4,370,287**	3,673,978	**4,370,287**	3,673,978
Inward reinsurance		**270,503**	204,002	**270,503**	204,002
Gross premium written		**13,416,270**	10,757,674	**13,416,270**	10,757,674
Increase in unearned premium	13.3	**(384,491)**	(129,492)	**(384,491)**	(129,492)
Gross premium income		**13,031,779**	10,628,183	**13,031,779**	10,628,183
Re-insurance expenses	25	**(3,229,828)**	(2,115,716)	**(3,229,828)**	(2,115,716)
Net premium income		**9,801,951**	8,512,467	**9,801,951**	8,512,467

25 Reinsurance expense

	Note	Group 2017	Group 2016	Parent 2017	Parent 2016
Reinsurance premium (Cost) paid during the year		**3,373,580**	2,614,627	**3,373,580**	2,614,627
Change in Prepaid Reinsurance Premium	4.1.2	**(26,054)**	(86,846)	**(26,054)**	(86,846)
Change in Reinsurance Share of UPR	4.1.1	**(117,698)**	(412,065)	**(117,698)**	(412,065)
		3,229,828	2,115,716	**3,229,828**	2,115,716

The sum of N846,093,864 was ceded locally while N2,527,486,136 was ceded to foreign Re-insurers. In 2016 it stood at (Local: N745,168,695: Foreign N1,869,458,305).

25.1 Reinsurance expense

	Group 2017	Group 2016	Parent 2017	Parent 2016
Motor	**34,686**	45,705	**34,686**	45,705
Marine	**502,936**	333,773	**502,936**	333,773
Fire	**1,122,065**	788,756	**1,122,065**	788,756
General Accident	**852,158**	658,082	**852,158**	658,082
Oil & Gas	**717,983**	289,400	**717,983**	289,400
	3,229,828	2,115,716	**3,229,828**	2,115,716

Reinsurance expenses of N3,229,828,000, the sum of N2,411,897,868 was paid to the foreign insurers while N817,930,132 was paid to local insurers. In 2016 reinsurance expense stood at N2,115,716,000 (Foreign N1,512,587,335- Local N603,128,665

26 Fee and commission income

Fee income represents commission received on direct business and transactions ceded to re-insurance during the year under review.

	Group 2017	Group 2016	Parent 2017	Parent 2016
Motor	**3,863**	1,748	**3,863**	1,748
Marine	**130,789**	105,012	**130,789**	105,012
Fire	**292,362**	243,417	**292,362**	243,417
General Accident	**231,338**	194,635	**231,337**	194,634
	658,353	544,813	**658,353**	544,813

Notes to the Financial Statements (Cont'd)

27	Claims Expenses	Note	Group		Parent	
			2017	2016	**2017**	2016
			N'000	N'000	**N'000**	N'000
	Gross Claims paid		**5,011,489**	4,059,851	**5,011,489**	4,059,851
	Changes in outstanding claims		**129,789**	650,545	**129,789**	650,545
	Adjustment due to Exchange difference		**-**		**-**	
	Changes in IBNR		**(12,995)**	75,622	**(12,995)**	75,622
	Gross Claims expenses		**5,128,284**	4,786,018	**5,128,284**	4,786,018
	Claims recovered		**(615,308)**	(180,455)	**(615,308)**	(180,455)
	Reinsurers recovered	27.1	**(2,729,401)**	(1,935,782)	**(2,729,401)**	(1,935,782)
	Net Claims expenses		**1,783,574**	2,669,780	**1,783,574**	2,669,780

Claims expenses consist of claims paid during the financial year together with the movement in the provision for outstanding claims.

27.1	Recoverable from reinsurers		**2017**	2016	**2017**	2016
			N'000	N'000	**N'000**	N'000
	Receipt from reinsurance during the year	4.4	**2,215,794**	1,400,433	**2,215,794**	1,400,433
	Change in Reinsurance share of Claims paid		**345,972**	14,019	**345,972**	14,019
	Changes in Reinsurance share of IBNR	4.2	**131,324**	128,634	**131,324**	128,634
	Changes in Reinsurance share of Outstanding Claims	4.3	**36,311**	392,696	**36,311**	392,696
			2,729,401	1,935,783	**2,729,401**	1,935,783

28	Underwriting Expenses					
	Commission expense	27.1	**2,565,119**	1,800,388	**2,565,119**	1,800,388
	Maintenance expense	27.2	**1,599,056**	1,150,134	**1,599,056**	1,150,134
			4,164,175	2,950,522	**4,164,175**	2,950,522

28.1 Commission expense

The analysis of commission expenses by business class is as follows:

Motor	**774,893**	471,586	**774,893**	471,586
Marine	**324,782**	234,521	**324,782**	234,521
Fire	**719,951**	509,641	**719,951**	509,641
General Accident	**582,167**	520,363	**582,167**	520,363
Oil & Gas	**163,327**	64,277	**163,327**	64,277
	2,565,119	1,800,388	**2,565,119**	1,800,388

28.2 Maintenance expense

Motor	**687,594**	391,045	**687,594**	391,045
Marine	**199,882**	126,515	**199,882**	126,515
Fire	**207,877**	264,531	**207,877**	264,531
General Accident	**319,811**	264,531	**319,811**	264,531
Oil & Gas	**183,891**	103,512	**183,891**	103,512
	1,599,056	1,150,134	**1,599,056**	1,150,134

Underwriting expenses consist of acquisition and maintenance expenses which include commission and policy expenses, proportion of staff cost. Underwriting expenses for insurance contracts are recognised as expense when incurred.

Notes to the Financial Statements (Cont'd)

		Note	Group		Parent	
29	**Investment Income**		**2017**	2016	**2017**	2016
			N'000	N'000	**N'000**	N'000
	Dividend income		**99,668**	82,233	**99,668**	82,233
	Interest from fixed deposit		**530,488**	335,081	**530,488**	335,081
	Interest from Held to Maturity		**29,256**	27,951	**29,256**	27,951
	Interest from statutory deposit		**50,533**	34,207	**50,533**	34,207
			709,944	479,472	**709,944**	479,472
29.1	**Investment Income**					
	Attributable to Policy holders		**354,942**	239,715	**354,942**	239,715
	Attributable to Share holders		**355,003**	239,757	**355,003**	239,757
			709,944	479,472	**709,944**	479,472
30	**Net Fair Value Gains/(Losses)**					
	Investment properties					
	Fair Value Loss/(Gains)	9	**197,591**	49,260	**197,592**	49,260
	Fair Value through Profit or Loss:					
	Quoted Equity Securities	2.1	**521,653**	51,755	**521,653**	51,755
			719,244	101,015	**719,245**	101,015
31	**Other Income**					
	Sundry Income		**30,693**	10,512	**884**	99
	Rental Income		**27,207**	27,498	**27,207**	27,498
	Exchange (Loss)/gain	31.1	**(1,202)**	379,269	**(1,202)**	379,269
			56,699	417,279	**26,889**	406,866
31.1	**Exchange (Loss)/gain**					
	Exchange (Loss)/gain on Domiciliary Current Account		**(1,202)**	249,669	**(1,202)**	249,669
	Exchange (Loss)/gain on Investment Account		**-**	129,600	**-**	129,600
			(1,202)	379,269	**(1,202)**	379,269

Notes to the Financial Statements (Cont'd)

32 Cashflow from Operating activities		Group		Parent	
		2017	2016	**2017**	2016
	Notes	**N'000**	N'000	**N'000**	N'000
Operating profit before tax		**3,094,769**	2,145,772	**3,082,621**	2,186,058
Adjustment for non-operating items:					
Depreciation	12.1	**314,826**	304,776	**313,728**	303,677
Amortization of intangible asset	11	**5,017**	8,865	**653**	4,501
Loss on disposal of property and equipment		**25,776**	1,334	**25,776**	1,334
Share of Profit in Associate		**(99,985)**	(71,516)	**(99,985)**	(71,516)
fair value Loss/(gain) on investment properties	9	**(197,592)**	(49,261)	**(197,592)**	(49,261)
Fair value (gain)/loss on quoted investment	2.1	**(521,653)**	(51,755)	**(521,653)**	(51,755)
Exchange Loss/(gain)	31	**1,202**	(379,269)	**1,202**	(379,269)
Service & Interest cost on retirement benefit	16	**13,164**	12,301	**13,164**	12,301
Investment Income	29	**(709,945)**	(479,472)	**(709,944)**	(479,472)
Cashflow changes before changes in working capital		**1,925,579**	1,441,774	**1,907,970**	1,476,598
Changes in operating assets and liabilities					
Decrease in Trade receivables		**(55,495)**	(136,543)	**(55,495)**	(136,543)
Decrease/(Increase) in Reinsurance assets		**(657,360)**	(1,034,260)	**(657,360)**	(1,034,260)
Decrease/(Increase) in Deferred acquisition cost		**(99,049)**	10,667	**(99,049)**	(44,516)
Decrease in Other receivables and prepayments		**(61,078)**	28,935	**(54,014)**	(27,227)
(Decrease)/Increase in Insurance contract liabilities		**501,286**	534,422	**501,286**	855,659
(Decrease)/Increase in Trade payables		**8,379**	31,901	**8,379**	65,315
Increase/(Decrease) in Other payables		**90,296**	(64,942)	**104,662**	(8,740)
Net cash inflow from operating activities		**1,652,558**	811,953	**1,656,377**	1,146,285
Exchange (Loss)/gain	31	**(1,202)**	379,269	**(1,202)**	379,269
Foreign exchange difference		**-**	62,932	**-**	-
Gratuity benefit to employee	16	**(31,963)**	(31,969)	**(31,963)**	(31,969)
Tax paid	17.1	**(211,435)**	(106,470)	**(211,435)**	(106,470)
		1,407,959	1,115,714	**1,411,777**	1,387,114

Notes to the Financial Statements (Cont'd)

			Group		Parent	
33	**Management Expenses**		**2017**	2016	**2017**	2016
			N'000	N'000	**N'000**	N'000
	Auditors Remuneration		**9,000**	9,500	**8,000**	8,000
	Employee Benefits	33.1	**1,341,892**	1,082,969	**1,333,674**	1,070,136
	Other Management Expenses	33.2	**1,307,146**	953,156	**1,304,165**	922,250
	Depreciation & Amortisation		**319,844**	313,530	**314,381**	308,068
			2,977,882	2,359,156	**2,960,221**	2,308,456
					-	
33.1	**Employee benefit expenses**					
	Salaries and Wages		**720,780**	715,175	**713,935**	709,292
	Medical Expenses		**71,244**	89,710	**70,955**	89,419
	Staff Training		**166,505**	97,725	**166,329**	91,725
	Staff Welfare		**324,423**	123,189	**323,916**	122,794
	Gratuity	16	**13,164**	12,301	**13,164**	12,301
	Employers' Pension Contribution		**45,778**	44,869	**45,375**	44,605
			1,341,892	1,082,969	**1,333,674**	1,070,136
33.2	**Other Management Expenses**					
	Advertising		**110,444**	53,613	**110,444**	53,613
	Occupancy Expenses		**441,355**	247,686	**441,355**	247,686
	Communication and Postages		**87,433**	54,916	**87,399**	54,894
	Office Supply and Stationery		**38,111**	58,143	**38,111**	58,143
	Fees and Assessments		**195,876**	198,270	**195,064**	198,270
	Admin. Expenses		**433,928**	340,527	**431,793**	309,645
			1,307,146	953,156	**1,304,165**	922,250
34	**Loss on disposal of Property and Equipment**					
	Sale proceeds		**1,063**	1,194	**1,063**	1,194
	Cost	12	**(148,445)**	(36,442)	**(148,445)**	(36,442)
	Accumulated depreciation	12	**121,606**	33,914	**121,606**	33,914
			(25,776)	(1,334)	**(25,776)**	(1,334)
35	**Earnings Per Share**		**2017**	2016	**2017**	2016
			N'000	N'000	**N'000**	N'000
	Net profit attributable to ordinary shareholders for basic and diluted EPS		**2,775,270**	*1,817,797*	**2,763,121**	*1,848,616*
	Weighted average number of ordinary shares for EPS		**5,280,503**	*5,280,503*	**5,280,503**	*5,280,503*
	Basic Earnings Per Share (kobo)		**53**	34	**52**	35
	Diluted Basic Earnings Per Share (kobo)		**53**	34	**52**	35

There have been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and date of completion of these financial statements.

Notes to the Financial Statements (Cont'd)

36 Chairman's and Directors' Emoluments

	Group		Parent	
	2017	2016	**2017**	2016
	N'000	N'000	**N'000**	N'000
Fees				
Chairman	**3,500**	3,500	**3,500**	3,500
Other Directors	**10,000**	7,500	**10,000**	7,500
	13,500	11,000	**13,500**	11,000
Emoluments as Executives	**52,100**	52,100	**52,100**	52,100
	65,600	63,100	**65,600**	63,100

The number of Directors excluding the Chairman whose emoluments were within the following ranges were:

N		N				
5,000,001	-	6,000,000	-	-	**-**	**-**
8,000,001	-	9,000,000	**4**	**3**	**2**	**2**
9,000,001	-	10,000,000	**-**	**-**	**1**	**1**
10,000,001	-	Above	**3**	**2**	**2**	**2**
			7	**5**	**5**	**5**

The Highest paid Director earned **N 32,600,000** in 2017 (2016:N 30,800,250)

37 Staff Costs

	Group		Parent	
The average number of persons employed (excluding Directors) in the financial year and staff costs were as follows:	**2017**	2016	**2017**	**2016**
Managerial	**15**	15	**14**	14
Senior	**141**	140	**140**	139
Junior	**59**	57	**59**	57
	215	212	**213**	210

The related staff costs in 2017 was **N 1,341,892,000** (2016**;** N 1,082,969,000)

38 Related party transactions

Transaction with Key Personnel

The key Management personnel of the Company comprises of both the Board of Directors and the Management Team of the company.

Short term Benefits (Board of Directors)	**2017**	2016	**2017**	2016
Fees:	**N'000**	N'000	**N'000**	N'000
Chairman	**3,500**	*3,500*	**3,500**	*3,500*
Other Directors	**10,000**	*7,500*	**10,000**	*7,500*
	13,500	*11,000*	**13,500**	*11,000*
Other Emoluments:				
Other Directors	**52,100**	*52,100*	**52,100**	*52,100*
	65,600	*63,100*	**65,600**	*63,100*
Short term Benefits (Management Team)				
Salaries and Allowances:	**202,820**	*202,820*	**197,974**	*197,974*
Total Short term benefits	**202,820**	*202,820*	**197,974**	*197,974*
Post Employment Benefits (Management Team)				
Pension	**18,161**	*18,161*	**17,695**	*17,695*
Total Post Employment benefits	**18,161**	*18,161*	**17,695**	*17,695*
Total Benefits to Key Personnel	**220,981**	*220,981*	**215,669**	*215,669*

Notes to the Financial Statements (Cont'd)

39 Employees Remunerated at Higher Rates

The number of employees in receipt of emoluments excluding allowance and pension within the following ranges were:

N		N	Group		Parent	
60,001	-	500,000	**60**	60	**60**	60
500,001	-	1,000,000	**108**	62	**106**	60
1,000,001	-	1,500,000	**34**	34	**34**	34
1,500,001	-	2,000,000	**3**	4	**3**	4
2,000,001	-	2,500,000	**7**	7	**7**	7
2,500,001	-	3,000,000	**-**	18	**-**	18
3,000,001	-	Above	**3**	27	**3**	27
			215	212	**213**	210

40 Financial Commitments

The Directors are of the opinion that all known liabilities and commitments relevant in assessing the Company's state of affairs have been taken into account in the preparation of these financial statements.

41 Comparative Figures

Certain prior year figures have been reclassified to conform with the current year's presentation and meet accounting standards disclosure requirements.

42 Contingencies and Commitments

(a) Capital Commitments

The company has spent N840 million on ongoing building project at Oniru Lagos and has been included in the consolidated financial statements as at 31 December 2017.

(b) Legal Proceedings and Regulations

At the Statement of Financial Position date, there were several law suits in various courts against the Company.

The directors are of the opinion that the Company will not incur any significant loss with respect to these claims and accordingly, no provision has been made in these Consolidated financial Statements.

43 Fines and Penalties

	Payee	Reason	Amount
1	Securities and Exchange Commision	Late returns	5,000,000
2	Securities and Exchange Commision	Late returns	5,160,000
3	Nigerian Insurers Association	Inadequate Disclosure	10,150
4	National Social insurance Trust Fund	Late Payment	97,258
			10,267,408

Underwriting Result Per Class of Business.

Underwriting Result Per Class of Business.

Group	MOTOR	MARINE	FIRE	GENERAL ACCIDENT	OIL & GAS	2017	2016
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Direct Business Premium	4,370,287	1,428,975	3,055,910	2,670,641	1,619,954	**13,145,767**	10,553,672
Reinsurance Inward	90,173	35,432	66,853	76,095	1,950	**270,503**	204,002
Gross Premium	4,460,460	1,464,407	3,122,763	2,746,735	1,621,904	**13,416,270**	10,757,674
Increase in Unexpired Risk	(131,087)	(45,658)	(82,339)	(90,773)	(34,634)	**(384,491)**	(129,492)
Gross Premium Earned	4,329,373	1,418,748	3,040,424	2,655,962	1,587,271	**13,031,779**	10,628,183
Reinsurance Cost	(34,686)	(502,936)	(1,122,065)	(852,158)	(717,983)	**(3,229,828)**	(2,115,716)
Net Premium Earned	4,294,687	915,812	1,918,359	1,803,804	869,288	**9,801,951**	8,512,467
Commission Received	3,863	130,789	292,362	231,338	-	**658,353**	544,813
	4,298,550	1,046,602	2,210,722	2,035,143	869,288	**10,460,304**	9,057,280
Direct Claim Paid	(1,931,247)	(178,021)	(1,934,278)	(808,031)	(159,912)	**(5,011,489)**	(4,059,851)
Increase in Outstanding Claims & IBNR	(35,518)	(27,528)	63,063	(114,607)	(2,205)	**(116,795)**	(726,167)
Gross Claim Incurred	(1,966,764)	(205,549)	(1,871,216)	(922,638)	(162,117)	**(5,128,284)**	(4,786,018)
Claim recoveries	128,314	91,859	277,702	117,434	-	**615,308**	
Reinsurance Recoveries	80,765	340,911	1,747,773	559,953	-	**2,729,401**	2,116,238
Net Claim Expense	(1,757,686)	227,221	154,260	(245,251)	(162,117)	**(1,783,574)**	(2,669,780)
Underwriting Expenses	(1,384,449)	(454,526)	(969,251)	(852,539)	(503,411)	**(4,164,175)**	(2,950,522)
Total Deduction	(3,142,134)	(227,305)	(814,991)	(1,097,790)	(665,528)	**(5,947,749)**	(5,620,303)
Underwriting Profit	1,156,416	819,297	1,395,730	937,353	203,759	**4,512,555**	3,436,977

Claim Development Table

45 Extracts from EY Nigeria Limited Valuation Report

45.1 Data Reconciliation

As part of our verification process, we have reconciled the gross written premium and the claims paid in the technical data, with the figures indicated in the financial accounts. We illustrate both set of figures below.

45.1.1 Claims Data

Class of Business	Gross Claims Paid Data	Gross Claims Paid Account	Precentage Difference
	N'000	N'000	
General Accident	2,670,641	808,031	230.51%
Fire	3,055,910	1,934,278	57.99%
Marine	1,428,975	178,021	702.70%
Motor	4,370,287	1,931,247	126.29%
Oil and Gas	1,619,954	159,912	913.03%
Total	**13,145,767**	**5,011,489**	162.31%

Whilst we are investigating the cause of the difference above, we are of the view that they will not materially impact the reserve figures advised.

45.1.2 Premium Data

Class of Business	Gross Premium Written Data	Gross Premium Written Account	Precentage Difference
	N'000	N'000	
General Accident	2,670,641	2,670,641	0.00%
Fire	3,055,910	3,055,910	0.00%
Marine	1,428,975	1,428,975	0.00%
Motor	4,370,287	4,370,287	0.00%
Oil and Gas	1,619,954	1,619,954	0.00%
Total	**13,145,767**	**13,145,767**	0.00%

45.1.3 Comments on Claims Data

I The claims data was divided into five risk groups - (Marine, Motor, Fire, General Accident and Oil & Gas) in accordance with the Nigerian Insurance Act 2003.

ii To enhance data credibility, we have not subdivided the claims data into sub risk group e.g. comprehensive, third party, private and commercial vehicles.

Claim Development Table Cont'd

45.2.1 Business Trend

We illustrate in the table below that the overall Gross Written Premium slightly increased by 24% between the calendar years 2016 and 2017 with increases in all sectors.

Class of Business	Gross Premium Written Data 2017	Gross Premium Written Data 2016	Precentage Difference
	N'000	N'000	
General Accident	2,670,641	2,362,277	13.1%
Fire	3,055,910	2,345,795	30.3%
Marine	1,428,975	1,153,369	23.9%
Motor	4,370,287	3,673,978	19.0%
Oil and Gas	1,619,954	1,018,253	59.1%
Total	**13,145,767**	**10,553,672**	24.6%

45.3 Valuation Methodology

We describe in this section the methods used for calculating Premium and Claim Reserve.

45.3.1 Premium Reserves

- **i** Our reserves consist of Unearned Premium Reserve ("UPR"), Unexpired Risk Reserve ("URR") and Additional Unexpired Risk Reserve ("AURR"), which are all described in section 3.
- **ii** We used the 365th (time apportionment) method each policy's unexpired insurance period UP as the exact number of days of insurance cover available after the valuation date and estimate the UPR as the premium *(UP)/ policy duration.
- **iii** We then calculate the expected future claims cost for all the unexpired policy called the Unexpired risk reserve (URR) as the product of our assumed Loss Ratio and the Unexpired Premium (UP) Typically, the Unearned Premium Reserve is expected to cover the unexpired risk. Where the unexpired risk exceeds the unearned premium we have held, an additional reserve called Additional Unexpired Risk Reserve (AURR) as described in section 3.

45.3.2 Claims Reserves

The claim reserves comprise of:

- **i** Outstanding Claims Reported (OCR)
- **ii** Incurred But Not Reported (IBNR)

The Gross Claim Reserve is the sum of the OCR and the IBNR.
The OCR is obtained from the annual financial statements and is the figure reported by the Loss Claim Adjusters.

In estimating the Gross Claim Reserves, we used four (4) approaches namely:

- **i** Basic Chain Ladder Method (BCL)
- **ii** Inflation Adjusted Basic Chain Ladder Method (IABCL)
- **iii** Boot Strap simulation (Stochastic approach)
- **iv** Discounted Basic Chain Ladder and Inflation Adjusted Basic Chain Ladder

However, based on the risk nature and claims distribution, we have as our reserve estimate recommended the Discounted IABCL Method.

Claim Development Table Cont'd

45.4 Valuation Results

45.4.1 Inflation Adjusted Chain Ladder Method - Result table

Discounted Inflation Adjusted Basic Chain Ladder Method - Discounted

Class of Business	Gross Outstanding Claims	Estimated Reinsurance Recoveries	Net Outstanding Claims
	N'000	N'000	N'000
Accident	1,021,231	(495,813)	525,418
Fire	893,180	(332,518)	560,662
Marine	283,570	(99,759)	183,811
Motor	611,220	(124,918)	486,302
Oil and Gas*	266,194	-	266,194
Total	**3,075,395**	**(1,053,008)**	**2,022,386**
Accounts (Outstanding Claims)	1,592,296	(729,310)	802,326
Difference	1,483,099	(323,698)	1,220,060

* Estimated using Expected loss ratio method and discounted

45.4.2 Incurred But Not Reported (IBNR) Table

Class of Business	Outstanding Claim Reserve	Outstanding Reported Claim Reserve	IBNR
	N'000	N'000	N'000
Accident	1,021,231	693,621	327,610
Fire	893,181	501,051	392,130
Marine	283,569	76,115	207,454
Motor	611,220	273,462	337,758
Oil and Gas	266,194	48,047	218,147
Total	**3,075,395**	**1,592,296**	**1,483,099**

45.4.3 Reinsurance IBNR table

Class of Business	Total Outstanding Reinsurance Recoveries	Outstanding Reported Reinsurance Recoveries	Reinsurance IBNR
	N'000	N'000	N'000
Accident	495,813	318,525	177,288
Fire	332,518	237,501	95,017
Marine	99,759	50,052	49,707
Motor	124,918	123,231	1,687
Oil and Gas			-
Total	**1,053,008**	**729,309**	**323,698**

Claim Development Table Cont'd

45.4.4 UPR (Gross and Reinsurance UPR) - Result table

Class of Business		Gross UPR	Reinsurance UPR	Net UPR
		N'000	N'000	N'000
Accident		812,909	(262,275)	550,634
Fire		737,377	(368,007)	369,370
Marine		408,890	(131,302)	277,588
Motor		1,173,937	(9,724)	1,164,213
Oil and Gas		310,158	(62,820)	247,338
Total		**3,443,271**	**(834,129)**	**2,609,142**

45.4.5 Additional Unexpired Risk Reserve (AURR)

We derived our expense ratio as the average of the management expense ratio for the last three years using the information provided by NEM Insurance Plc. The average expense ratio was calculated to be about 22%.

Class of Business		Claims Ratio	Combined Ratio
Accident		34%	56%
Fire		39%	61%
Marine		22%	44%
Motor		38%	60%
Oil and Gas		26%	48%

45.4.6 Conclusion

We are adopting the reserves from the Inflation Adjusted Discounted Chain Ladder method in this report. This method as indicated earlier

i - anticipates that total claim payments may be exposed to future inflationary pressures

ii - recognises that reserves should represent the present value of future claim payments

Technical Reserves

We are reporting Gross Reserves of N6.52 billion and Reinsurance Assets of N1.89 billion as shown in the table
below. Our estimates meet the Liability Adequacy Test.

Reserves	Gross	Reinsurance Assets	Net
	N'000	N'000	N'000
Claims	3,075,395	(1,053,008)	2,022,387
UPR	3,443,271	(834,129)	2,609,142
Total	**6,518,666**	**(1,887,137)**	**4,631,529**

Financial Risk Management Policy
Management of financial and insurance risk
NEM Insurance Plc issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the company manages them.

Insurance risk
The risk, under any insurance contract, is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company manages its insurance risk by means of established internal procedures that include underwriting authority levels, pricing policy, approved reinsurers list and monitoring.

NEM is exposed to underwriting risk through the insurance contracts that are underwritten. The risks within the underwriting risk category are associated with both the perils covered by the specific lines of insurance including General Accident, Motor, Fire, Marine and Aviation, Oil and Gas and Miscellaneous insurance, as well as the specific processes associated with the conduct of the insurance business. The various subsets of underwriting risks are listed below;

Underwriting Process Risk: risk from exposure to financial losses related to the selection and acceptance of risks to be insured.

Mispricing Risk: risk that insurance premiums will be too low to cover the Company's expenses related to underwriting, claims, claims handling and administration.

Individual risk: This includes the identification of the risk inherent in an insured property (movable or unmovable), we shall ensure surveys are performed and reviewed as at when due and that risks are adequately priced.

Claims Risk (for each peril): Risk that many more claims occur than expected or that some claims that occur are much larger than expected claims resulting in unexpected losses to the Company. The underwriting risk assessment shall also determine the likelihood of a claim arising from an insured risk by considering various factors and probabilities, determined by information obtained from the insured party, historical information on similar risks and available external data.

Concentration risk (including geographical risk): This includes identification of the concentration of risks insured by NEM. NEM utilizes data analysis, software and market knowledge to determine the concentration of its risks by insurance class, geographic location, exposure to a client or business. The assessment of the concentration risk is consistent with the overall risk appetite as established by the Company.

Underwriting Risk Appetite
The following statements amongst others shall underpin NEM's underwriting risk appetite:
- We do not underwrite risks we do not understand;
- We are cautious in underwriting unquantifiable risks;
- We are extremely cautious in underwriting risk observed to poorly managed at proposal state e.g. those with low safety standards, shoddy construction or businesses with excessively high risk profile;
- We carefully evaluate businesses or opportunities that could create systemic risk exposures i.e. incidents of multiple claims occurring from one event e.g. natural catastrophe risks, and risks dependent on the macroeconomic environment);
- We consider all applicable regulatory guidelines while carrying out our underwriting activities;
- We established and adhere to internal standards for co-insurance, reinsurance transactions;
- We exercise extreme caution when underwriting discrete (one-off) risks, particularly where we

Financial Risk Management Policy (Cont'd)

do not have the requisite experience or know-how;

- Where the broker has inadequate knowledge of the trade of the client or the class of business, we exercise caution in taking on such risks into our books;
- We exercise extreme prudence and caution when dealing with clients with financial difficulties or poor payment records; and with transient clients who change insurers regularly; and
- We ensure compliance with NAICOM's guideline on KYC for consistency.

Underwriting Strategy

The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Any risks exceeding the underwriting limits require head office approval. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Products and Services

NEM Insurance Plc is presently operating as a non-life insurance company and we have a wide range of insurance products and services that are tailored to meet the specific needs of the company's clients. Insurance contracts are issued on an annual contract either directly to the customer or through accredited insurance brokers and agents. Premiums from brokers and agents are payable within 30 days, whereas from direct customers immediately. The following is a broad spectrum of the products and services the company is offering:

Fire/Extraneous Perils Policy

This type of policy will provide indemnity to the insured in the event of loss or damage to property covered under it as a direct result of fire outbreak, lightning or explosion. Other extraneous perils such as social disturbances like strike and riot, and natural disasters like storm damage, flood and earthquake can also be covered by an extension of the standard scope of the cover. The items to be insured are usually made up of the following:

a) Buildings
b) Office Furniture, Electrical & Electronic Equipment
c) Plant and Machinery
d) Stock of Raw Materials and finished goods
e) Loss of Annual Rent for alternative accommodation.

The policy also contains various other extensions that are granted at no extra cost to the policyholder. The replacement cost of the items to be insured will have to be supplied to us for assessment to facilitate quotation of the premium payable.

Financial Risk Management Policy (Cont'd)

Consequential Loss Policy
This type of policy, often referred to as "business interruption insurance" is designed to indemnify the insured against loss of productive capacity or future earning power which may occur as a result of loss or damage to the premises and property insured under the Fire/Extraneous Perils in 1 above. This policy is normally taken out in conjunction with the Fire Policy so that when the latter pays for the material damage to property insured under it, this will pick up the intangible loss that will flow from the primary loss of the Fire perils. The items usually covered under this policy are as follows:
a)Gross Profit
b)Salary and Wages
c)Auditor's fees
The sum insured to be indicated against the items of Gross Profit should represent the difference in turnover and the total of standing and variable charges. The sum insured on Salary and Wages will be that which is required to maintain some key staff pending resumption of business while the sum insured on Auditor's Fees will represent charges that any firm of accountants will make in preparing papers for insurance claim.

Burglary/Housebreaking Policy

This type of policy is designed to indemnify the insured against loss or damage resulting from theft or attempted theft which is accompanied by actual forcible or violent entry into or out of the premises or any attempt theft. The items usually covered under this policy are similar to those under the Fire/Extraneous Perils policy above with the exception of Buildings and Loss of Rent. The replacement cost of the relative items would have to be supplied to enable us submit our quotation.

Fidelity Guarantee Policy

This is a form of policy that protects an organization against loss of money or valuable stock as a result of dishonesty or fraudulent activity of employees. It is possible to grant cover on named basis, positions basis or on a blanket basis. In any of these cases, the number of persons and the limit of guarantee any one loss would be advised as well as aggregate amount of guarantee in a given year. Once we have this information, we would be in a position to quote for premium payable.

Public Liability Policy

This policy also covers the insured against legal liability to third party for cost and expenses incurred in respect of accidental death, bodily injury and accidental damage to property occurring within the insured's premises or at work-away premises. The vicarious liability of the insured's employee can also be covered provided it arose in the course of carrying out his official duties. The Company usually require the insured to indicate the limit of cover required to enable her advise the premium payable.

Money Policy
This is another type of All Risks policy which is designed to cover any fortuitous event that could result in the loss of cash while in the course of transit either to or from the bank. The cover will also operate while the money is on the premises of the insured and while in a securely locked safe. The policy can also be extended to cover cash in the personal custody of selected management staff.

Financial Risk Management Policy (Cont'd)

Goods in Transit Policy

This is also an "All Risks" policy covering goods being carried from one location to another. Any loss not specifically excluded under the policy is covered and the insurance is suitable for any organization that is engaged in movement of goods either by road or rail and the cover will operate when the goods are being conveyed by the insured's owned or hired vehicles. Losses arising from Fire and Theft are covered under this policy.

Group Personal Accident Policy

This type of policy is designed to foster the welfare of employees as well as reduce the financial constrain that an organization could undergo in the event of death or bodily injury to a member of staff arising as a result of any injury sustained through accidental, violent, external and visible means. The policy provides a world-wide cover on 24 hours basis and benefits payable in respect of Death and Permanent Disability are usually expressed as multiple of salaries. Cover also extends to pay weekly benefit in the event of temporary total disability resulting from bodily injury to the insured person as well as certain allowance for expenses incurred on medical treatment as a result of accidental injury. Death or injuries from natural causes are however not covered.

Motor Insurance Policy

This class of insurance is made compulsory by Government through the legislation known as the Motor Vehicle (Third Party) Insurance Act of 1945. Third Party Only cover which is the minimum type of insurance legislated upon provides indemnity to policyholder against legal liability to Third Parties for death, bodily injury and property damage.

The most popular type of cover under this policy is comprehensive insurance which, in addition to the cover provided under the Third Party Only, will also indemnify the policyholder for loss or damage to the vehicle resulting from road accident, fire and theft. The premium payable for the various forms of cover under this policy is regulated by a statistical table of rate known as "tariff" which is approved by Government.

Marine Policies

CARGO: The policy issued here is to provide indemnity for loss or damage to imported goods being conveyed by sea or air. The All Risks type of cover known as Clauses "A" provides indemnity to the insured in the event of total or partial loss of the goods while the restricted cover known as Clauses "C" would provide indemnity in the event of total loss only. To enable us determine the premium payable in this regard, we would require information on the nature and value of goods being imported as well as the type of cover required.

HULL: This type of policy is issued on vessels and yachts to provide indemnity for any loss, damage or liability that may arise from their use. The scope of cover provided is either an "all risks" or "total loss only" while the policy usually carries a deductible of about 10% of the value of the vessel or yacht.

Aviation Policy
This policy provides comprehensive cover against loss or damage to insured aircraft while operating anywhere in the world. Cover also extends to include the operator's legal liability to Third Parties for death, bodily injury and property damage. Liability to passengers is also covered up to a certain limit

Financial Risk Management Policy (Cont'd)

selected. In order to ensure full protection for our clients, we reinsure as much as 90% of this type of risk in the London Aviation Market through one of our overseas associates. The essence of this arrangement is to obviate the problem of absorption in the Nigerian Market which has limited capacity for Aviation Insurance and also to afford our clients the opportunity of having a dollar/sterling based insurance policy.

Machinery Breakdown Policy

This policy is designed to cover any damage to a plant or equipment while working or at rest, or being dismantled for the purpose of cleaning, repairing or overhauling. In the same vein, boiler and pressure vessels can be covered under a separate but similar policy.

Electronic Equipment Policy

This policy is designed to cover any loss or damage that could result while any computer and or equipment insured is working or at rest. The cover under this policy also extends to include loss or damage to external data media such as diskettes and tapes containing processed information while such are kept within the premises. The increase in cost of working, as a result of damage to the main computer equipment, is also covered and indemnity is provided for alternative means of carrying on operation. With payment of an additional premium, this policy can be extended to cover the risk of theft.

Energy Risks

The policies on offer in this area have been specifically developed to take advantage of the insurance opportunities created by the Nigerian Content Policy. The Nigerian content policy is aimed at utilizing Nigerian human and material resources in creating values in the country through all contracts awarded in the Oil and Gas industry and the Power sector of the economy. NEM Insurance Plc has carved a niche as the Leader in provision of Oil & Gas and Energy Insurance in Nigeria.

Our focus is on the following areas:
• Upstream Risks which includes Construction/Erection All Risks, Operators Extra Expense Insurance, Property Insurance and General Third Party Liability Insurance.
• Downstream Risks which includes the downstream properties (Refineries and Petrochemical plants, Onshore pipelines, Oil tank farm, Gas processing plants, Pumping and Metering stations, Gas turbines and Boilers, Damage to Asset and other related downstream sector risks.
• Power, Solid Mineral and Other special products.

The above products have been packaged for marketing to the public sector as well as various manufacturing, industrial and commercial concerns. Financial institutions such as banks, mortgage and stock broking firms are also being offered these products. Our company is innovative in approach and we specialize in packaging policies in line with the needs of the various segments of the economy. NEM Insurance Plc also provides comprehensive risk management services. The company carries out various risk surveys and make appropriate recommendations towards risk improvement and minimization of loss impacts.

Financial Risk Management Policy (Cont'd)

Approach to Management of Underwriting Risks
The Company's underwriting risk shall be managed by adhering to policies, principles and guidelines spelt out in the Annual Underwriting Plan.

Where the broker has inadequate knowledge of the trade of the client or the class of business and the client not willing to disclose such information, the Company shall exercise caution in taking on such risks.
The Company shall exercise extreme prudence and caution when dealing with clients with financial difficulties or poor payment records; and with transient clients who change insurers regularly; and The Company shall ensure compliance with the National Insurance Commission's guidelines on "Know Your Customer" (KYC) requirement to get enough information about the transaction.

The company carries out timely pre-loss inspection/survey exercise of risks, preferably before commencement of cover but not later than 48 hours after commencement of risks.

We limit acceptance of risks to a more convenient value/share while spreading excess through co-insurance or facultative basis. We ensure application/introduction/review of policy terms and conditions including clauses/warranties that will deal with areas of concern which will at the end of the day make the risk worthy of being in the company's portfolio.

Risk Acceptance Rules
The company shall follow the provisions (terms and conditions) of the reinsurance treaties that were arranged for the classes of insurance that any risk offered for insurance falls under in deciding whether to accept the risk or not. This shall be the case on all cases where the sum insured of the risk is more than the company's retention as contained and evidenced by the treaty cover notes.

For any risk that Reinsurance Treaty could not be arranged for, acceptance of such risks shall be limited to any limit set by the company for such risks at the beginning of each year and shown in the underwriting plan.

Energy Insurance Risks

No risks relating to the special covers in (as different from the standard covers) Energy, Oil and Gas shall be accepted without clarification from the Head of Energy Department or Head of Branch Operations Department (for risks coming from the Branch/Area/Agency offices).

Marine Insurance Risks

No Marine insurance risk (Hull or Cargo), Marine Cargo or any other special risks of different nature but relating to Marine Insurance e.g. Marine Cargo Insurance export, shall be accepted without clarification from the Heads of Technical, Energy and Branch Operations Departments. The company shall not accept Marine Cargo business in respect of fish head risks whether as import or export. Where it must be covered for any reason, cover shall be limited to ICC "C" and on rate of premium of a minimum of 0.20%.

Financial Risk Management Policy (Cont'd)

Aviation Risks
No Aviation risk, Marine Hull risk, Marine Cargo export and any other special risks of different nature shall be accepted without clarification from the Heads of Technical, Energy and Branch Operations Departments.

Approaches to Risk Mitigation
Generally, we shall apply any of the following four (4) approaches to risk mitigations:

a) Risk Termination (Avoidance)
Under the risk termination approach, we will take measures to avoid risks that are outside our risk appetite, not aligned to our strategy or offer rewards that are unattractive when compared to the risk undertaken. Specifically, we will discontinue activities that generate these risks, such as divesting from certain geographical markets, product lines or businesses. Generally, we will utilise these approach for high-risk events that remain unacceptably high even after we have applied controls.

b) Risk Treatment (Reduction)
Under the risk treatment approach, we would accept the risks inherent in our transactions, but shall take measures, through our system of internal controls, to reduce the likelihood and/or impact of these risks. Generally, we would utilise this approach for risks that occur frequently and have low impact. Some of the measures we shall take under this approach may include formulating or enhancing policies, defining boundaries and authority limits, assigning accountabilities and measuring performance, improving processes, strengthening existing controls or implementing new controls and continuing education and training.

c) Risk Transfer (Sharing)
Under the risk transfer approach, we would accept the risks inherent in our transactions, but shall take measures to transfer whole or portions of the risk to an independent counterparty. Specifically, we shall transfer our risks to an independent counterparty such as co-insurance and reinsurance companies by utilising contracts and arrangements. We will retain accountability for the outsourced risk and that outsourcing does not eliminate risk but only changes our risk profile. The relevant business units shall be responsible for identifying and incorporating the risks arising from such risk transfer arrangements in their risk registers. The business units shall also be responsible for managing the resultant risks and reviewing the risk transfer arrangement to ensure that it is still capable of mitigating the initial risk.

d) Risk Tolerance (Acceptance)
Under the risk tolerance approach, we would accept the risks inherent in our transactions and would not take any action to change the likelihood and/or impact of the risks. We shall adopt this approach where the risk is low and the cost of further managing the risk exceeds the potential benefit should the risk crystallize.

d) Reinsurance Treaty Cover
We have arranged very adequate reinsurance treaties to enable us accommodate risks with high necessary support in the event of large claims. Our treaties are arranged by UAIB RE and placed with a consortium of reputable reinsurance companies.
The types of re-insurance on NEM Treaty are:
1) Quota share
2) Surplus
3) Excess of loss

Financial Risk Management Policy (Cont'd)

1) **Quota share**
This is the simplest type of Re-insurance whereby a Reinsurer agrees to reinsure a fixed proportion of every risk accepted by the ceding company, sharing proportionately in all losses and receiving in the same proportion of all direct net premium, less the agreed reinsurance commission.

2) **Surplus**
Under this arrangement the ceding company can retain a risk up to the level of its agreed Retention amount. The proportion of the risk which is beyond the Retention amount is then ceded into the Surplus treaty and reinsurer receives a proportionate share of the premium, less reinsurance commission.

3) **Excess of Loss**
This arrangement protects the ceding company against a loss where the ceding company's claims liability exceeds its retention.

Concentration of insurance risk
The Company monitors concentrations of insurance risk by product and sector. An analysis of concentrations of insurance risk at 31 December 2017 and 2016 for Gross Premiums written is set out below:

(a) By product	**31-Dec 2017 N'000**	31-Dec 2016 N'000
Motor business	**4,460,460**	3,693,567
Fire & Property	**3,122,763**	2,418,955
Marine & Aviation	**1,464,407**	1,193,348
General Accident	**2,746,735**	2,428,335
Energy business	**1,621,904**	1,023,470
	13,416,270	10,757,674

(b) By sector	**31-Dec 2017 N'000**	31-Dec 2016 N'000
Energy	**1,493,328**	1,197,407
Financial Services	**3,941,177**	3,160,185
IT/Telecoms & Other Corp.	**3,276,198**	2,626,980
Manufacturing	**3,587,595**	2,876,670
Retail	**1,117,972**	896,432
	13,416,270	10,757,674

Financial Risk Management Policy (Cont'd)

Financial risk management
NEM Insurance Plc operates in a highly complex and competitive environment driven by the need to meet all claim obligations, maximize returns to shareholders and comply with all statutory and regulatory requirements. The Company is in the business of managing risks for public and private entities as well as individuals. In the ordinary course of its business activities, the Company is exposed to a variety of financial risks, including currency risk, liquidity risk, credit risk, country risk and market risk as well as operational and compliance risks.

Risk is the level of exposure to opportunity, threat and uncertainty – that should be identified, understood, measured and effectively managed, in the course of executing the Company's business strategies. In terms of opportunity, we see risk in relation to returns in that the greater the risk, the greater the potential return. We therefore manage risk by using several methods to maximize the positive aspects within the constraints of our risk appetite and business environment.

In terms of threat, we see risk as the potential for the occurrence of negative events such as financial loss, fraud, damage to reputation or public image and loss of competitive advantage. We therefore manage risk in this context by introducing risk management techniques to reduce the probability of these negative events occurring without incurring excessive costs or stifling the initiative, innovation, and entrepreneurial flair of our staff.

In terms of uncertainty, we see risk as the distribution of all possible outcomes both positive and negative. In this context, we manage uncertainty by seeking to reduce the variance between anticipated outcomes and actual results.

RISK MANAGEMENT PHILOSOPHY AND CULTURE

Our risk management philosophy and culture consist of our shared beliefs, values, attitudes and practices with respect to how we consider risk in everything we do, from strategy development and implementation to every aspect of our day-to-day activities.

"We shall underwrite all profitable transactions that we consider prudent and meets our risk appetite and profile. We shall take calculated and informed risk while seeking to maximize returns and shareholders' value. We shall continuously evaluate the risk and rewards inherent in our business transactions, from strategy development and implementation to our day-today activities. We believe that to achieve this objective would require a good understanding of the risks we are taking and the effective management of these risks both at the individual and enterprise levels".

We therefore manage and control risk by introducing new risk management techniques, enhancing existing risk management practices and placing a greater emphasis on cooperation among departments to comprehensively manage the Company's full range of risks as a whole. The Company proactively formulates strategies and plans that enable the identification and management of events/factors/occurrences that impact our ability to attain our business and strategic objectives.

Financial Risk Management Policy (Cont'd)

Risk Management Strategy

The Company adopts the following strategy for managing risks:

i. Establish a clearly defined risk management process for identifying, measuring, controlling, monitoring and reporting risks.
ii. Entrench and incorporate risk management principles in all functions across the Company
iii. Comprehensive implementation and maintenance of our risk management framework
iv. Ensure good corporate governance practices
v. Board and senior management support to promote sound risk management
vi. Zero tolerance for non-compliance with risk and control procedures
vii. Avoid concentration of risk to any industry, market, sector or individual entity.
viii. Deployed a risk management systems to facilitate the effective management of risks

Short-term insurance contracts

For short-term insurance contracts, the Company funds the insurance liabilities with a portfolio of equity and debt securities exposed to market risk. The following tables indicate the contractual timing of cash flows arising from assets and liabilities included in the Company's ALM framework for management of short-term insurance contracts.

At 31 December 2017	Carrying amount N'000	No stated maturity	0 - 90 days	91 - 180 days	180 - 365 days	1 - 2 years	> 2 years
Financial assets							
Cash & bank balances	1,060,850		1,060,850	-			
Short Term Deposits	2,264,490		2,264,490				
Trade receivables	723,535		723,535				
Other Receivables	183,755		98,257		85,498		
Debt securities	181,365						181,365
Equity securities							
- quoted	1,347,461	1,347,461	-	-	-	-	-
- unquoted	1,167,339	1,167,339	-	-	-	-	-
	6,928,795	**2,514,800**	**4,147,132**	**-**	**85,498**	**-**	**181,365**
Insurance liabilities							
Insurance Contract liability	6,518,667	-	6,518,667	-	-	-	-
Reinsurance Asset	(2,382,458)	-	(2,382,458)	-	-	-	-
	4,136,209	**-**	**4,136,209**	**-**	**-**	**-**	**-**

At 31 December 2016	Carrying amount N'000	No stated maturity	0 - 90 days	91 - 180 days	180 - 365 days	1 - 2 years	> 2 years
Financial assets							
Cash & bank balances	863,510		863,510	-			
Short Term Deposits	2,601,065		2,601,065				
Trade receivables	668,040		668,040				
Other Receivables	129,741		56,279		73,495		
Debt securities	192,707						192,707
Equity securities							
- quoted	820,809	820,809	-	-	-	-	-
- unquoted	1,157,823	1,157,823	-	-	-	-	-
	6,433,695	**1,978,632**	**4,188,894**	**-**	**73,495**	**-**	**192,707**
Insurance liabilities							
Insurance Contract liability	6,017,381	-	6,017,381	-	-	-	-
Reinsurance Asset	(1,725,098)	-	(1,725,098)	-	-	-	-
	4,292,283	**-**	**4,292,283**	**-**	**-**	**-**	**-**

Financial Risk Management Policy (Cont'd)

The sensitivity analysis below is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated - for example, change in interest rate and change in market values.

(a) Sensitivity analysis - interest-rate risk

31 December 2017 (N'000)

Assets	**Carrying amount**	**Fixed rate**	**Floating rate**	**Non-interest bearing**
Cash and cash equivalent	3,325,340	-	-	3,325,340
Trade receivables	723,535	-	-	723,535
Reinsurance Assets	2,382,458	-	-	2,382,458
Debt securities	181,365	181,365	-	
	6,6,92,698	**181,365**	**-**	**6,431,334**
Liabilities				
Non-life insurance liability	6,518,667	-	-	6,518,667
Other liabilities	770,316	-	-	770,316
Bank Overdraft	-		-	-
Debt security in issue	-	-	-	-
	7,288,983	**-**	**-**	**7,288,983**

31 December 2016 (N'000)

Assets	**Carrying amount**	**Fixed rate**	**Floating rate**	**Non-interest bearing**
Cash and cash equivalent	3,464,575	-	-	3,464,575
Trade receivables	668,040	-	-	668,040
Reinsurance Assets	1,725,098	-	-	1,725,098
Debt securities	192,707	192,707	-	-
	6,050,060	**192,707**	**-**	**5,857,353**
Liabilities				
Non-life insurance liability	6,017,381	-	-	6,017,381
Other liabilities	656,155	-	-	656,155
Bank Overdraft	-		-	
Debt security in issue	-	-	-	-
	6,673,536	**-**	**-**	**6,673,536**

The impact on the Company's profit before tax if interest rates on financial instruments held at amortised cost or at fair value had increased or decreased by 100 basis points, with all other variables held constant are considered insignificant. This is due to the short term nature of the majority of the financial assets measured at amortised cost.

(b) Sensitivity analysis - equity risk

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded in the market.

Management monitors movements of financial assets and equity price risk movements by assessing the expected changes in the different portfolios due to parallel movements of a 10% increase or decrease in the Nigeria All share index with all other variables held constant and all the Company's equity instruments in that particular index moving proportionally.

Financial Risk Management Policy (Cont'd)

As at 31 December 2017, the market value of quoted securities held by the Company is N 1.347 billion (2016: N 821 million). If the all share index of the NSE moves by 100 basis points at 31 December 2017, the effect on profit or loss would have been N 13.47 million (N 8.21 million).

The Company holds a number of investments in unquoted securities with a market value of N1.17 billion as at 31 December 2017 (2016: N1.16 billion) of which investment in MTN Nigeria Ltd is the significant holding. This investment was valued at N 1.068 billion (cost N 1.15 billion) (2016 1.065 billion (cost N 1.15 billion) as at 31 December 2017. MTN Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform.

Credit Risk

The Company's assets are exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the balance sheet. The main sources of the Company's incoming cash flow are the amounts of receivables from insured and reinsurers. The Company manages the credit risk arising from such sources by aging and monitoring the receivables. The Company conducts the review of current and non-current receivables on a monthly basis and monitors the progress in the process of collection of the premiums in accordance with the procedure stated in the Company's internal control policy. The non-current receivables are checked and assessed for impairment.

The overdue premiums are considered by the Company on case by case basis. If an overdue premium is recognized by the Company as uncollectible, a notification is sent to the policyholder and the insurance agreement is cancelled from the date of notification. The premium related to the period from the beginning of insurance cover until the date of cancellation of the insurance agreement is considered a bad debt, and further steps right up to legal actions are planned with regard to that bad debt.

Other areas where the Company is exposed to credit risk are:

- amounts due from reinsurers for the insurance risks ceded;
- amounts due from insurance intermediaries.
- amounts due from insured
- amounts of deposits held in banks and correspondent accounts

NEM is exposed to the following categories of credit risk;
Direct Default Risk - risk that NEM will not receive the cash flows or assets to which it is entitled because brokers, clients and other debtors which NEM has a bilateral contract defaults on their obligations.

Concentration Risk – is the exposure to losses due to excessive concentration of business activities to individual counterparties, groups of individual counterparties or related entities, counterparties in specific geographical locations, industry sectors, specific products, etc
Counterparty Risk - the risk that a counterparty is not able or willing to meet its financial obligations to the Company as they fall due.

Financial Risk Management Policy (Cont'd)

Credit Risk Principles

The following principles underpin the Company's credit risk management policies:

- Individuals who create the credit risk and those who manage the risk clearly understand the nature of the risk;
- The Company's credit risk exposure is within the limits as approved by the Board;
- Credit decisions are clear and explicit and in line with the business strategy and objectives as approved by the Board;
- Credit risk exposures shall be within the defined limits to ensure there is no excessive concentration and that credit control procedures for managing large exposures and related counterparties are adhered to;
- Appropriate classification of credit risk through periodic evaluation of the collectability of risk assets; and
- Adequate loan loss provisioning to ensure that provisions or allowances are made to absorb anticipated losses.
- The expected payoffs more than compensate for the credit risks taken by the Company;
- Credit risk taking decisions are explicit and clear;
- There shall be clear delegated authorization limits for transactions;
- Sufficient capital as a buffer is available to take credit risk;

The Company's credit risk appetite shall be in line with its strategic objectives, available resources and the provisions of NAICOM Operational Guidelines. In setting this appetite/tolerance limits, NEM takes into consideration its corporate solvency level, risk capital and liquidity level , credit ratings, level of investments, reinsurance and coinsurance arrangements, and nature and categories of its clients. In setting the credit limit, a few conditions were put into consideration and these actually assisted in the selection of the brokers that made this list. From the records available for this purpose, the conditions used as yardstick are as follows:

1. Speed of payment;
2. Relationship management;
3. Volume of business and
4. Size of the accounts

From the above conditions, the few Insurance Brokers identified have been categorized into three (3) groups namely A, B and C. Maximum exposure to credit risk before collateral held or other credit enhancements:

	Maximum exposure		
	31-Dec 2017 N'000	**31-Dec 2016 N'000**	**31-Dec 2015 N'000**
Cash and bank balances	3,325,340	863,510	525,048
Loans and receivables			
- Trade receivables	723,535	668,040	531,497
- Other Receivables and Prepayments	183,755	129,741	102,513
Reinsurance assets	2,382,458	1,725,098	690,838
Debt securities	181,365	192,707	181,777
Total assets bearing credit risk	**6,796,453**	**3,579,096**	**2,031,673**

Financial Risk Management Policy (Cont'd)
Liquidity Risk

Liquidity risk is the inability of a company to meet obligations on a timely basis. It is also the inability of a company to take advantage of business opportunities and sustain the growth target in its business strategy due to liquidity constraints or difficulty in obtaining funding at a reasonable cost. Our liquidity risk exposure is strongly related to our credit and investment risk profile. The Company is exposed to daily calls on its available cash resources from claims to be paid.
At 31 December 2016, management does not believe the current maturity profile of the Company lends itself to any material liquidity risk, taking into account the level of cash and deposits and the nature of its securities portfolio at year end, as well as the reinsurance structure of the Company's insurance portfolio. The Company's bank deposits and trading securities are able to be released at short notice when and if required. The possible payments of significant insurance claims are secured by the reinsurance contracts' clause that allows a cash call from the reinsurers for the losses exceeding a certain amount based on line of business.

Sources of Liquidity Risk

Our liquidity risk exposure depends on the occurrence of other risks. Some of the factors that could lead to liquidity risks are:

- Reputational loss or rating downgrade, leading to inability to generate funds;
- Failure of insurance brokers and clients to meet their premium payment obligation as and when due;
- Lack of timely communication between Finance &Investment Division and Claims Department resulting in mismatch of funds;
- Investment in volatile securities; and
- Frequency and severity of major and catastrophic claims.

Liquidity Risk Management Strategy
The Company's strategy for managing liquidity risks are as follows:

- Maintain a good and optimum balance between having sufficient stock of liquid assets, profitability and investment needs;
- Ensure strict credit control and an effective management of account receivables;
- Ensure unrestricted access to financial markets to raise funds;
- Develop and continuously update the contingency funding plan;
- Adhere to the liquidity risk control limits; and
- Communicate to all relevant staff on the liquidity risk management objectives and control limits.

Liquidity Risk Appetite/Tolerance
Our liquidity risk appetite is defined using the following parameters:

- Liquidity gap limits;
- Scenario and Sensitivity Analysis
- Liquidity Ratios such as:
    - Claims ratio
    - Cash ratio
    - Quick ratio
- Receivable to capital ratio
- Technical provision to capital ratio
- Maximum exposure for single risk to capital ratio
- Maximum exposure for a single event to capital ratio
- Retention rate
- Re-insurance receipts to ceded premium ratio
- Solvency margin

Financial Risk Management Policy (Cont'd)

(b) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

At 31 December 2017 (N'000)	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted equity investments	1,347,461	-	-	1,347,461
Unquoted equity investments	-	4,388,095	-	4,388,095
Debt securities	181,365			181,365
	1,528,825	**4,388,095**	**-**	**5,916,920**

At 31 December 2016 (N'000)	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted equity investments	820,809	-	-	820,809
Unquoted equity investments	-	1,157,823	-	1,157,823
Debt securities	200,899			200,899
	1,021,708	**1,157,823**	**-**	**2,179,531**

(c) Fair valuation methods and assumptions

(i) Cash and bank balances

Cash and bank balances represent cash held with other banks. The fair value of these balances is their carrying amounts.

(ii) Equity securities

The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical assets. The fair value of the unquoted equity securities was determined on a net asset value basis.

(iii) Debt securities

Treasury bills represent short term instruments issued by the Central bank of the jurisdiction where the Company operates. The fair value of treasury bills and bonds at fair value are determined with reference to quoted prices (unadjusted) in active markets for identical assets. The estimated fair value of bonds (asset or liability) at amortised cost represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Other assets

Other assets represent monetary assets which usually have a short recycle period and as such the fair values of these balances approximate their carrying amount.

Capital management Policy

NEM has over the years been deploying capital from earnings and additional equity funds to support growth in business volumes while striving to meet dividend commitments to shareholders. To be able to continue to generate and deploy capital both to grow core businesses and reward shareholders, there is need for the Company to execute the right strategy, the right growth dynamics, the right cost structure and risk discipline as well as the right capital management.

NEM's capital management strategy focuses on the creation of shareholders' value whilst meeting the crucial and equally important objective of providing an appropriate level of capital to protect stakeholders' interests and satisfy regulators.

The Company's objectives when managing capital are as follows:

- To ensure that capital is, and will continue to be, adequate for the safety, soundness and stability of the Company;
- To generate sufficient capital to support the Company's overall business strategy;
- To ensure that the Company meets all regulatory capital ratios and the prudent buffer required by the Board;
- To ensure that the average return on capital over a 3 -5 years performance cycle is sufficient to satisfy the expectations of investors;
- To maintain a strong risk rating;
- To ensure that capital allocation decisions are optimal, considering the return on economic and regulatory capital;
- To determine the capital required to support each business activity based on returns generated on capital to facilitate growth/expansion of existing businesses (i.e. capital allocation);
- To establish the efficiency of capital utilization.

Minimum Capital Requirement
The Company complied with the minimum capital requirement of N3billion for non-life operations. This is shown under Shareholders' Fund in the Statement of Financial Position.

Solvency Status

The Company met the criteria for solvency margin as stated in section 24(1) of the Insurance Act 2003, the solvency margin maintained is N 9,065,486,000

Capital Management Policy (Cont'd)

Solvency Margin

		2017	
ADMISSIBLE ASSETS		**N'000**	**N'000**
Cash and cash equivalents			3,325,340
Held to maturity			153,536
Financial asset through profit or loss			1,347,461
Available for sales			4,388,095
Trade Receivables			723,535
Reinsurance assets			2,382,458
Deferred Acquisition Cost			587,244
Investment in Subsidiary			142,500
Staff loan			6,866
Investment Property			676,555
Statutory Deposits			320,000
Property & Equipment			2,861,500
A			**16,915,091**
ADMISSIBLE LIABILITIES			
Insurance Liabilities		6,518,667	
Trade payables		73,694	
Other payables		604,712	
Retirement Benefit Obligations		91,910	
Income tax liability		560,622	
	B		**(7,849,605)**
Actual Solvency (A - B)	C		9,065,486
Net Premium			9,801,951
Solvency Margin			
Limit of Net premium i.e 15% of Net Premium			**1,470,293**
Minimum of paid up Capital -	D		**3,000,000**
Since C>D - Positive Solvency Margin - (C-D)			6,065,486
Percentage of solvency			67%

Statement of Value Added - Group

	2017 N'000	%	2016 N'000	%
Gross Premium Income:				
Local	**13,031,778**		*10,628,183*	
Foreign	**-**		-	
Other Income:				
Local	**1,395,186**		1,431,151	
Foreign	**99,985**		*71,516*	
	14,526,949		12,130,850	
Bought in Services:				
Local	**(8,791,658)**		(8,205,471)	
Foreign	**(17,661)**		(50,700)	
Value Added	**5,717,630**	**100**	*3,874,679*	*100*
Applied as follows:				
Employees				
Salaries and other employees benefits	**1,341,892**	**23**	*1,082,969*	28
Provider of Capital				
Dividend to Shareholder	**422,440**	**7**	*316,830*	8
Government				
Taxation	**319,499**	**6**	*327,974*	8
Retention and Expansion				
Depreciation and Amortisation Charges	**319,844**	**6**	*313,530*	8
Contingency reserves	**555,054**	**10**	*322,730*	8
Retained profits for the year	**2,758,901**	**48**	*1,510,644*	39
Value Added	**5,717,630**	**100**	*3,874,679*	100

Value added represents the additional wealth the company has been able to create by its own and its employees' efforts. This statement shows the allocation of the wealth between employees, shareholders, government and that retained for the future creation of more wealth.

Statement of Value Added - Parent

	2017 N'000	%	2016 N'000	%
Gross Premium Income	**13,031,778**		*10,628,183*	
Other Income	**1,592,778**		1,480,412	
	14,624,557		12,108,594	
Bought in Services	**(8,932,756)**		(8,211,926)	
Value Added	**5,691,801**	**100**	*3,896,669*	*100*
Applied as follows:				
Employees				
Salaries and other employees benefits	**1,333,674**	**23**	*1,070,136*	27
Provider of Capital				
Dividend to Shareholder	**422,440**	**7**	*316,830*	8
Government				
Taxation	**319,499**	**6**	*337,441*	9
Retention and Expansion				
Depreciation and Amotisation Charges	**314,381**	**6**	*308,068*	8
Contingency reserves	**555,054**	**10**	*322,730*	8
Retained profits for the year	**2,746,753**	**48**	*1,541,463*	40
Value Added	**5,691,801**	**100**	*3,896,669*	100

Value added represents the additional wealth the company has been able to create by its own and its employees' efforts. This statement shows the allocation of the wealth between employees, shareholders, government and that retained for the future creation of more wealth.

Financial Summary - Group

	Dec. 2017	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013
Assets	*N'000*	*N'000*	*N'000*	*N'000*	*N'000*
Cash and Cash Equivalents	**3,328,800**	3,471,854	3,387,674	3,446,995	3,865,965
Trade Receivable	**723,535**	668,040	531,497	209,493	496,007
Reinsurance Assets	**2,382,458**	1,725,098	690,838	717,121	65,496
Deferred Acquisition Cost	**587,244**	488,195	498,862	482,385	513,387
Financial Assets	**5,916,920**	4,005,983	3,693,057	3,161,059	2,624,638
Investment in Associate	**392,501**	264,824			
Investment Properties	**676,555**	442,558	388,371	485,830	468,974
Intangible Assets	**18,997**	20,747	13,083	5,627	18,851
Property and Equipment	**2,864,796**	2,819,986	2,694,001	2,213,264	1,284,191
Other Receivables and Prepayments	**259,516**	198,439	227,373	137,232	278,712
Statutory Deposit	**320,000**	320,000	343,489	340,112	349,200
Deferred tax	**92,773**	66,687	16,066	-	-
Income Tax Credit	**-**	-	-	-	80,456
Total Assets	**17,564,096**	*14,492,410*	*12,484,310*	*11,199,117*	*10,045,877*
Liabilities					
Trade Payables	**73,694**	65,315	33,415	16,463	48,510
Other Payables	**581,595**	497,269	502,759	168,483	167,874
Current Income Tax Liabilities	**560,622**	426,473	156,858	15,212	
Deferred Tax Liability	**-**	-	-	280,913	166,062
Retirement Benefit Obligations	**91,910**	84,824	108,956	187,848	170,838
Insurance Contract Liabilities	**6,518,667**	6,017,381	5,482,960	4,660,059	4,787,052
Bank Overdraft	**-**	-	-	4,364	9,848
Total liabilities	**7,826,488**	*7,091,263*	*6,284,948*	*5,333,342*	*5,350,184*
Net Assets	**9,737,608**	7,401,148	6,199,362	5,865,775	4,695,693
Equity					
Issued Share Capital	**2,640,251**	2,640,251	2,640,251	2,640,251	2,640,251
Share Premium	**272,551**	272,551	272,551	272,551	272,551
Other Reserves-employee benefit actuarial surplus	**140,614**	166,499	162,035	68,178	45,562
Available-For-Sale Reserve	**(128,734)**	(138,249)	173,368	329,232	9,978
Contingency Reserve	**3,154,568**	2,599,514	2,322,895	1,995,456	1,696,986
Retained Earnings	**3,658,357**	1,860,580	628,262	560,107	30,366
Shareholders' Fund	**9,737,608**	7,401,147	6,199,362	5,865,775	4,695,693
Gross Premium Written	**13,416,270**	*10,757,674*	*10,895,711*	*9,836,596*	*8,933,345*
Gross premiums income	**13,031,778**	10,628,183	*10,718,314*	*9,773,550*	*7,790,962*
Net Premium income	**9,801,951**	8,512,467	*8,556,954*	*8,897,486*	*7,439,613*
Other Revenue	**2,244,225**	*1,614,096*	*1,300,427*	*204,192*	*834,221*
Total Revenue	**12,046,176**	10,126,563	*9,857,382*	*9,101,679*	*8,273,835*
Claims expense	**(1,783,574)**	*(2,669,780)*	*(3,959,103)*	*(2,942,375)*	*(3,070,271)*
Impairment	**-**	-	*(40,000)*	*(68,852)*	*(355,627)*
Other Expenses	**(7,167,833)**	(5,311,011)	(5,259,441)	(4,323,681)	*(4,303,527)*
Total Benefits, Claims and Other Expenses	**(8,951,407)**	(7,980,791)	*(9,258,544)*	*(7,334,908)*	*(7,729,425)*
Profit Before Tax	**3,094,769**	2,145,772	598,838	1,766,771	*544,410*
Income tax expense	**(319,499)**	*(327,974)*	*114,864*	*(241,451)*	*(149,350)*
Profit For the Year	**2,775,270**	1,817,797	713,702	1,525,320	*395,060*
Other Comprehensive Income for the year	**(16,370)**	(307,153)	(81,277)	341,870	*(12)*
Total Comprehensive Income for the year	**2,758,901**	*1,510,644*	*632,426*	*1,867,190*	*395,048*
Basic EPS (Kobo)	**53**	*34*	*14*	*29*	*7*
Diluted Basic EPS (Kobo)	**53**	*34*	*14*	*29*	*7*

Financial Summary - Parent

	Dec. 2017	Dec. 2016	Dec. 2015	Dec. 2014	Dec. 2013
Assets	**N'000**	*N'000*	*N'000*	*N'000*	*N'000*
Cash and Cash Equivalents	**3,325,340**	*3,464,575*	*3,355,044*	*3,425,121*	*3,836,821*
Trade Receivable	**723,535**	*668,040*	*531,497*	*209,493*	*347,494*
Reinsurance Assets	**2,382,458**	*1,725,098*	*690,838*	*717,121*	*65,496*
Deferred Acquisition Cost	**587,244**	*488,195*	*443,678*	*442,473*	*472,347*
Financial Assets	**5,916,920**	*4,005,983*	*3,396,740*	*2,914,575*	*2,373,132*
Investment in Associate	**392,502**	*264,825*	-	-	-
Investment in Subsidiary	**142,500**	*142,500*	*193,308*	*193,308*	*175,396*
Investment Properties	**676,555**	*442,558*	*388,371*	*485,830*	*468,974*
Intangible Assets	**10,270**	*7,656*	*12,157*	*4,459*	*15,772*
Property and Equipment	**2,861,500**	*2,815,591*	*2,637,457*	*2,175,775*	*1,245,149*
Other Receivables and Prepayments	**183,755**	*129,741*	*102,512*	*89,159*	*219,552*
Statutory Deposit	**320,000**	*320,000*	*320,000*	*320,000*	*320,000*
Deferred Tax	**83,305**	*57,220*	*16,066*	-	-
Income Tax Credit	**-**	-	-	-	*87,745*
Total Assets	**17,605,882**	*14,531,978*	*12,087,666*	*10,977,313*	*9,627,878*
Liabilities					
Trade Payables	**73,694**	*65,315*	-	*9,733*	*48,510*
Other Payables	**604,712**	*506,016*	*455,305*	*137,406*	*127,699*
Current Income Tax Liabilities	**560,622**	*426,473*	*154,348*	*12,212*	
Deferred Tax Liability	**-**	-	-	*280,913*	*166,062*
Retirement Benefit Obligations	**91,910**	*84,824*	*108,956*	*187,848*	*170,838*
Insurance Contract Liabilities	**6,518,667**	*6,017,381*	*5,161,722*	*4,444,126*	*4,419,597*
Bank Overdraft	**-**	-	-	*4,364*	*9,848*
Total liabilities	**7,849,605**	*7,100,010*	*5,880,332*	*5,076,601*	*4,942,554*
Net Assets	**9,756,277**	*7,431,968*	*6,207,334*	*5,900,712*	*4,685,324*
Equity					
Issued Share Capital	**2,640,251**	*2,640,251*	*2,640,251*	*2,640,251*	*2,640,251*
Share Premium	**272,551**	*272,551*	*272,551*	*272,551*	*272,551*
Other Reserves-employee benefit actuarial surplus	**140,614**	*166,499*	*162,035*	*68,178*	*45,562*
Available-For-Sale Reserve	**(128,734)**	*(138,249)*	*173,368*	*329,232*	*9,978*
Contingency Reserve	**3,154,568**	*2,599,514*	*2,276,784*	*1,966,395*	*1,664,960*
Retained Earnings	**3,677,028**	*1,891,400*	*682,345*	*624,104*	*52,022*
Shareholders' Fund	**9,756,277**	*7,431,968*	*6,207,334*	*5,900,712*	*4,685,324*
Gross Premium Written	**13,416,270**	*10,757,674*	*10,346,291*	*9,448,284*	*8,261,325*
Gross premiums income	**13,031,778**	*10,628,183*	*10,239,449*	*9,384,396*	*7,250,821*
Net Premium income	**9,801,951**	*8,512,467*	*8,145,555*	*8,485,289*	*6,927,329*
Other Revenue	**1,692,763**	*1,551,928*	*1,206,680*	*657,433*	*795,286*
Total Revenue	**11,494,714**	*10,064,395*	*9,352,234*	*9,142,722*	*7,722,614*
Claims expense	**(1,783,574)**	*(2,669,780)*	*(3,799,062)*	*(2,854,723)*	*(2,965,052)*
Impairment	**-**	-	*(40,000)*	-	*(225,302)*
Other Expenses	**(6,628,519)**	*(5,208,556)*	*(4,953,809)*	*(4,547,916)*	*(4,025,370)*
Total Benefits, Claims and Other Expenses	**(8,412,093)**	*(7,878,336)*	*(8,792,871)*	*(7,402,639)*	*(7,215,725)*
Profit Before Tax	**3,082,619**	*2,186,057*	*559,362*	*1,740,083*	*506,889*
Income tax expense	**(319,499)**	*(337,441)*	*126,097*	*(232,905)*	*(137,981)*
Profit For the Year	**2,763,120**	*1,848,616*	*685,460*	*1,507,178*	*368,908*
Other Comprehensive Income for the year	**(16,370)**	*(307,153)*	*(81,277)*	*341,870*	*(12)*
Total Comprehensive Income for the year	**2,746,751**	*1,541,463*	*604,183*	*1,849,048*	*368,896*
Basic EPS (Kobo)	**52**	*35*	*13*	*29*	*8*
Diluted Basic EPS (Kobo)	**52**	*35*	*13*	*29*	*8*