NEM INSURANCE PLC

FINANCIAL STATEMENTS
31 DECEMBER 2018

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Corporate Information

Directors	Dr. Fidelis Ayebae	Chairman
	Mr. Tope Smart	Group Managing Director/CEO
	Mrs. Susan Abisola Giwa-Osagie	Deputy Managing Director
	Ms Stella Omoraro	Executive Director
	Mr. Andrew Ikekhua	Director
	Mrs. Yinka Aletor	Director
	Alh. Ahmed Yakasai	Director
	Chief Ede Dafinone	Director
Company Secretary	Mrs. Olajumoke Philip-Akede 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 GTBank Plc Keystone Bank Plc Standard Chartered Bank Limited Sterling Bank Plc United Bank for Africa Plc Zenith Bank Plc	
Auditors	BDO Professional Services (Chartered Accountants) ADOL House, 15 CIPM Avenue Central Business District Alausa, Ikeja, Lagos. P.O.Box 4929,GPO, Marina Lagos. www.bdo-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 Airport Residential Area P.O. Box 654 Lagos Tel: 01-4489574
Associate	Regency Nem Insurance (Ghana) Limited No 65, Patrice Lumumba Road, 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 No: 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

Corporate Information (Cont'd)

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

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

Corporate Information (Cont'd)

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: Olubiyi Sonoiki
Mobile Nos: 08038436231, 08077284898

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

Our Vision To be the preferred choice of the insuring public

Our 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
Courage

NEM INSURANCE PLC
FINANCIAL STATEMENTS, 31 DECEMBER 2018

RESULTS AT A GLANCE	2018	2017		Changes
Financial Position	**₦'000**	**₦'000**	**₦'000**	**%**
Cash and cash equivalents	6,697,017	3,328,800	3,368,217	101
- At fair value through profit or loss	1,108,206	1,347,462	(239,256)	(18)
- At fair value through other comprehensive income	1,260,729	-	1,260,729	100
- At amortised cost	1,235,106	-	1,235,106	100
-Available for Sale	-	4,388,095	(4,388,095)	(100)
-Held-to-Maturity	-	181,364	(181,364)	(100)
Trade receivable	279,709	723,535	(443,826)	(61)
Reinsurance asset	4,809,590	2,382,459	2,427,131	102
Deferred acquisition cost	655,614	587,244	68,370	12
Other receivables and prepayments	709,859	259,516	450,343	174
Investment in Associate	413,752	392,501	21,251	5
Investment properties	682,951	676,555	6,396	1
Statutory deposit	320,000	320,000	-	-
Property, plant and equipment	4,158,807	2,864,795	1,294,012	45
Intangible asset	6,405	18,997	(12,592)	(66)
Deferred tax Assets	92,773	92,773	-	
Total Assets	**22,430,518**	**17,564,096**	**4,866,422**	**28**
Insurance contract liabilities	7,126,871	6,518,667	608,204	9
Trade payables	319,023	73,694	245,329	333
Other payables	1,247,829	550,458	697,371	127
Retirement benefit obligations	78,496	91,910	(13,414)	(15)
Income tax liability	835,998	591,760	244,238	41
Deferred tax liabilities	397,746	-	397,746	100
Total Liabilities	**10,005,963**	**7,826,489**	**2,179,474**	**28**
Issued share capital	2,640,251	2,640,251	-	-
Share premium	272,551	272,551	-	-
Contingency reserve	3,606,052	3,154,568	451,484	14
FVOCI reserve	(35,344)	-	(35,344)	(100)
Available for sale reserve	-	(128,734)	128,734	100
Asset revaluation reserve	1,094,475	-	1,094,475	100
Other Reserves - Employee benefit	131,043	140,614	(9,571)	(7)
Retained earnings	4,715,527	3,658,357	1,057,170	29
Shareholders Fund	**12,424,555**	**9,737,607**	**2,686,948**	**28**
INCOME STATEMENT	**₦'000**	**₦'000**	**₦'000**	**%**
Gross premiums written	15,049,453	13,416,270	1,633,183	12
Gross premium income	14,346,488	13,031,779	1,314,709	10
Reinsurance expenses	(3,652,694)	(3,229,828)	(422,866)	13
Net premium income	**10,693,794**	**9,801,951**	**891,843**	**9**
Fee and commission income	743,570	658,353	85,217	13
Net underwriting income	11,437,364	10,460,304	977,060	9
Claims expenses	(2,554,253)	(1,783,574)	(770,679)	43
Underwriting expenses	(4,259,870)	(4,164,174)	(95,696)	2
Underwriting profit	**4,623,241**	**4,512,556**	**110,685**	2
Investment income	952,783	709,945	242,838	34
Net Fair value (loss)/gain	(263,381)	719,245	(982,626)	(137)
Other income	212,667	56,698	155,969	275
Profit/(loss) on disposal of properties, plant and equipment	3,818	(25,776)	29,594	(115)
Share of profit in Associate	21,251	99,985	(78,734)	(79)
Management expenses	(2,826,844)	(2,946,624)	119,780	(4)
Profit before taxation	**2,685,661**	**3,094,891**	**(409,230)**	**(13)**
Income taxes	(648,957)	(319,499)	(329,458)	103
Profit for the year after tax	**2,036,704**	**2,775,392**	**(738,688)**	**(27)**
Total other comprehensive income/(loss)	1,208,882	(25,885)	1,234,767	(4,770)
Total comprehensive income for the year	**3,245,586**	**2,749,507**	**496,079**	**18**
Basic Earnings Per Share (Kobo)	39	53	(14)	(26)
Diluted Basic Earnings Per Share (Kobo)	39	53	(14)	(26)

NEM INSURANCE PLC
FINANCIAL STATEMENTS, 31 DECEMBER 2018
REPORT OF DIRECTORS

The Directors present their annual reports on the affairs of NEM Insurance Plc together with the financial statements and auditors' 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 and corporate development**

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

SUMMARY OF THE RESULT

Comprehensive Income	**2018**	**2017**
	N'000	**N'000**
Gross premiums written	15,049,453	13,416,270
Gross premium income	14,346,488	13,031,779
Reinsurance expense	(3,652,694)	(3,229,828)
Investment Income	952,783	709,945
Other revenue	981,306	1,534,281
Total Revenue	12,627,883	12,046,177
Claims paid	(2,554,253)	(1,783,574)
Underwriting expenses	(4,259,870)	(4,164,174)
Management expenses	(3,117,186)	(3,003,538)
Total Claims and Other Expenses	(9,931,309)	(8,951,286)
Profit before tax	2,696,574	3,094,891
Income tax expense	(648,957)	(319,499)
Profit For the Year	2,047,617	2,775,392
Other Comprehensive loss for the year	1,208,882	(25,885)
Total comprehensive income for the year	3,256,499	2,749,507
Basic Earnings Per Share (Kobo)	39	53
Diluted Basic Earnings Per Share (Kobo)	39	53

3. **Corporate governance**

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, 2018; 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 OF DIRECTORS

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

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.

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 2018. The Board embarked on implementation of some of the recommendations of the last Appraisal Report.

(a) 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

Name of Director	Status	Meetings Held	Meetings Attended
Dr. Fidelis Ayebae	Chairman	6	6
Mr. Tope Smart	Group Managing Director/CEO	6	6
Mrs. Susan Giwa-Osagie	Deputy Managing Director	6	6
Ms Stella Omoraro	Executive Director	6	5
Mr. Alani Olojede	Executive Director	6	6
Alhaji Ahmed I. Yakasai	Independent Non-Executive Director	6	5
Mrs Joy Teluwo	Non-Executive Director	6	5
Mrs. Yinka Aletor	Non-Executive Director	6	6
Chief Ede Dafinone	Non-Executive Director	6	6

(b) **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 12th of April, 27th of July, 25th October and 10th of December 2018.

Composition of Committee/Attendance

Name	**Status**	**Meetings Held**	**Meetings Attended**
Mrs Yinka Aletor	Chairman	4	4
Mr. Tope Smart	Group Managing Director	4	4
Mrs. Susan Giwa-Osagie	Deputy Managing Director	4	3
Ms Stella Omoraro	Executive Director	4	1
Alhaji Ahmed I. Yakasai	Independent Non-Executive Director	4	1

Note: Ms. Stella Omoraro and Alhaji Ahmed I. Yakasai were appointed as members of the committee by the board of directors on 6th of November 2018

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
- 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: 19th of June, 24th of August and 10th of December 2018.

Composition of the Committee/Attendance

Name	**Status**	**Meetings Held**	**Meetings Attended**
Chief Ede Dafinone	Chairman	3	3
Mrs Joy Teluwo	Non-Executive Director	3	2
Alhaji Ahmed I. Yakasai	Independent Non-Executive Director	3	3
Mr Andrew Ikekhua	Executive Director	3	2

Remuneration, Nomination and 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 5th of June, 18th of September and 6th of November 2018

Composition of the Committee/Attendance

Name	Status	Meetings Held	Meetings Attended
Alhaji Ahmed I. Yakasai	Chairman	3	3
Mrs Yinka Aletor	Non-Executive Director	3	3
Ms. Stella Omoraro	Executive Director	3	1

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
Mr. Samuel Mpamaugo	Chairman	4	4
Mr. Taiwo Oderinde	Shareholders' Representative	4	4
Mr. Christopher Ogba	Shareholders' Representative	4	4
Chief Ede Dafinone	Non-Executive Director	4	**3**
Mrs Joy Teluwo	Non-Executive Director	4	4
Mrs. Yinka Aletor	Non-Executive Director	4	4

4. Dividend

The Directors recommend a declaration of dividend of N 686,465,378.69 which translates to 13 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

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.

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:

NAME	Direct	Indirect	Total
DR FIDELIS AYEBAE	24,373,852	NIL	24,373,852
MRS SUSAN GIWA-OSAGIE	12,328,592	NIL	12,328,592
MRS YINKA ALETOR	NIL	383,492,958	383,492,958
MR TOPE SMART	124,643,848	NIL	124,643,848
ALHAJI YAKASAI AHMED	NIL	NIL	NIL
CHIEF EDE DAFINONE	NIL	368,445,497	368,445,497
MRS JOY TELUWO		337,054,367	337,054,367
IKEKHUA ANDREW	95,742	NIL	95,742
OMORARO S.O	1,895,971	NIL	1,895,971

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.

7. Shareholding

The Registrars have advised that the called up and fully paid up shares of the Company as at 31st December, 2018 were beneficially held as follows:

See attachment A

Shareholders with 5% and above of the Company's issued and fully paid shares as at 31st December, 2018

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%
4		AFIG FUNDS	C/O ABOX CORPORATE SERVICES LIMITED TOWER 1, 6TH FLOOR, 1 CYBERCITY, EBENE, REPUBLIC	1,578,870,171	29.9%

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.

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
Ms. Stella Omoraro	Executive Director
Mr. Andrew Ikekhua	Executive 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

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 2018 are available for inspection at the Annual General Meeting.

9. **DONATIONS**

Donations during the year ended 31 December 2018 amounted to N 13,784,800 (2017: N 4,837,597) as follows:

	N
IBADAN GOLF CLUB	250,000
MODUPE COLE MEMORIAL	150,000
LAGELU GRAMMAR SCHOOL IBADAN	1,000,000
IKOYI CLUB	905,000
GRANVILLE SCHOOLS	50,000
ROTARY INTL DISTRICT 9110	1,370,000
BABCOCK UNIVERSITY	250,000
NATIONAL ASSOCIATION OF INSURANCE AND PENSION CORRESPONDENT	400,000
INSURANCE INDUSTRY CONSULTATIVE COUNCIL	1,000,000
NIGERIAN PORTS AUTHORITY	500,000
LAGOS STATE MINISTRY OF COMMERCE AND INDUSTRY	250,000
RACO CHILDREN & SOS CHILDREN VILLAGE	200,000
NIGERIA INSURERS ASSOCIATION	3,000,000
INSURANCE ACTUARIAL SCIENCE STUDENT UNILAG	100,000
NPF MICROFINANCE BANK PLC	100,000
NATIONAL COUNCIL OF REGISTERED INSURANCE BROKER	600,000
AMUWO ODOFIN KLUB LAGOS	50,000
INTELLIGENT DATA LTD	100,000
ILUPEJU PACIFIC CONCERNS RESOURSE CENTRE	100,000
PROF. INSURANCE LADIES ASSOCIATION	250,000
FEDERAL UNIVERSITY OF TECHNOLOGY ONITSHA	500,000
ALMOND PRODUCTION LTD	250,000
CHARTERED INSURANCE INSTITUTE OF NIGERIA	260,000
OSUN STATE UNIVERSITY	100,000
NIGERIA AUTOMOBILE TECH ASSOCIATION	400,000
ILE OGBO DAY PLANNING COMMITTEE	200,000
OLOKO COMMUNITY DEVELOP UNION	500,000
ASSOCIATION OF SENIOR STAFF OF BANKS INSURANCE & FIN. INS.	750,000
UNIVERSITY OF LAGOS	199,800
	13,784,800

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, 2018 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 physically challenged 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 physically challenged 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, 2018 one physically challenged person was in the employment of the Company.

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. Firefighting equipment are also installed in strategic positions in

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 BDO Professional Services (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:…………………………………. 2019

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.

   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

BOLADE SUNMONU
FRC/2016/1CAN/00000014573
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

- 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 31 December 2018.

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 31 December 2018 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 the 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 the 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 entries 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 deficiency in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarise 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**

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 and Compliance Committee of NEM Insurance Plc, having carried out our statutory functions under the Act, hereby

- We have reviewed the scope and planning of the audit for the year ended 31 December 2018 and we confirm that they were adequate;
- The Company's and its Subsidiary's reporting and accounting policies as well as internal control systems conform to legal requirements and agreed ethical practices; and
- We are satisfied with the departmental responses to the External Auditors' findings on management matters for the year ended 31 December 2018

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

……………………………………….
Chairman of the Audit and Compliance Committee
FRC/2013/00000002802

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

Members of the Audit Committee

Chief Ede Dafinone	(Non Executive Director)	Chairman
Mr. Taiwo Oderinde	(Shareholders' Representative)	Member
Mr. Christopher Ogba	(Shareholders' Representative)	Member
Mr. Samuel Mpamaugo	(Shareholders' Representative)	Member
Mrs. Yinka Aletor	(Non Executive Director)	Member
Mrs. Joy Teluwo	(Non Executive Director)	Member

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NEM INSURANCE PLC AND ITS SUBSIDIARY COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of NEM Insurance Plc and its Subsidiary Company, which comprise, the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company and its Subsidiary as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and International Accounting Standards, issued by the International Accounting Standards Board and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria, Act No 6, 2011, the Companies and Allied Matters Act, CAP C20, LFN 2004, Insurance Act CAP I17, LFN 2004 and the Prudential Guidelines issued by National Insurance Commission.

2. **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements on page 5 of our report. We are independent of the Company and its Subsidiary in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Ethics Standards Board Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) **Revenue recognition**

In view of large number of policies underwritten by the Company, the gap between the underwritting and finance departments, and manual interference in the premium documentation, there is a risk that revenue may not be completely accounted for in the financial statements.

Response

- We have tested the design and implementation of key controls over revenue recognition, focusing on the flow of information from the underwriting systems to the financial reporting ledger. In addition, we performed substantive analytical procedures on gross and unearned premium balances.
- We performed other substantive procedures to confirm completeness of revenue by:
  selecting some debit notes from hard copy files and traced to soft copy listing of premium and
  obtained a serially generated debit notes and investigated missing and duplicated debit notes
- We ensured that an appropriate and consistent revenue recognition policy is in place and in line with the Company's and its Subsidiary's accounting policies.

(ii) **Valuation of investment properties**

Management has estimated the value of the Company's and its Subsidiary's investment properties to be N683million as at 31 December 2018. Independent external valuations were obtained in order to support the value in the Company's and its Subsidiary's financial statements. These valuations are dependent on certain key assumptions and significant judgments including capitalization rates and fair market rents.

Our response

We ascertained the following

- Evaluated the independent external valuers' competence, capabilities and objectivity
- Assessed the methodologies used and the appropriateness of the key assumptions.
- Checked the accuracy and relevance of the input data used.

We also reviewed and found the disclosures on note II to be appropriate based on the assumptions and available evidence.

(iii) **Valuation of insurance contract liabilities**

Management has estimated the value of insurance contract liabilities in the Company's and its Subsidiary's financial statements to be N7.1billion as at year ended 31 December 2018 based on the actuarial valuation and liability adequacy test carried out by an external firm of Actuaries.

- The valuation has been made on the following key assumptions which were determined by the Actuary:
- Reserves were calculated via a cash flow projection approach, taking into account future premiums, expenses and benefit payments including an allowance for benefits.
- The unexpired premium reserve for general business is calculated on the assumption that risk will occur evenly during the duration of the policy.
- The Company's claim payment approach will be sustained into the future.
- Weighted past average inflation will remain unchanged over the claim projection period.
- Gross claim amount includes all related claim expenses.
- An allowance was made for IBNR(Incurred But Not Reported) claims to take care of the delay in reporting claims.

Our response

We ascertained the following

- Evaluated and validated controls over insurance contract liabilities,
- Checked the claims register for completeness and accuracy of claims accrued, additional adjustment was raised
- Reviewed transactions after year end for claims paid but not accrued, additional audit adjustment was raised
- Evaluated the independent external Actuary's competence, capability and objectivity,
- Assessed the methodologies used and the appropriateness of the key assumptions,
- Checked the accuracy and relevance of data provided to the Actuary by management,
- Reviewed the results based on the assumptions.

(iv) **Impairment losses on financial assets carried at amortised costs**

The Company's investments in this class of financial assets include cash and short-term deposits and debt instruments carried at amortised costs. This totaled N8 billion as at 31 December 2018 representing 35% of the Company's total assets and the associated expected credit loss (ECL) is significant to the financial statements. This was considered a Key Audit Matter as IFRS 9 is a new and complex accounting standard which requires significant judgement to determine the impairment loss reserve.

The general approach to ECL was adopted. This approach involves identification of significant changes in credit risks using a multi factor model, for the purpose of determining whether financial assets will be classified as stage 1, stage 2 or stage 3. While twelve months ECLs are computed for financial assets in stage 1, lifetime ECLs are computed for financial assets in stage 2 and 3. Calculating ECL for this class of financials assets also involves determination of risk parameters such as probability of default (PD), loss given default (LGD) and exposure at default (EAD). The approach also involves considerable level of judgements and estimation in determining inputs for ECL calculation such as:

•Determination of PD and LGD
•Adjusting the PD for forward looking information
•Selecting macroeconomics variables
•Incorporating multiple scenarios
•Considered cash flow estimation including timing and amount as well as
•collateral valuation

Adopting IFRS 9 for the first time also requires some judgements in taking certain key decisions which will impact the transitional disclosures as at 1 January 2018 (Refer to Note 1.6 to the summary of significant accounting policies).

Our response

We ascertained the following

- We reviewed the IFRS 9 ECL models and documentation prepared by the management for the computation of impairment losses on financial assets carried at amortised costs in line with the requirements of IFRS 9.
- We gained an understanding of how the client derived the risk parameters (i.e. PD's and LGD's) by performing a walkthrough exercise. We also challenged all the assumptions considered in the estimation of recovery cash flows, the discount factor, collateral valuation and timing of realization, the forecast, and assigned probability weight to the scenarios.
- In instances where we were not satisfied with the assumptions used by the management in its cash flow estimation and discounting, we challenged management assumptions by re-computing the cash flows to determine the recoverable amounts and all other parameters used.
- We focused on the most significant model assumptions including probability of default and loss given default.
- We performed detailed procedures on the completeness and accuracy of the information used.
- Lastly, we reviewed the qualitative and quantitative disclosures for reasonableness to ensure conformity with the IFRS 7- Financial Instruments: Disclosures

4. **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Chairman's and Directors' statements, but does not include the financial statements and our auditors report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

5. **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The Management are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and international Accounting Standards issued by the International Accounting Standards Board, and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria Act, No 6, 2011, the Companies and Allied Matters Act, CAP C20 LFN 2004, Insurance Act, CAP I17 LFN 2004, and the Prudential Guidelines issued by National Insurance Commission, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

6. **Auditors' responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on page 5 of these financial statements. This description forms part of our audit report.

7. **Contravention of laws and regulations**

As stated in note 47 of these financial statements, the Company paid the sum of five million naira only to Financial Reporting Council of Nigeria for inadequate disclosure of accounting policy on intangible asset during the year.

8. **Report on other legal and regulatory requirements**

The Companies and Allied Matters Act, CAP C20, LFN, 2004 and Insurance Act CAP I17 LFN 2004 require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

ii) in our opinion, proper books of account have been kept by the Company and its Subsidiary

iii) the Company's and its Subsidiary's statement of financial position, and its statement of profit or loss and other comprehensive income are in agreement with the books of account.

iv) to the best of our knowledge, the Company and its Subsidiary complied with the requirements of the relevant circulars issued by National Insurance Commission (NAICOM) and the regulations of the Insurance Act CAP I17 LFN 2004 during the year.

Olugbemiga A. Akibayo
FRC/2013/ICAN/00000001076
For: BDO Professional Services
Chartered Accountants

Lagos, Nigeria
15 April 2019

Details of Auditors responsibilities for the audit of the financial statements

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and significant audit findings and any significant deficiencies in internal control that we identify during our audit.

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

(a) 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.

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 statements were authorised for issue by the Board of Directors on 5 March 2019.

(b) **Principal activity**

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.

1.1 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.

1.2 Going Concern

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 operations of the group.

1.3 Basis of Preparation and Compliance with IFRS

The Group's financial statements for the year 2018 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 CAP I17, LFN 2004 and Prudential Guidelines issued by National insurance Commisson and Investment and Securities Act 2007.

1.3.1 Foreign currency translation

(a) **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)

(b) **Transactions and balances in foreign currencies**

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 statement of financial position 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.

1.3.2 **Basis of measurement**

The financial statements are prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss;
- Financial assets classified as FVOCI which are measured at fair value through other comprehensive income;
- Land and building (included in property and equipment) which are measured at fair value through other comprehensive income;
- Financial assets which are measured at amortised costs; and
- Investment properties which are measured at fair value.
- In accordance with IFRS 4 Insurance contracts, the Group has applied existing accounting policies for its Non-life Insurance contracts, modified as appropriate to comply with the IFRS framework.

1.4 **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 1.5.

1.5 **Judgments, Estimates and Assumptions**

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the year in which the estimate is revised, if the revision affects only that year or if the revision affects both current and future years.

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:

1.5.1 **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.

1.5.2 **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 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 amortisation of unearned premium on a basis other than time apportionment.

1.5.3 **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.

1.6 **Changes in accounting policies and adoption of new standards**

1.6.1 **New standards, interpretations and amendments effective from 1 January 2018**

Effective 1 January 2018, the Group adopted IFRS 9 - Financial Instruments. Consequent upon application of IFRS 9, The Group's accounting policies were changed in the area outlined in 2.3.2, and this new policy became applicable from 1 January 2018. As permitted by the transition provisions of IFRS 9, we elected not to restate comparative period results. Accordingly, all comparative period information is presented in accordance with our previous accounting policies, as described in our 2017 Group Accounts. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application (1 January 2018) were recognized in opening retained earnings and other components of equity in the current period as indicated in Note 1.6.1(b). New or amended interim disclosures have been provided for the current period, where applicable, and comparative period disclosures are consistent with those made in the prior year.

(a) **IFRS 9 - Financial instruments: Impact on adoption**

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any earlier versions of IFRS 9 in previous periods but adopted full adoption approach. IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018.

(b) **Impact of adoption of IFRS 9**

Classification and measurement

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortised cost, fair value through other comnprehensive income (FVOCI) and FVTPL. The following table shows the original classification and carrying amounts under IAS 39 and the new classification and carrying amounts under IFRS 9 for each class of the company's financial assets and financial liabilities:

Group

		IFRS 9		IAS 39	
As at		1 January 2018		31 December 2017	
		Measurement category	Carrying amount	Previous measurement category	Carrying amount
			N'000		N'000
Financial assets					
Cash and cash equivalents	i	**Amortised cost**	3,325,834	**Loans and receivables**	3,328,800
Other receivables	i	**Amortised cost**	259,516	**Loans and receivables**	259,516
Investments- Equity security in unquoted companies	ii	**FVOCI**	1,167,339	**Available-for-sale**	1,167,339
Investments in fixed deposits and treasury bills	ii	**Amortised cost**	3,214,940	**Available-for-sale**	3,220,756
Investments in bonds	ii	**Amortised cost**	181,090	**Held-to-maturity**	181,364
Investments- Equity security in quoted companies	iii	**FVTPL**	1,347,462	**Held for trading**	1,347,462

i Cash and cash equivalents have been reclassified from loans and receivables to amortised cost. Cash and cash equivalents are deposits held with reputable financial institutions that pose minimal credit risk. The deposits are repayable on demand and interest, if any, is at a fixed or floating market rate. The Group's business model objective is to hold the deposits and the contractual cash flows represent solely payments of principal and interest. The fair value of cash and cash equivalents approximates its carrying value at amortised cost.

ii At the date of transition to IFRS 9, the group designated selected financial assets that were previously classified as Available-for-sale classified as amortised cost. See the following table.

Items previously designated as Available-for-sale

	IFRS 9		IAS 39	
As at	1 January 2018		31 December 2017	
In millions of Nigerian Naira	Measurement category	Carrying amount	Previous measurement category	Carrying amount
Financial assets				
Fixed deposit and Treasury bills	**Amortised cost**	3,214,940	**Available-for-sale**	3,220,756

As of 1 January 2018, NEM Insurance Plc has measured a portion of its portfolio previously classified as available-for-sale as debt securities at amortised cost. These instruments are held in a hold to collect business model and meet the IFRS 9 (SPPI) criteria. The fair value of these instruments as at 31 December 2017 was N3,220,756,000. The accumulated OCI for the assets was nil as of 31 of December 2017 because the asset was carried at near liquid value. The carrying amount as at 31 December 2017 approximates its fair value.The effect on equity from remeasurement is therefore nil

iii As of 1 January 2018, the Group has reclassified its securities held for trading as fair value through profit or loss mandatorily. The portfolio is managed and evaluated on a fair value basis.

Parent

		IFRS 9		IAS 39	
As at		1 January 2018		31 December 2017	
In millions of Nigerian Naira		Measurement category	Carrying amount	Previous measurement category	Carrying amount
Financial assets					
Cash and cash equivalents	i	**Amortised cost**	3,322,374	**Loans and receivables**	3,325,340
Other receivables	i	**Amortised cost**	276,254	**Loans and receivables**	276,254
Investments- Equity security in unquoted companies	ii	**FVOCI**	1,167,339	**Available-for-sale**	1,167,339
Investments in fixed deposits and treasury bills	ii	**Amortised cost**	3,214,940	**Available-for-sale**	3,220,756
Investments in bonds	ii	**Amortised cost**	181,090	**Held-to-maturity**	181,364
Investments- Equity security in quoted companies	iii	**FVTPL**	1,347,462	**Held for trading**	1,347,462

i Cash and cash equivalents have been reclassified from loans and receivables to amortised cost. Cash and cash equivalents are deposits held with reputable financial institutions that pose minimal credit risk. The deposits are repayable on demand and interest, if any, is at a fixed or floating market rate. The Company's business model objective is to hold the deposits and the contractual cash flows represent solely payments of principal and interest. The fair value of cash and cash equivalents approximates its carrying value at amortised cost.

ii At the date of transition to IFRS 9, the group designated selected financial assets that were previously classified as Available-for-sale classified as amortised cost. See the following table.

Items previously designated as Available-for-sale

	IFRS 9		IAS 39	
As at	1 January 2018		31 December 2017	
In millions of Nigerian Naira	Measurement category	Carrying amount	Previous measurement category	Carrying amount
Financial assets				
Fixed deposit and Treasury bills	**Amortised cost**	3,214,940	**Available-for-sale**	3,220,756

As of 1 January 2018, NEM Insurance Plc has measured a portion of its portfolio previously classified as available-for-sale as debt securities at amortised cost. These instruments are held in a hold to collect business model and meet the IFRS 9 (SPPI) criteria. The fair value of these instruments as at 31 December 2017 was N3,220,756,000. The accumulated OCI for the assets was nil as of 31 of December 2017 because the asset was carried at near liquid value. The carrying amount as at 31 December 2017 approximates its fair value.The effect on equity from remeasurement is therefore nil

iii As of 1 January 2018, the Group has reclassified its securities held for trading as fair value through profit or loss mandatorily. The portfolio is managed and evaluated on a fair value basis.

Presentation of the statement of financial position

On 1 January 2018, the statement of financial position line item Amortised Cost financial Assets represent Bonds , Fixed deposit and Treasury bills , which are presented as Amortised Cost financial Assets. For comparative periods, Fixed deposit and Treasury bills represent securities previously classified as available-for-sale under IAS 39. For the current period, Amortised Cost financial Assets represent Bonds and Fixed deposit and Treasury bills under IFRS 9.

(c) **Allowance for impairment**

The following tables show the comparison of impairment allowances determined in accordance with IAS 39 to the corresponding impairment allowance determined in accordance with IFRS 9 as at 1 January, 2018.

Group

In millions of Nigerian Naira	**Fair Valuethrough Profit or Loss**	**Fair Value through OCI Financial assets**	**Amortised Cost financial Assets**	**Total allowance for credit losses**
IAS 39 as at 31 December 2017	**N000**	**N000**	**N000**	**N000**
Specific impairment	-	-	-	-
Portfolio impairment	-	-	-	-
	-	-	-	-
Transition adjustments	-	(30,588)	(6,090)	**(36,678)**
IFRS 9 as at 1 January 2018	**-**	**(30,588)**	**(6,090)**	**(36,678)**
Analysed as follow:				
Stage 1	-	-	6,090	**6,090**
Stage 2	-	-	-	-
Stage 3	-	30,588	-	**30,588**
Total	**-**	**30,588**	**6,090**	**36,678**

Parent

In millions of Nigerian Naira	**Fair Valuethrough Profit or Loss**	**Fair Value through OCI Financial assets**	**Amortised Cost financial Assets**	**Total allowance for credit losses**
IAS 39 as at 31 December 2017				
Specific impairment	-	-	-	-
Portfolio impairment	-	-	-	-
Total	-	-	-	-
Transition adjustments	-	(30,588)	(6,090)	**(36,678)**
IFRS 9 as at 1 January 2018	**-**	**(30,588)**	**(6,090)**	**(36,678)**
Analysed as follow:				
Stage 1	-	-	6,090	**6,090**
Stage 2	-	-	-	-
Stage 3	-	30,588	-	**30,588**
Total	**-**	**30,588**	**6,090**	**36,678**

(i) Investments in Sterling Assurance and Energy & Allied Insurance Pool of N15,012,641 and N15,575,000, classified as FVOCI have not yielded dividend nor interest for many years. In 2018, the balance, N30,587,641, was impaired and adjusted to other comprehensive income.

(ii) An allowance for credit losses (ACL) was established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include debt securities and Fixed deposit & Treasury bills over 90 days and are carried at amortised cost and presented net of ACL on the Statement of Financial Position.

Upon initial application of IFRS 9, Allowance for credit losses of N8,782,000 was recognised on cash and cash equivalents at the beginning of the year, divided into N2,966,000 in respect of cash and cash equivalents and N5,816,000 in respect Fixed deposits and treasury bills above 90 days. Allowance for credit losses of N274,000 was also recognised on debt securities, having impact on N5,816,000 and resulting in an adjustment of N6,090,000 on financial assets

As permitted by the transition provisions of IFRS 9, we elected not to restate comparative period results. Accordingly, all comparative period information is presented in accordance with our previous accounting policies, as described in our 2017 Group Accounts. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application (1 January 2018) were recognized in opening retained earnings and other components of equity in the current period

(d) **Transition Disclosure - Group**

The table below provides the reconciliations from IAS 39 to IFRS 9 for the Group's Consolidated Statement of Financial Position, showing separately the impacts of adopting the IFRS 9 impairment, and classification and measurement requirements.

Statements of Financial Position

Parent		As at 31 December, 2017 (IAS 39)	Impact of classification and measurement	Impact of measurement	Impact of impairment (ECL)	As at 1 January, 2018 (IFRS 9)
		N'000	N'000	N'000	N'000	N'000
ASSETS						
Cash and cash equivalents	a	3,328,800	-	-	(2,966)	3,325,834
Fair Valuethrough		1,347,462		-	-	1,347,462
Fair Value through OCI	b (c,g)	-	1,167,339	(30,588)	-	1,136,751
Available for Sale (AFS)	c(b & d)	4,388,095	(4,388,095)	-		-
Amortised Cost	d(c & e)	-	3,402,120	-	(6,090)	3,396,030
Held-to-maturity (HTM)	e (d)	181,364	(181,364)	-	-	-
Trade receivables		723,535	-	-	-	723,535
Reinsurance assets		2,382,459	-	-	-	2,382,459
Deferred acquisition cost		587,244	-	-	-	587,244
Other receivables and prepayment		259,516	-	-		259,516
Investment in Associate		392,501	-	-	-	392,501
Investment properties		676,555	-	-	-	676,555
Statutory deposit		320,000	-	-	-	320,000
Intangible asset		18,997	-	-	-	18,997
Property, Plant and Equipment		2,864,796	-	-	-	2,864,796
Deferred tax asset		92,773	-	-	-	92,773
TOTAL ASSETS		**17,564,097**	**-**	**(30,588)**	**(9,056)**	**17,524,453**
LIABILITIES						
Insurance contract liabilities		6,518,667	-	-	-	6,518,667
Trade payables		73,694	-	-	-	73,694
Other payables		550,459	-	-	-	550,459
Retirement benefit obligations		91,910	-	-	-	91,910
Income tax liability		591,760	-	-	-	591,760
TOTAL LIABILITIES		**7,826,490**	**-**	**-**	**-**	**7,826,490**
EQUITY						
Share capital		2,640,251	-	-	-	2,640,251
Share premium		272,551	-	-	-	272,551
Contingency reserve		3,154,568	-	-	-	3,154,568
Retained earnings	f(a&d)	3,658,357	-	-	(9,056)	3,649,301
FVOCI reserve	g (h & b)		(128,734)	(30,588)	-	(159,322)
Availbale for sale Reserve	h (g)	(128,734)	128,734	-	-	-
Other Reserves - Employee benefit		140,614	-	-	-	140,614
Total Equity		**9,737,607**	**-**	**(30,588)**	**(9,056)**	**9,697,963**
Total Equity and Liabilities		**17,564,097**	**-**	**(30,588)**	**(9,056)**	**17,524,453**

(e) Transition Disclosure - Parent

The table below provides the reconciliations from IAS 39 to IFRS 9 for the Parent Statement of Financial Position, showing separately the impacts of adopting the IFRS 9 impairment, and classification and measurement requirements.

Statements of Financial Position

Parent		As at 31 December, 2017 (IAS 39)	Impact of classification and measurement	Impact of measurement	Impact of impairment (ECL)	As at 1 January, 2018 (IFRS 9)
		N'000	N'000	N'000	N'000	N'000
ASSETS						
Cash and cash equivalents	a	3,325,340	-	-	(2,966)	3,322,374
Fair Valuethrough Profit or Loss		1,347,462			-	1,347,462
Fair Value through OCI						
Financial assets	b (c,g)		1,167,339	(30,588)	-	1,136,751
Available for Sale (AFS)	c(b & d)	4,388,095	(4,388,095)			-
Amortised Cost financial						
Assets	d(c & e)		3,402,120	-	(6,090)	3,396,030
Held-to-maturity (HTM)	e (d)	181,364	(181,364)			-
Trade receivables		723,535	-	-	-	723,535
Reinsurance assets		2,382,459	-	-	-	2,382,459
Deferred acquisition cost		587,244	-	-	-	587,244
Other receivables and prepayment		276,254				276,254
Investment in Associate		392,501	-	-	-	392,501
Investment in Subsidiary		50,000	-	-	-	50,000
Investment properties		676,555	-	-	-	676,555
Statutory deposit		320,000	-	-	-	320,000
Property, Plant and Equipment		2,861,499	-	-	-	2,861,499
Deferred tax asset		83,306	-	-	-	83,306
TOTAL ASSETS		**17,605,884**	**-**	**(30,588)**	**(9,056)**	**17,566,240**
LIABILITIES						
Insurance contract liabilities		6,518,667	-	-	-	6,518,667
Trade payables		73,694	-	-	-	73,694
Other payables		573,576	-	-	-	573,576
Retirement benefit obligations		91,910	-	-	-	91,910
Income tax liability		591,760	-	-	-	591,760
TOTAL LIABILITIES		**7,849,607**	**-**	**-**	**-**	**7,849,607**
EQUITY						
Share capital		2,640,251	-	-	-	2,640,251
Share premium		272,551	-	-	-	272,551
Contingency reserve		3,154,568	-	-	-	3,154,568
Retained earnings	f(a&d)	3,677,027	-	-	(9,056)	3,667,971
FVOCI reserve	g (h & b)	-	(128,734)	(30,588)	-	(159,322)
Availbale for sale Reserve	h (g)	(128,734)	128,734	-		-
Other Reserves - Employee benefit		140,614	-	-	-	140,614
Total Equity		**9,756,277**	**-**	**(30,588)**	**(9,056)**	**9,716,633**
Total Equity and Liabilities		**17,605,884**	**-**	**(30,588)**	**(9,056)**	**17,566,240**

(f) Transition Disclosure reconciliatory/ Explanatory Notes

Note Ref		Group IAS 39 as at Dec 31,2017	Group IFRS 9 as at Jan 1, 2018	Parent IAS 39 as at Dec 31,2017	Parent IFRS 9 as at Jan 1, 2018
a	**Cash and Cash Equivalents**	**N'000**	**N'000**	**N'000**	**N'000**
	Balance as at 31 December 2017 (IAS 39)	3,328,800	3,328,800	3,325,340	3,325,340
(f)	Impairment (ECL Model)	-	(2,966)	-	(2,966)
	Balance as at 1 January, 2018 (IFRS 9)	3,328,800	3,325,834	3,325,340	3,322,374
	Financial assets:				
b	**Fair value through OCI (FVOCI)**	N'000	N'000	N'000	N'000
	Balance as at 31 December 2017 (IAS 39)	-	-	-	-
(c)	**Reclassified from Available for Sale**	-	1,167,339	-	1,167,339
	Remeasurement on Transition to IFRS 9	-	(30,588)		(30,588)
(g)	Imapirment (ECL Model)	-	-	-	-
	Balance as at 1 January, 2018 (IFRS 9)	-	1,136,751	-	1,136,751
c	**Available For Sale (AFS)**	N'000	N'000	N'000	N'000
	Balance as at 31 December 2017 (IAS 39)	4,388,095	-	4,388,095	-
(b)	Reclassified to FVOCI (Unquoted Equity Investments)	**(1,167,339)**	-	(1,167,339)	-
(d)	Reclassified to Amortised Cost (Short term Investments)	(3,220,756)	-	(3,220,756)	-
	Balance as at 1 January, 2018 (IFRS 9)	-		-	
d	**Amortised cost (AC)**	N'000	N'000	N'000	N'000
	Balance as at 31 December 2017 (IAS 39)	-	-	-	-
(e)	Reclassified from Held-to-maturity (HTM)	-	181364	-	**181,364**
(c)	Reclassified from AFS (Short term Investments)	-	3,220,756	-	3,220,756
	Remeasurement on Transition to IFRS 9	-	-	-	-
(f)	Imapirment (ECL Model)	-	(6,090)	-	(6,090)
	Balance as at 1 January, 2018 (IFRS 9)	-	3,396,030	-	3,396,030
e	**Held-to-maturity (HTM)**	N'000	N'000	N'000	N'000
	Balance as at 31 December 2017 (IAS 39)	181,364	-	181,364	-
	Reclassified to Amortised Cost	(181,364)	-	(181,364)	-
	Balance as at 1 January, 2018 (IFRS 9)	-	-	-	-
f	**Retained earnings**	N'000	N'000	N'000	N'000
	Balance as at 31 December 2017 (IAS 39)	3,658,357	3,658,357	3,677,027	3,677,027
	Reclassified from fair value reserve (OCI)	-	-	-	-
(a)	Impairment (ECL Model) -Cash and cash Equivalents	-	**(2,966)**	-	**(2,966)**
(d)	Impairment (ECL Model) - Amorised Cost		(6,090)		(6,090)
	Balance as at 1 January, 2018 (IFRS 9)	3,658,357	3,649,301	3,677,027	3,667,971
g	**FVOCI Reserve**	N'000	N'000	N'000	N'000
	Balance as at 31 December 2017 (IAS 39)	-	-	-	-
(h)	Reclassified to AFS reserve	-	(128,734)	-	(128,734)
(b)	Impairment (ECL Model) - FVOCI	-	(30,588)	-	(30,588)
	Balance as at 1 January, 2018 (IFRS 9)	-	(159,322)	-	(159,322)
h	**Available for sale reserve**	N'000	N'000	N'000	N'000
	Balance as at 31 December 2017 (IAS 39)	(128,734)	-	-	(128,734)
	Reclassified to fair value reserve (FVOCI)	128,734	-	-	128,734
	Balance as at 1 January, 2018 (IFRS 9)	-	-	-	-

1.6.2 **IFRS 15 Revenue from contract with customers**

The Company adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Insurer to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

The adoption of IFRS 15 has no impact in the revenue recognition of the company as the revenue of the company is being recognized using IFRS 4 as amended. Revenue recognition for Net fair value (loss)/gain on financial assets and other investment income are recognised based on requirements of IFRS 9. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

1.6.3 **New standards, interpretations and amendments not yet effective**

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are:

Title	**Key requirements**	**Effective Date**
IFRS 16 Leases	IFRS 16 will affect primarily the accounting by leases and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additional, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contain, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	1 January 2019 Early adoption is permitted.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).	1 January 2019.Earlier application is permitted.

IFRS 17 Insurance Contracts	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees. The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT. • that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment. • that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and • that the judgments and estimates made must be reassessed whenever circumstance have changed or there is new information that affects the judgements. While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgments and estimates made in preparing the financial statements.	The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application
Prepayment Features with Negative Compensation-Amendments to IFRS 9	The narrow-scope amendments made to IFRS 9 Financial instruments in December 2018 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.	1 January 2019
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • any reduction in a surplus should be recognized immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In order words, a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. • separately recognize any changes in the asset ceiling through other comprehensive income.	1 January 2019

2 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are defined as those that are reflective of significant judgements and uncertainties and potentially give rise to different results under different assumptions and conditions.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

2.1 CONSOLIDATION

(i) Subsidiaries

The financial statements of the subsidiary is 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 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 the subsidiary has been changed where necessary to ensure consistency with the policies adopted by the Group. Investment in the subsidiary in the separate financial statements of the Company entity is measured at cost.

Acquistion - 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.

(ii) 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 on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity, accounted investment or as a financial asset under the Amortized Cost or Fair Value Through Other Comprehensive Income category depending on business model intended and the level of influence retained.

(iii) Special purpose entities

Special purpose entities that are created to accomplish a narrow and well- defined objective such as the securitisation of particular assets, or the execution of specific borrowings or lending transactions or the provision of certain benefits to employee.

The financial statements of special purpose entities are included in the Group's consolidated financial statements, where the substance of the relationship is that the Group controls the special purpose entity.

(iv) Associates

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.

2.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Due to their short-term nature, the carrying value of cash and cash equivalents approximates their fair value, hence they are carried at fair value in the statement of financial position.

2.3 FINANCIAL ASSETS

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Group has adopted not to restate comparatives.

2.3.1 Recognition

The Group on the date of origination or purchase recognizes placements, equity securities and deposits at the fair value of consideration paid. Regular-way purchases and sales of financial assets shall be recognized on the settlement date. All other financial assets and liabilities, including derivatives, shall be initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

2.3.2 Classification and Measurement

Initial measurement of a financial asset or liability shall be at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs shall be recognized immediately in profit or loss. Financial assets include placement with banks, treasury bills and equity instruments.

The Group classifies its financial assets into the following categories in line with the provisions of IFRS 9:

(a) Fair Value Through Profit or Loss (FVTPL)
(b) Amortized Cost
(c) Fair Value Through Other Comprehensive Income (FVOCI)

The Group shall classify its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

Business Model Assessment

Business model assessment shall involve determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Group shall assess business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business model the Group will take into consideration the following factors:

The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that shall be funding those assets or realizing cash flows through the sale of the assets;

How the performance of assets in a portfolio will be evaluated and reported to the relevant heads of department and other key decision makers within the Company's business lines;

The risks that affect the performance of assets held within a business model and how those risks shall be managed;

How compensation shall be determined for the Company's business lines, management that manages the assets; and

The frequency and volume of sales in prior periods and expectations about future sales activity.

Management shall determine the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:

I) Business Model 1(BM1): Financial assets held with the sole objective to collect contractual cash flows

II) Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cash flows and selling; and

III) Business Model 3 (BM3): Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These shall be basically financial assets held with the sole objective to trade and to realize fair value changes.

The Group may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions shall be met:

i) Where these sales shall be infrequent even if significant in value. A Sale of financial assets shall be considered infrequent if the sale shall be one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.

(ii) Where these sales shall be insignificant in value both individually and in aggregate, even if frequent. A sale shall be considered insignificant if the portion of the financial assets sold shall be equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.

(iii) When these sales shall be made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not exceed the cash flows from the sales by ten (10) per cent.

Other reasons: The following reasons outlined below may constitute 'Other Reasons' that may necessitate selling financial assets from the BM1 category that will not constitute a change in business model:
1. Selling the financial asset to realize cash to deal with unforeseen need for liquidity (infrequent).
2. Selling the financial asset to manage credit concentration risk (infrequent)
3. Selling the financial assets as a result of changes in tax laws (infrequent).
4. Other situations also depends upon the facts and circumstances which need to be judged by the Management

Cash flow Characteristics Assessment

The company shall assess the contractual features of an instrument to determine if they give rise to cash that shall be consistent with a basic investment arrangement.
Contractual cash flows shall be consistent with a basic deposit arrangement if they represent cash flow that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal shall be defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest shall be defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

A. Classification of Financial Assets

a) Financial assets measured at amortised cost
Financial assets shall be measured at amortised cost if they are held within a business model whose objective shall be to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category shall be carried at amortized cost using the effective interest rate method. The effective interest rate shall be the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost shall be calculated taking into account any discount or premium on acquisition, transaction costs and fees that shall be an integral part of the effective interest rate. Amortization shall be included in Interest income in the Consolidated Statement of Income. Impairment on financial assets measured at amortized cost shall be calculated using the expected credit loss approach.
Financial assets measured at amortized cost shall be presented net of the allowance for credit losses (ACL) in the statement of financial position.

b) Financial assets measured at FVOCI
Financial assets shall be measured at FVOCI if they are to be held within a business model whose objective shall be to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that shall be solely payments of principal and interest.
Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI shall be recorded in Other Comprehensive Income (OCI).

c) Financial assets measured at FVTPL

Financial assets measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that shall be solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments shall be measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognized immediately in the Consolidated Statement of Income.

d) Equity Investments

Equity instruments shall be measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value shall be recognized in the Consolidated Statement of Income. The Company can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer term investment purposes. The FVOCI election shall be made upon initial recognition, on an instrument-by-instrument basis and once made shall be irrevocable. Gains and losses on these instruments including when derecognized/sold shall be recorded in OCI and shall not be subsequently reclassified to the Consolidated Statement of Income.
Dividends received shall be recorded in Interest income in the Consolidated Statement of Income. Any transaction costs incurred upon purchase of the security shall be added to the cost basis of the security and shall not be reclassified to the Consolidated Statement of Income on sale of the security.

B. Classification of Financial Liabilities

Financial liabilities shall be classified into one of the following measurement categories:

a) Amortised cost
b) Fair Value through Profit or Loss (FVTPL)

(a) Financial Liabilities at fair value through profit or loss

Financial liabilities accounted for at fair value through profit or loss fall into two categories:
financial liabilities held for trading and financial liabilities designated at fair value through profit or loss on inception
Financial liabilities at fair value through profit or loss shall be financial liabilities held for trading. A financial liability shall be classified as held for trading if it shall be incurred principally for the purpose of repurchasing it in the near term or if it shall be part of a portfolio of identified financial instruments that shall be managed together and for which there shall be evidence of a recent actual pattern of profit-taking. Derivatives shall also be categorized as held for trading unless they shall be designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.
Gains and losses arising from changes in fair value of financial liabilities classified as held for trading shall be included in the income statement and shall be reported as ‘Net gains/(losses) on financial instruments classified as held for trading’. Interest expenses on financial liabilities held for trading shall be included in ‘Net interest income’.

Financial Liabilities shall be designated at FVTPL when either the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or the financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required. For liabilities designated at fair value through profit or loss, all changes in fair value shall be recognized in the Consolidated Statement of Income, except for changes in fair value arising from changes in the company's own credit risk which shall be recognized in OCI. Changes in fair value of liabilities due to changes in the company's own credit risk, which are recognized in OCI, shall not be subsequently reclassified to the Consolidated Statement of Income upon derecognition/extinguishment of the liabilities.

(b) Financial Liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and shall be measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost shall be debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

C. Reclassifications

Financial assets shall not be reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. A change in the Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations such as:

- Significant internal restructuring or business combinations; for example: an acquisition of a private asset management company that might necessitate transfer and sale of assets to willing buyers, this action will constitute changes in business model and subsequent reclassification of the assets held from BM1 to BM2 Category.

Any other reason that might warrant a change in the Group's business model are determined by management based on facts and circumstances.

The following shall not be considered to be changes in the business model:

(a) A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)

(b) A temporary disappearance of a particular market for financial assets.

(c) A transfer of financial assets between parts of the Group with different business models.

When reclassification occurs, the Group shall reclassify all affected financial assets in accordance with the new business model. Reclassification shall be applied prospectively from the 'reclassification date'. Reclassification date shall be 'the first day of the first reporting period following the change in business model. For example, if the Group decides to shut down the retail business segment on 31 January 2018, the reclassification date will be 1 April, 2018 (i.e. the first day of the entity's next reporting period), the Group shall not engage in activities consistent with its former business model after 31 January, 2018. Gains, losses or interest previously recognised shall not be restated when reclassification occurs.

2.3.3 IMPAIRMENT OF FINANCIAL ASSETS

In line with IFRS 9, the Group assess the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

1. Amortized cost financial assets; and
2. Debt securities classified as at FVOCI.

Equity instruments and financial assets measured at FVTPL shall not be subjected to impairment under the standard.

Expected Credit Loss Impairment Model

The Group's allowance for credit losses calculations shall be outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Group shall adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

Stage 1 – Where there has not been a Significant Increase in Credit Risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss shall be recorded. The expected credit loss shall be computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity shall be used.

Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it shall be included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default shall be included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model shall be to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance shall be based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination. Examples of financial assets with low credit risk (no significant increase in credit risk) include: Risk free and gilt edged debt investment securities that shall be determined to have low credit risk at the reporting date; and Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Measurement of Expected Credit Losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses shall be modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

Details of these statistical parameters/inputs are as follows:

PD – The probability of default shall be an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the asset has not been previously derecognized and are still in the portfolio.

12-month PDs – This is the estimated probability of default occurring with the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This shall be used to calculate 12-month ECLs.

Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This shall be used to calculate lifetime ECLs for "stage 2" and stage 3 exposures. PDs shall be limited to the maximum exposure required by IFRS 9

EAD – The exposure at default shall be an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The loss given default shall be an estimate of the loss arising in the case where a default occurs at a given time. It shall be based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It shall be usually expressed as a percentage of the EAD.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

The Group shall rely on a broad range of forward looking information as economic inputs, such as GDP growth, unemployment rates, central bank base rates, crude oil prices, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays shall be made as temporary adjustments using expert credit judgement.

The Group shall determine allowance for credit losses using three probability-weighted forward looking scenarios. The Group shall consider both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Group prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), Nigeria Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria (CBN), Nigeria Insurers Association, Financial Markets Dealers Quotation (FMDQ), and Trading Economics.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the company shall assess whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking Macroeconomic factors shall be a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region.

The Group shall adopt a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages.

The quantitative models considers deterioration in the credit rating of obligor/counterparty based on the company's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors considers information such as expected forbearance, restructuring, exposure classification by licensed credit bureau etc.

A backstop shall be used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for Default shall be transferred to stage 2 and stage 3 respectively except there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Group shall assess whether financial assets are credit impaired. A financial asset shall be credit impaired when one or more of the following events have a detrimental impact on the estimated future cash flows of the financial asset:

- Significant financial difficulty of the Issuer;
- A breach of contract such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for a security because of financial difficulties

A debt that has been renegotiated due to a deterioration in the issuer's condition shall be considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there shall be no other indicators of impairment. In making an assessment of whether an investment in sovereign debts is credit-impaired, the Group shall consider the following factors.

1. The market's assessment of credit worthiness as reflected in the bond yields
2. The rating agencies' assessments of credit worthiness
3. The country's ability to access the capital markets for new debt issuance
4. The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness
5. The international support mechanisms in place to provide the necessary support as lender of last resort to that country as well as the intention, reflected in public statements of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and irrespective of the political intent, whether there is the capacity to fulfil the required Criteria.

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL shall be presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets
- Financial assets measured at FVOCI: loss allowance shall be recognized in the statement of financial position because the carrying amount of these assets shall be their fair value. However, the loss allowance shall be disclosed and recognized in the fair value reserve.

Write-off

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there shall be no realistic prospect of recovery. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- Continued contact with the customer is impossible;
- Recovery cost is expected to be higher than the outstanding debt;
- Amount obtained from realization of credit collateral security leaves a balance of the debt; or
- It is reasonably determined that no further recovery on the facility is possible.

2.4 TRADE RECEIVABLES

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment. A provision for impairment is made when there is an objective evidence (such as the probability of solvency or significant financial difficulties of the debtors) that the Group will not be able to collect all the amount due based on the original terms of the invoice. Allowances are made based on an impairment model which consider the loss given default for each customer, probability of default for the sectors in which the customer belongs and emergence period which serves as an impairment trigger based on the age of the debt. Impaired debts are derecognized when they are assessed as uncollectible. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortized cost at the reversed date. Any subsequent reversal of an impairment loss is recognized in the profit or loss.

2.5 REINSURANCE ASSETS

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for the insurance contracts in accounting policy 3.14 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered in to by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. Reinsurance assets consist of short-term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in compliance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Group has the right to set-off re-insurance payables against amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

The Group assesses its reinsurance assets for impairment on a yearly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated using the incurred loss model for these financial assets.

(a) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same methodology adopted for financial assets held at used for these financial assets. These processes are described in accounting policy.

2.6 DEFERRED ACQUISITION COSTS

Acquisition costs comprise all direct and indirect costs arising from the writing of non-life insurance contracts. Deferred acquisition costs represent a proportion of commission which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying to the acquisition expenses the ratio of unearned premium to written premium.

2.7 OTHER RECEIVABLES AND PREPAYMENTS

2.7.1 Other receivables

Other receivables are made up of amounts due from parties which are not directly linked to insurance or investment contracts. Other receivables are stated after deductions of amount considered bad or doubtful of recovery. When a debt is deemed not collectible, it is written-off against the related provision or directly to the profit or loss to the extent not previously provided for. Any subsequent recovery of written-off debts is credited to the profit or loss.

2.7.2 Prepayments

Prepayments are carried at cost less amortisation and accumulated impairment losses.

2.8 INVESTMENT IN ASSOCIATE

In the separate financial statements of NEM Insurance Plc, investment in associate is accounted for using the equity method of accounting.

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.

2.9 INVESTMENT IN SUBSIDIARY

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.

In the separate financial statements of NEM Insurance Plc, investment in subsidiary is accounted for at cost.

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.

2.10 INVESTMENT PROPERTIES

Properties that are held for long-term rental yields or for capital appreciation or both and that are insignificantly occupied by the entities in the consolidated group are classified as investment properties. These properties consist of a land and building.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market condition at the date of the consolidated statement of financial position.

Gains or losses arising from the changes in the fair value of investment properties are included in the consolidated income statement in the year in which they arise. Subsequent expenditure is included in the assets carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred. The fair value of investment property is based on the nature, location and condition of the specific asset.

Rent receivable is recognized in profit or loss and is spread on a straight-line basis over the period of the lease. Where lease incentive, such as a rent free period are given to a Lessee, the carrying value of the related investment property excludes any amount reported as a separate asset as a result of recognizing rental income on this basis.

2.11 STATUTORY DEPOSIT

Statutory deposit represents 10% of the paid up capital of the Company deposited with the Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act of Nigeria CAP I17, 2004. Statutory deposit is measured at cost.

2.12 INTANGIBLE ASSETS

(i) Software

Software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses. Expenditure on internally developed software is recognized as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. Development costs previously expensed cannot be capitalized. The capitalized costs of internally developed software include all costs attributable to developing the software and capitalized borrowing costs and are amortized over its useful life. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The maximum useful life of software is five years. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the Company acquired at the date of acquisition. Goodwill is tested annually for impairment and carried as cost less accumulated impairment losses. Impairment losses in goodwill are not reversed.

2.13 PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Property, plant and equipment are initially recorded at cost. Land is subsequently carried at revalued amount being the fair value at the date of revaluation,while buildings are subsequently carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Any increase in an asset's carrying amount, as a result of revaluation is credited to other comprehensive income and accumulated in Revaluation Surplus within Revaluation reserves in equity. The increase is recognized in profit or loss to the extent that it reverses a decrease of the same asset previously recognised in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognized in Profit or Loss and is provided on a straight-line basis over the estimated useful life of the assets.Depreciation methods, estimated useful lives and residual values are reviewed annually and adjusted when necessary. No depreciation is charged on property, plant and equipment until they are available for use. The average useful lives per class of asset are as follows:

Assets class		**Average useful life**
Land	-	Nil
Building under Construction	-	Nil
Buildings	-	2%
Machinery and equipment	-	20%
Motor vehicles	-	20%
Furniture and fittings	-	20%
Computer equipment	-	20%

(iv) De-recognition

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

2.14 INSURANCE CONTRACT LIABILITIES

The Group underwrites risks that individuals, corporate and other entities wish to transfer to an insurer. These risks relate to property, personal accident, motor, liability, marine and other perils which may arise from an insured event. The company is therefore exposed to uncertainty surrounding the timing, frequency and severity of claims under insurance contracts. The major risk is that the frequency and severity of claims may be greater than estimated or expected. The Group is engaged in the general insurance business and most of the risks it underwrites are insurance which claims are settled within one year of the occurrence of the events giving rise to the claims.

In accordance with IFRS 4 on insurance contracts, the Company has continued to apply certain accounting policies which are applied in accordance with pre-changeover Nigerian GAAP.

Technical Reserves

Technical Reserves are statutory amounts which are computed in accordance with the provisions of Sections 20(1) (a) of the Insurance Act of Nigeria CAP I17 LFN 2004 as follows:

a) Insurance Funds

i) Reserves for unearned premium

Reserves for unearned premium is made on the basis of percentage of net premiums written on time apportionment in accordance with section 20(1) (a) of the Insurance Act of Nigeria CAP I17 LFN 2004.

ii) Reserves for additional unexpired risk

A provision for additional unexpired risk reserves (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")

iii) Reserves for outstanding claims

Reserves for outstanding claims is maintained as the total amount of oustanding 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.

b) Liability adequacy test

This is an assessment of whether the carrying amount of an insurance liablity needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased), based on a review of future cashflows. At each reporting date the Company performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure that the carrying amount is adequate. If the assessment shows that the carrying amount is inadequate, the deficiency is recognized in the income statement by setting up an additional provision in the statement of financial position at amortised cost. The impairment loss is calculated under the same method.

The provisions of the Insurance Act CAP I17 LFN, 2004 requires an actuarial valuation for life reserves only. However, IFRS 4 requires a liability adequacy test for both life and non-life insurance reserves. The provision of section 59 of the Financial Reporting Council Act of Nigeria, CAP I17 LFN,2004 gives superiority to the provision of IFRS and since it results in a more conservative reserving than the provision of the Insurance Act CAP I17 LFN, 2004 it well serves the Company's prudential concerns.

2.15 TRADE AND OTHER PAYABLES

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

2.16 RETIREMENT OBLIGATIONS AND EMPLOYEE BENEFITS

The company operates the following contribution and benefit schemes for its employees:

(i) Defined benefit gratuity scheme

The company has a defined benefit gratuity scheme for management and non-management staff. Under this scheme, a specified amount as determined by actuarial valuation is contributed by the company and charged to the income statement over the service life of each employee.

Employees are entitled to gratuity after completing a minimum of five continuos full years of service. The gratuity obligation is calculated annually by Independent Actuaries using the projected unit credit method. The present value of the gratutity obligation is determined by discounting the estimated future cash outflows using market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate is based on market yields on Government bonds). The liability recognised in the statement of financial position in respect of defined benefit gratuity plan is the present value of the defined benefit obligation at the date of the statement of the financial position less the fair value of plan assets. Actuarial gains or losses arising from the valuation are credited or charged to income statement (Other comprehensive statement) in the financial year in which they arise.

(ii) **Defined contribution pension scheme**

In line with the provision of the Nigerian Pension Reform Act, 2014, the Company has instituted a defined contributory pension scheme for its employees. The scheme is funded by fixed contributions from employees and the Company at the rate of 8% by employees and 10% by the Company of basic salary,transport and housing allowances invested outside the Company through Pension Fund Administrators (PFAs) of the employee's choice. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(iii) **Short-term benefits**

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

2.17 INCOME TAX

Income tax expense comprises current and deferred tax

(i) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity.

(ii) Deferred income tax

Deferred income tax is provided using liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities and in relation to acquisitions on the difference between the fair values of the net assets acquired and their tax base.

However, deferred income tax is not recognized for:

(a) Temporary differences arising on the initial recognition of goodwill

(b) Temporary differences on the intial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

(c) Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized when it is probable that future taxable profit will be available against which these temporary differences can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.18 SHARE CAPITAL AND PREMIUM

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Share premium accounts for the amount the Company raises in excess of par value.

2.19 CONTINGENCY RESERVE

Contingency reserve is credited at the higher of 3% of total premiums during the year and 20% of net profit per year, until it reaches the higher of the minimum paid up capital or 50% of net premium in accordance with Section 21 (2) of the Insurance Act CAP I17, LFN 2004.

When the group's land and building are revalued by independent professional valuer, surpluses arising on the revaluation of these assets are credited to the asset revaluation reserve account. When assets previously revalued are disposed off, any revaluation surplus relating to the disposed assets is transferred to retained earnings.

2.20 RETAINED EARNINGS

This represents the amount available for dividend distribution to the equity shareholders of the Company.

2.21 FVOCI RESERVE

FVOCI reserve comprises the cumulative net change in the fair value of the Group’s investments categorised as Fair Value Through Other Comprehensive Income (FVTOCI). Net fair value movements are recycled to income statement if an investment categorized as Amortised Cost is either derecognized or impaired.

2.22 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.

2.23 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The consolidated financial statements are presented in Nigerian Naira (N), which is the Group's presentation currency.

(b) Transactions and balances

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

Foreign exchange gains and losses relating to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or finance cost'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income' or ' Other operating expenses'.

2.24 REVENUE RECOGNITION

Revenue comprises the fair value of services, net of value-added tax, after eliminating revenue within the Group. Revenue is recognized as follows:

(a) Rendering of services: Revenue arising from asset management and other related services offered by the Group are recognised in the accounting period in which the services are rendered.

Recognition and Measurement of Insurance Contracts

i **Gross premium written**

Gross premium is recognized at the point of attachment of risk to a policy before deducting cost of reinsurance cover. All written premium relating to risk for period not falling due within the accounting period is carried forward as an unearned premium.

ii **Gross premium earned**

Gross premium earned is stated at premium written on direct and indirect business after deducting premium relating to unexpired risks which is determined on time apportionment basis.

iii **Net premium earned**

Net premium represents total amount invoiced to policy holders less reinsurance and is recognized as an income from the date of attachment of risk.

iv **Reinsurance premium**

The Group cedes reinsurance in the normal course of business with retention limits varying by line of business for the purpose of limiting its net loss potential. Reinsurance arrangements however do not relieve the Company from its direct obligation to its policy holders. This is recognized as an expense or deduction from the gross premium and it relates to premium on business ceded on treaty and facultative and is recognized on part apportionment basis.

2.25 REINSURANCE EXPENSES

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

2.26 COMMISSION INCOME

Commissions earned are recognized on ceding businesses to the reinsurers and other insurance companies and are credited to the income statement.

2.27 CLAIMS AND LOSS ADJUSTMENT EXPENSES

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claim settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims.

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

(a) **Salvages**

Some non-life insurance contracts permit the Group to sell (usually damaged) property acquired in the process of settling a claim.

The Group may also have the right to pursue third parties for payment of some or all costs of damages to its clients property (i.e. subrogation right).

Salvage recoveries are used to reduce the claim expenses when the claim is settled.

2.28 UNDERWRITING EXPENSES

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

(a) **Commission expenses**

Commission expenses are brokerage fees paid to brokers and agents which are certain percentages based on the class of business underwritten.

(b) **Maintenance expenses**

Maintenance expenses are expenses incurred in servicing existing policies/contract. These expenses are charged to the revenue account in the accounting period in which they are incurred.

2.29 INVESTMENT INCOME

(a) **Dividend income**

Dividend income from equities is recognised when the right to receive payment is established, this is the ex-dividend date for equity securities.

(b) **Interest income and expense**

Interest income on financial assets that are classified as amortised cost and interest expense on financial liabilities other than those at FVTPL are determined using the effective Interest rate method. Interest income in calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e net of the expected credit loss provision). Interest income on assets classified as amortised cost are recognised in investment income.

2.30 MANAGEMENT EXPENSES

Management expenses are expenses other than claims, investment expenses, employee benefit, expenses for marketing and administration and underwriting expenses. They include rents, professional fee, depreciation expenses and other non-operating expenses. Management expenses are accounted for on accrual basis and recognised in the income statement upon utilization of the service or at the date of their origin.

2.31 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it can earn and incur expenses, including revenues and expenses that relate to transaction with any of the Group's other components, whose revenues and operating results are reviewed regularly by Executive Management to make decisions about the resources allocated to each segment and assess its performance, and for which discrete financial information is available. All costs that are directly traceable to the operating segments are allocated to the segment concerned while indirect costs are allocated based on the benefits derived from such costs.

2.32 CONTINGENT LIABILITIES

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the ocurrence or non-ocurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events which is not recognised because it is not probable that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of illegal claims under arbitration or court process in respect of which a liability is not likely to crystallise.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Group		Parent	
		2018	2017	2018	2017
Assets	**Notes**	**N'000**	**N'000**	**N'000**	**N'000**
Cash and cash equivalents	3	6,697,017	3,328,800	6,675,924	3,325,340
Financial assets					
- At fair value through profit or loss	4	1,108,206	1,347,462	1,108,206	1,347,462
- At fair value through other comprehensive income	4	1,260,729	-	1,260,729	-
- At amortised cost	4	1,235,106	-	1,235,106	-
-Available for Sale	4	-	4,388,095	-	4,388,095
-Held-to-Maturity	4	-	181,364	-	181,364
Trade receivables	5	279,709	723,535	279,709	723,535
Reinsurance assets	6	4,809,590	2,382,459	4,809,590	2,382,459
Deferred acquisition cost	7	655,614	587,244	655,614	587,244
Other receivables and prepayments	8	709,859	259,516	698,696	276,254
Investment in Associate	9	413,752	392,501	413,752	392,501
Investment in Subsidiary	10	-	-	50,000	50,000
Investment properties	11	682,951	676,555	682,951	676,555
Statutory deposit	12	320,000	320,000	320,000	320,000
Intangible asset	13	6,405	18,997	2,042	10,270
Property, Plant and Equipment	14	4,158,807	2,864,795	4,156,609	2,861,499
Deferred tax assets	20	92,773	92,773	83,306	83,306
Total Assets		**22,430,518**	**17,564,096**	**22,432,234**	**17,605,884**
Liabilities					
Insurance contract liabilities	15	7,126,871	6,518,667	7,126,871	6,518,667
Trade payables	16	319,023	73,694	319,023	73,694
Other payables	17	1,247,829	550,458	1,247,412	573,576
Retirement benefit obligations	18	78,496	91,910	78,496	91,910
Income tax liability	19	835,998	591,760	835,528	591,760
Deferred tax liabilities	20	397,746	-	397,746	-
		10,005,963	7,826,489	10,005,076	7,849,607
Share capital	21	2,640,251	2,640,251	2,640,251	2,640,251
Share premium	22	272,551	272,551	272,551	272,551
Statutory contingency reserve	23	3,606,052	3,154,568	3,606,052	3,154,568
Retained earnings	24	4,715,527	3,658,357	4,718,130	3,677,027
FVOCI reserve	25	(35,344)	-	(35,344)	-
Available for sale reserve	25	-	(128,734)	-	(128,734)
Asset revaluation reserve	26	1,094,475	-	1,094,475	-
Other Reserves - Employee benefit	27	131,043	140,614	131,043	140,614
Total Equity		12,424,555	9,737,607	12,427,157	9,756,277
Total Equity and Liabilities		**22,430,518**	**17,564,096**	**22,432,234**	**17,605,884**

The financial statements on pages 35 to 104 were approved by the Board of Directors and authorised for issue on 5 March 2019 and signed on its behalf by:

....	....	....
Dr. 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 accompanying notes and significant accounting policies on pages 6 to 98 and other national disclosures on pages 99 to 104 form an integral part of these financial statements.

Auditors' report, pages 1 to 5

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Parent	
		2018	2017	2018	2017
	Notes	N'000	N'000	N'000	N'000
Gross premiums written	28	15,049,453	13,416,270	15,049,453	13,416,270
Increase in unearned premium	29(a)	(702,965)	(384,491)	(702,965)	(384,491)
Gross premium income	29	14,346,488	13,031,779	14,346,488	13,031,779
Reinsurance expenses	30	(3,652,694)	(3,229,828)	(3,652,694)	(3,229,828)
Net premium income		10,693,794	9,801,951	10,693,794	9,801,951
Fee and commission income	31	743,570	658,353	743,570	658,353
Net underwriting income		11,437,364	10,460,304	11,437,364	10,460,304
Claims expenses	32	(2,554,253)	(1,783,574)	(2,554,253)	(1,783,574)
Underwriting expenses	33	(4,259,870)	(4,164,174)	(4,259,870)	(4,164,174)
Underwriting profit		4,623,241	4,512,556	4,623,241	4,512,556
Investment income	34	952,783	709,945	952,783	709,945
Net Fair value (loss)/gain	35	(263,381)	719,245	(263,381)	719,245
Other income	36	212,667	56,698	173,099	26,889
Profit/(loss) on disposal of properties, plant and equipment	38	3,818	(25,776)	3,818	(25,776)
Share of profit in Associate	9(b)	21,251	99,985	21,251	99,985
Management expenses	37	(2,826,844)	(2,946,624)	(2,803,814)	(2,929,084)
Allowance for credit losses - Cash	3	(8,920)	-	(8,920)	-
Allowance for credit losses - Bonds	4.3(a)	(338)	-	(338)	-
Allowance for credit losses - Fixed deposits	4.3(d)	(1,655)	-	(1,655)	-
Profit before *NITDA and taxation*		2,712,622	3,126,029	2,696,084	3,113,760
Information Technology Development Levy		(26,961)	(31,138)	(26,961)	(31,138)
Profit before taxation		2,685,661	3,094,891	2,669,123	3,082,622
Income taxes	19(b)	(648,957)	(319,499)	(648,487)	(319,499)
Profit for the year after tax		2,036,704	2,775,392	2,020,636	2,763,123
Other comprehensive income:					
Items within OCI that may be reclassified to the Profit or loss:					
Actuarial gain - change in assumption	18	5,482	(7,413)	5,482	(7,413)
Actuarial (loss)/gain - experience adjustment	18	(15,053)	(18,472)	(15,053)	(18,472)
Gains on FVTOCI		123,978	-	123,978	-
Items within OCI that will not be reclassified to the Profit or loss:					
Gain on revaluation of land and buildings	26	1,094,475	-	1,094,475	-
Total other comprehensive income/(loss) for the year		1,208,882	(25,885)	1,208,882	(25,885)
Total comprehensive income for the year		3,245,586	2,749,507	3,229,518	2,737,238
Basic earnings per share (Kobo)		0.39	0.53	0.38	0.52
Diluted earnings per shares (Kobo)		0.39	0.53	0.38	0.52

The accompanying notes and significant accounting policies on pages 6 to 98 and other national disclosures on pages 99 to 104 form an integral part of these financial statements.

Auditors' report, pages 1 to 5

NEM INSURANCE PLC
Consolidated Statement of Changes in Equity
for the year ended 31 December 2018
Group

	Share capital	Share premium	Contingency reserve	Gratuity valuation reserve	FVOCI Reserve	Asset revaluation reserve	Retained earnings	Total equity
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance 1 January, 2018	2,640,251	272,551	3,154,568	140,614	(159,322)	-	3,658,357	9,707,019
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	2,036,704	2,036,704
Transfer to contingency reserve	-	-	451,484		-	-	(451,484)	-
Dividend paid during the year	-	-	-	(9,571)	-	-	(528,050)	(537,621)
Fair value gain on FVOCI	-	-	-	-	123,978	-	-	123,978
Changes in valuation of gratuity	-	-	-	-	-	-	-	-
Changes in valuation of land and building	-	-	-	-	-	1,094,475	-	1,094,475
Other comprehensive income:	-	-	-	-	-	-	-	-
Balance 31 December, 2018	2,640,251	272,551	3,606,052	131,043	(35,344)	1,094,475	4,715,527	12,424,555
Balance 1 January, 2017	2,640,251	272,551	2,599,514	166,499	(128,734)	-	1,860,459	7,410,540
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	2,775,392	2,775,392
Transfer to contingency reserve	-	-	555,054	-	-	-	(555,054)	-
Dividend paid during the year	-	-	-	-	-	-	(422,440)	(422,440)
Fair value gain on FVOCI	-	-	-	-	-	-	-	-
Changes in valuation of gratuity	-	-	-	(25,885)	-	-	-	(25,885)
Balance 31 December, 2017	2,640,251	272,551	3,154,568	140,614	(128,734)	-	3,658,357	9,737,607

The accompanying notes and significant accounting policies on pages 6 to 98 and other national disclosures on pages 99 to 104 form an integral part of these financial statements.

Auditors' report, pages 1 to 5

NEM INSURANCE PLC
Consolidated Statement of Changes in Equity
for the year ended 31 December 2018
Parent

	Share capital	Share premium	Contingency reserve	Gratuity valuation reserve	FVOCI Reserve	Asset revaluation reserve	Retained earnings	Total equity
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance 1 January, 2018	2,640,251	272,551	3,154,568	140,614	(159,322)	-	3,677,027	9,725,689
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	2,020,636	2,020,636
Transfer to contingency reserve	-	-	451,484		-	-	(451,484)	-
Dividend paid during the year	-	-	-	(9,571)	-	-	(528,050)	(537,621)
Fair value gain on FVOCI	-	-	-	-	123,978	-	-	123,978
Changes in valuation of gratuity	-	-	-	-	-	-	-	-
Changes in valuation of land and building	-	-	-	-	-	1,094,475	-	1,094,475
Other comprehensive income:	-	-	-	-	-	-	-	-
Balance 31 December, 2018	2,640,251	272,551	3,606,052	131,043	(35,344)	1,094,475	4,718,130	12,427,157
Balance 1 January, 2017	2,640,251	272,551	2,599,514	166,499	(128,734)	-	1,891,398	7,441,479
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	2,763,123	2,763,123
Transfer to contingency reserve	-	-	555,054	-	-	-	(555,054)	-
Dividend paid during the year	-	-	-	-	-	-	(422,440)	(422,440)
Fair value gain on FVOCI	-	-	-	-	-	-	-	-
Changes in valuation of gratuity	-	-	-	(25,885)	-	-	-	(25,885)
Balance 31 December, 2017	2,640,251	272,551	3,154,568	140,614	(128,734)	-	3,677,027	9,756,277

The accompanying notes and significant accounting policies on pages 6 to 98 and other national disclosures on pages 99 to 104 form an integral part of these financial statements.

Auditors' report, pages 1 to 5

NEM INSURANCE PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017	2018	2017
Cash flows from Operating Activities:	**Notes**	**N'000**	**N'000**	**N'000**	**N'000**
Premium received from policy holders		15,493,279	13,360,775	15,493,279	13,360,775
Deposit premium		302,760	-	302,760	-
Reinsurance Premium Paid	30	(5,126,081)	(3,373,580)	(5,126,081)	(3,373,580)
Fees and Commission Received	31	1,106,384	658,353	1,106,384	658,353
Direct Claims Paid	32	(6,012,351)	(5,011,489)	(6,012,351)	(5,011,489)
Claims paid on behalf of co-assurance companies	32(c)	(422,997)	-	(422,997)	-
Claims Received from Reinsurers	32(d)	2,440,410	2,215,793	2,440,410	2,215,793
Claims Received from co-assurance companies	32(c)	582,228	-	582,228	-
Commission Paid	33(b)	(2,458,366)	(2,664,168)	(2,458,366)	(2,664,168)
Maintenance Expense Paid	33(c)	(1,869,874)	(1,599,055)	(1,869,874)	(1,599,055)
Cash paid to and on behalf of Employees	37(a)	(1,503,672)	(1,328,730)	(1,492,399)	(1,320,510)
Other Operating Expense paid		(1,205,001)	(638,508)	(1,233,907)	(642,909)
Company Income Tax Paid	19(a)	(155,542)	(211,434)	(155,542)	(211,434)
		1,171,177	1,407,957	1,153,544	1,411,776
Cash flows from Investing Activities:					
Purchase of FVTPL	4(a)	(172,054)	(5,000)	(172,054)	(5,000)
Short term placement above 90 days		-	(1,386,112)	-	(1,386,112)
Proceeds from Short term placement above 90 days	4.3(d)	2,184,272	-	2,184,272	-
Proceeds from Redemption of Amortised cost	4.3(a)	69,101	11,343	69,101	11,343
Proceeds on disposal FVTPL	4(b)	203,984	-	203,984	-
Purchase of financial assets at amortised cost	4.3(a)	(81,483)	-	(81,483)	-
Investment Income received	34	945,914	709,945	945,914	709,945
Acquisition of Investment property	11	-	(36,405)	-	(36,405)
Investment in Associate	9	-	(27,692)	-	(27,692)
Purchase of Intangible Asset	13	-	(3,267)	-	(3,267)
Acquisition of property, plant and equipment	14	(429,388)	(386,476)	(429,388)	(386,476)
Proceeds from disposal on PPE	38	4,744	1,063	4,744	1,063
Net cash outflow for investment activities		**2,725,090**	**(1,122,601)**	**2,725,090**	**(1,122,601)**
Cash outflow for financing activities					
Dividends paid to equity holders of the parent	24	(528,050)	(422,440)	(528,050)	(422,440)
Unclaimed Dividend received		-	(5,970)	-	(5,970)
Net cash outflow for financing activities		(528,050)	(428,410)	(528,050)	(428,410)
Total cash inflow/(outflow)		3,368,217	(143,054)	3,350,584	(139,235)
Cash and cash equivalents at January 1		3,328,800	3,471,854	3,325,340	3,464,575
Cash and cash equivalents at December 31		6,697,017	3,328,800	6,675,924	3,325,340
Represented by:					
Cash and cash equivalents at December 31	3	6,697,017	3,328,800	6,675,924	3,325,340

The accompanying notes and significant accounting policies on pages 6 to 98 and other national disclosures on pages 99 to 104 form an integral part of these financial statements.

Auditors' report, pages 1 to 5

3. Cash and Cash Equivalents

	Group		Parent	
	2018	2017	2018	2017
	N'000	N'000	N'000	N'000
Cash - petty cash	583	405	572	405
Balances with Local banks	615,634	781,223	594,552	777,763
Domiciliary accounts with local banks	413,759	282,681	413,759	282,681
Placement with banks	5,376,433	2,264,491	5,376,433	2,264,491
Placement with other institutions	299,528	-	299,528	-
	6,705,937	3,328,800	6,684,844	3,325,340
Allowance for credit losses (Note 3(c))	(8,920)	-	(8,920)	-
Total cash and cash equivalents	6,697,017	3,328,800	6,675,924	3,325,340
Current	6,697,017	3,328,800	6,675,924	3,325,340
Non-current	-	-	-	-

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 11.21%. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

(a) **Attributable to policyholders**	**N'000**	**N'000**	**N'000**	**N'000**
Balances with Local Banks	616,217	781,628	595,124	778,168
Domiciliary Accounts with local banks	413,759	282,681	413,759	282,681
Placement with Banks	5,376,433	2,264,491	5,376,433	2,264,491
	6,406,409	3,328,800	6,385,316	3,325,340

(b) **Attributable to shareholders**	**N'000**	**N'000**	**N'000**	**N'000**
Balances with local banks	-	-	-	-
Placement with other institutions	299,528	-	299,528	-
Cash and cash equivalents	6,705,937	3,328,800	6,684,844	3,325,340

(c) **Impairment allowance for cash & cash equivalents**	**N'000**	**N'000**	**N'000**	**N'000**
ECL allowance as at 1 January 2018 under IFRS 9	2,966	-	2,966	-
Reclassification from financial assets at amortised cost	4,161	-	4,161	-
Additions during the year	1,793	-	1,793	-
Balance at the end of the year	8,920	-	8,920	-

4. Financial Assets

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

	N'000	**N'000**	**N'000**	**N'000**
Fair value through profit or loss (Note 4.1)	1,108,206	1,347,462	1,108,206	1,347,462
Fair value through other comprehensive income (Note 4.2)	1,260,729	-	1,260,729	-
Available for Sale (Note 4.2(d))	-	4,388,095	-	4,388,095
Financial asset at amortised cost (Note 4.3)	1,235,106	-	1,235,106	-
Held-to-Maturity (Note 4.3(e))	-	181,364	-	181,364
	3,604,041	5,916,921	3,604,041	5,916,921
Current	1,260,729	1,167,339	1,260,729	1,167,339
Non- current	2,343,312	4,749,582	2,343,312	4,749,582
	3,604,041	5,916,921	3,604,041	5,916,921

(a) **Financial assets at fair value through profit or loss**

	Group 2018 N'000	Group 2017 N'000	Parent 2018 N'000	Parent 2017 N'000
Balance at the beginning of the year	1,347,462	820,809	1,347,462	820,809
Purchases	172,054	5,000	172,054	5,000
Fair value (loss)/gains (Note 35)	(269,778)	521,653	(269,778)	521,653
Disposal	(141,532)	-	(141,532)	-
Balance at the end of the year	1,108,206	1,347,462	1,108,206	1,347,462
Attributable to policyholders	1,108,206	1,347,462	1,108,206	1,347,462
Attributable to shareholders	-	-	-	-

(b) **Gain on disposal**

	N'000	N'000	N'000	N'000
Fair value at the beginning of the year	141,531	-	141,531	-
Sales proceed	(203,984)	-	(203,984)	-
Gain on disposal (Note 36)	(62,453)	-	(62,453)	-

(c) **Fair value through profit or loss**

Management valued the Company's quoted investments at market value which is a reasonable measurement of fair value since the prices of the shares are quoted in an active market. The instruments are measured and evaluated on a fair value basis and fair value is determined by reference to published price quotations in an active market - classified as level 1 in the fair value hierarchy.

4.2 **Fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise as FVOCI. These are strategic investments and the group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following individual investments:

	Group		Parent	
Equity securities	**2018**	**2017**	**2018**	**2017**
Fair value	N'000	N'000	N'000	N'000
CSCS	28,559	-	28,559	-
WAMCO	57,593	-	57,593	-
MTN	1,174,577	-	1,174,577	-
	1,260,729	**-**	**1,260,729**	**-**

The fair value gain in the carrying amount of financial assets at fair value through other comprehemsive income (FVOCI) are recognized in other comprehensive income and accumulated under the heading of FVOCI reserve.

(a) **Short term Investment over 90 days**	**N'000**	**N'000**	**N'000**	**N'000**
At 1 January	-	1,834,644	-	1,834,644
Addition during the year	-	1,386,112	-	1,386,112
Reclassification to Amortised Cost (Note 4.3(d))	-	(3,220,756)	-	(3,220,756)
Remeasurement effect	-	-	-	-
At 31 December	-	-	-	-

Prior to 1 January 2018, fixed deposits with tenor of more than 90 days are classified as Fair value through other comprehensive income. 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.

Effective January 2018, fixed deposits with tenor of more than 90 days are classified as at amortised cost. There is no remeasurement effect because there was not fair value reserve for the asssets as at 1 Januray 2018 (closing balance as at 31 December 2017)

	Group		Parent	
	2018	2017	2018	2017
(b) **Equity instrument measured at fair value through other comprehensive income**				
	N'000	N'000	N'000	N'000
Balance at the beginning of the year	1,136,751	-	1,136,751	-
Fair value gains (Note 25)	123,978	-	123,978	-
Disposal during the year	-	-	-	-
Balance at the end of the year	1,260,729	-	1,260,729	-
Attributable to policy holders	-	-	-	-
Attributable to shareholders	1,260,729	-	1,260,729	-

(c) The Company holds a number of investments in unquoted securities with a market value of N 1.3billion of which investment in MTN Nigeria Ltd is the significant holding. This investment is valued N 1.174 billion (cost N 1.15 billion) as at 31 December 2018. 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.

(d) Available for Sale	N'000	N'000	N'000	N'000
Short term investment over 90 days		3,220,756	-	3,220,756
Unquoted investments		1,167,339	-	1,167,339
	-	4,388,095	-	4,388,095
Attributable to policy holders	-	3,752,103	-	3,752,103
Attributable to shareholders	-	635,992	-	635,992

(e) As at 1 January and 31 December 2018, the Company has designated its equity investments previously classified as available-for-sale Instruments as equity investments at FVOCI on the basis that these are not held for trading.

(f) In 2018, the Company received dividends of N91,432,000 from its FVOCI equities which was recorded in the income statements as other operating income.

4.3 **Financial assets at amortised cost**	N'000	N'000	N'000	N'000
Bonds (Note 4.3(a))	200,277	-	200,277	-
Fixed deposits and Treasury bills (Note 4.3(d))	1,034,829	-	1,034,829	-
	1,235,106	-	1,235,106	-

(a) **Bonds**	N'000	N'000	N'000	N'000
Balance at the beginning of the year	181,364	-	181,364	-
Purchases during the year	81,483	-	81,483	-
Accrued interest capitalised (Note 34)	6,869	-	6,869	-
	269,716	-	269,716	-
Disposal during the year	(69,101)	-	(69,101)	-
Allowance for credit losses (Note 4.3(f))	(338)	-	(338)	-
Balance at the end of the year	200,277	-	200,277	-

				Parent	
		2018		2018	2017
(b) **Breakdown of the bonds**	**Maturity date**	**Coupon Rate**	**Frequency**	**N'000**	**N'000**
Access Bank Eurobond	October 2021	10.50%	Half yearly	51,902	-
GTB Bank Eurobond	November 2018	10.50%	Half yearly	-	27,828
Ondo State Government	February 2019	15.50%	Half yearly	1,584	4,222
Osun State Government	October 2020	14.75%	Half yearly	6,921	9,700
Niger State Government	January 2019	14.00%	Half yearly	17,315	20,695
FIDSON Bond	October 2019	15.50%	Half yearly	13,091	43,750
UBA Bond	December 2021	16.45%	Half yearly	27,045	25,169
Sterling Bond	September 2025	16.25%	Half yearly	30,978	-
Wema Bond	October 2023	18.50%	Half yearly	51,779	50,000
				200,615	181,364

(c) 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.

(d) **Fixed deposits and Treasury bills**	**N'000**	**N'000**	**N'000**	**N'000**
Balance at the beginning of the year	3,220,756	-	3,220,756	-
Liquidation during the year	(2,184,272)	-	(2,184,272)	-
Allowance for credit losses (Note 4.3(f))	(1,655)	-	(1,655)	-
Balance at the end of the year	1,034,829	-	1,034,829	-
Attributable to policyholders	-	-	-	-
Attributable to shareholders	1,034,829	-	1,235,444	-

(e) Held to maturity financial	**N'000**	**N'000**	**N'000**	**N'000**
Balance at the beginning of the year	-	192,707	-	192,707
Purchased during the year	-	-	-	-
Matured during the year	-	(11,343)	-	(11,343)
Balance at the end of the year	-	181,364	-	181,364
Attributable to policyholders	-	181,364	-	181,364
Attributable to shareholders	-	-	-	-

(f) **Impairment allowance on financial assets at amortised cost:**	**N'000**	**N'000**	**N'000**	**N'000**
ECL allowance as at 1 January 2018 under IFRS 9	6,090	-	6,090	-
Reclassification to cash and cash equivalents	(4,161)	-	(4,161)	-
Additions during the year	64	-	64	-
Balance at the end of the year	1,993	-	1,993	-

	N'000	**N'000**	**N'000**	**N'000**
Bond	338	-	338	-
Fixed deposits and treasury bills	1,655	-	1,655	-
	1,993	-	1,993	-

(g) 2017	Fair value through Profit or Loss N'000	Fair Value through OCI N'000	Amortised Cost N'000	Available-for-sale N'000	Held-to-maturity N'000
Opening Balance as at 1 January (IAS 39)	820,809	-	-	2,992,467	192,707
Additions	5,000	-	-	1,386,112	-
Maturities and redemptions	-	-	-	-	(11,343)
Disposal	-	-	-	-	-
Fair value gain/loss through in OCI	-	-	-	9,516	-
Fair value gain/loss through to profit or loss	521,653	-	-	-	-
2018					
Closing Balance as at Dec 31 (IAS 39)	1,347,462	-	-	4,388,095	181,364
Reclassification from AFS as at Jan 1, 2018	-	1,167,339	3,220,756	(4,388,095)	-
Reclassification from HTM as at Jan 1, 2018	-	-	181,364	-	(181,364)
Remeasurement impact of IFRS 9 as at Jan 1, 2018	-	-	-	-	-
Expected Credit loss	-	(30,588)	(6,090)	-	-
Openining Balance as at Jan 1 (IFRS 9)	1,347,462	1,136,751	3,396,030	-	-
Additions	172,054	-	81,483	-	-
Liquidation during the year	-	-	(2,184,272)	-	-
Disposal	(141,532)	-	(69,101)	-	-
Accrued interest capitalised	-	-	6,869	-	-
Fair value loss recorded in OCI (Note 30.1)	-	123,978	-	-	-
Fair value loss taken to profit or loss (Note 27)	(269,778)	-	-	-	-
Reclassification of ECL to Cash and cash equivalents	-	-	2,104	-	-
Impairment loss (ECL) during the year (Note 28)	-	-	1,993	-	-
Closing Balance as at Dec 31(IFRS 9)	1,108,206	1,260,729	1,235,106	-	-

(h)

2017	**Fair value through Profit or Loss**	**Fair Value through OCI**	**Amortised Cost**	**Available-for-sale**	**Held-to-maturity**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Opening Balance as at 1 January (IAS 39)	820,809	-	-	2,992,467	192,707
Additions	5,000	-	-	1,386,112	-
Maturities and redemptions	-	-	-	-	(11,343)
Disposal	-	-	-	-	-
Fair value gain/loss through in OCI	-	-	-	9,516	-
Fair value gain/loss through to profit or loss	521,653	-	-	-	-
2018					
Closing Balance as at Dec 31 (IAS 39)	1,347,462	-	-	4,388,095	181,364
Reclassification from AFS as at Jan 1, 2018	-	1,167,339	3,220,756	(4,388,095)	-
Reclassification from HTM as at Jan 1, 2018	-	-	181,364	-	(181,364)
Remeasurement impact of IFRS 9 as at Jan 1, 2018	-	-	-	-	-
Expected Credit loss	-	(30,588)	(6,090)	-	-
Openining Balance as at Jan 1 (IFRS 9)	1,347,462	1,136,751	3,396,030	-	-
Additions	172,054	-	81,483	-	-
Liquidation during the year	-	-	(2,184,272)	-	-
Disposal	(141,532)	-	(69,101)	-	-
Accrued interest capitalised	-	-	6,869	-	-
Fair value loss recorded in OCI (Note 30.1)	-	123,978	-	-	-
Fair value loss taken to profit or loss (Note 27)	(269,778)	-	-	-	-
Reclassification of ECL to Cash and cash equivalents	-	-	2,104	-	-
Impairment loss (ECL) during the year (Note 28)	-	-	1,993	-	-
Closing Balance as at Dec 31(IFRS 9)	1,108,206	1,260,729	1,235,106	-	-

5 **Trade Receivables**	**N'000**	N'000	**N'000**	N'000
Premium Receivable (Note 5(a))	279,709	723,535	279,709	723,535
Receivable from reinsurer	-	-	-	-
	279,709	723,535	279,709	723,535

(a) **Trade Receivables**	**N'000**	N'000	**N'000**	N'000
Balance at the beginning of the year	723,535	668,040	723,535	668,040
Gross premium written during the year (Note 29)	15,049,453	13,416,270	15,049,453	13,416,270
Premium received in the year	(15,493,279)	(13,360,775)	(15,493,279)	(13,360,775)
Balance at the end of the year	279,709	723,535	279,709	723,535
Current	279,709	723,535	279,709	723,535
Non-current	-	-	-	-

(b) **Analysis of Trade Receivables**	**N'000**	N'000	**N'000**	N'000
Amount due from reinsurance Companies	-	-	-	-
Amount due from Insurance Brokers	279,709	723,535	279,709	723,535

(c) The Group's policy in line with the provisions of “No Premium, No Cover” on impairment of trade receivables recognizes trade receivables from Brokers only. Such receivables should not exceed a period of 30 days.

(d) Trade receivables are receivables from insurance contracts as at the year end from brokers/co-insurers and these have been collected subsequent to the year ended 31 December 2018.

6 **Reinsurance Assets**	**N'000**	N'000	**N'000**	N'000
Reinsurance share of UPR (Note 6.1(a))	902,427	834,130	902,427	834,130
Reinsurance share of IBNR (Note 6.2)	334,016	323,698	334,016	323,698
Reinsurance share of Outstanding Claim (Note 6.3)	955,927	729,310	955,927	729,310
	2,192,370	1,887,138	2,192,370	1,887,138
Prepaid Reinsurance expense (Note 6.1)	1,517,990	112,900	1,517,990	112,900
Reinsurance share of Claims paid (Note 6.4)	870,367	382,421	870,367	382,421
Co assurance receivables (Note 6.5)	38,815	-	38,815	-
Reinsurance debtors (Note 6.6)	190,048	-	190,048	-
	4,809,590	2,382,459	4,809,590	2,382,459
Current	2,983,296	1,270,728	2,983,296	1,270,728
Non-current	1,826,294	1,111,731	1,826,294	1,111,731

	Group		**Parent**	
	2018	**2017**	**2018**	**2017**
6.1 **Prepaid Reinsurance expense**	**N'000**	N'000	**N'000**	N'000
Reinsurance share of UPR (Note 6.1(a))	902,427	834,130	902,427	834,130
Prepaid reinsurance premium (Note (6.1(b))	1,517,990	112,900	1,517,990	112,900
	2,420,417	947,030	2,420,417	947,030

(a) **Reinsurance share of UPR**	**N'000**	**N'000**	**N'000**	**N'000**
Balance at the beginning of the year	834,130	716,432	834,130	716,432
Movement during the year (Note 30)	68,297	117,698	68,297	117,698
Balance at the end of year	902,427	834,130	902,427	834,130

		Group		Parent	
(b)	**Balance at the end of the year**	**N'000**	**N'000**	**N'000**	**N'000**
	Balance at the beginning of the year	112,900	86,846	112,900	86,846
	Changes during the year (Note 30)	1,405,090	26,054	1,405,090	26,054
		1,517,990	112,900	1,517,990	112,900

i Prepaid reinsurance premium of N1,517,990 : (2017: N112,900) was as result of time apportionment on reinsurance outward ceded out amounting to N5,126,081 : (2017: N3,373,580).

(c)	**Prepaid reinsurance premium**	**N'000**	N'000	**N'000**	N'000
	Balance at the beginning of the year	112,900	86,846	112,900	86,846
	Premium ceded during the year (Note 30)	5,126,081	3,373,580	5,126,081	3,373,580
	Balance at the end of the year (Note 6.1(c))	(1,517,990)	(112,900)	(1,517,990)	(112,900)
	Amortised Reinsurance	3,720,991	3,347,526	3,720,991	3,347,526
	Movement in UPR during the year (Note 30)	(68,297)	(117,698)	(68,297)	(117,698)
	Reinsurance Expenses (Note 30)	3,652,694	3,229,828	3,652,694	3,229,828
6.2	**Reinsurance share of IBNR**	**N'000**	N'000	**N'000**	N'000
	Balance at the beginning of the year	323,698	192,374	323,698	192,374
	Movement during the year (Note 32(d))	10,318	131,324	10,318	131,324
	Balance at the end of year	334,016	323,698	334,016	323,698
6.3	**Reinsurance share of Outstanding Claim**	**N'000**	N'000	**N'000**	N'000
	Balance at the beginning of the year	729,310	692,999	729,310	692,999
	Movement during the year (Note 32(d))	226,617	36,311	226,617	36,311
	Balance at the end of year	955,927	729,310	955,927	729,310
6.4	**Reinsurance share of Claims paid**	**N'000**	N'000	**N'000**	N'000
	Balance at the beginning of the year	382,421	36,447	382,421	36,447
	Reinsurance recoveries from Claims paid	2,928,356	2,561,767	2,928,356	2,561,767
	Receipt from reinsurance during the year	(2,440,410)	(2,215,793)	(2,440,410)	(2,215,793)
	Balance at the end of year	870,367	382,421	870,367	382,421

(a) Reinsurance share of Claims paid relate to amount paid by NEM Insurance Plc yet to be reconcile with reinsurance brokers.

6.5	**Co assurance receivables**	**N'000**	N'000	**N'000**	N'000
	Claims paid on behalf of Co-assurance Companies	422,997	-	422,997	-
	Movement during the year (Note 32(c))	(384,182)	-	(384,182)	-
	Balance at the end of year	38,815	-	38,815	-

(a) Co-assurance receivables relate to amount paid on behalf of co-assurance companies where NEM Insurance Plc is leading which are yet to be received at year end.

6.6 The reinsurance debtors comprise of amount due to NEM Insurance Plc after year end reconciliation with Scib Nigeria & Co. Limited .

7	**Deferred acquisition cost**	**N'000**	**N'000**	**N'000**	**N'000**
	Balance at the beginning of the year	587,244	488,195	587,244	488,195
	Commission paid during the year (Note 33(a))	2,458,366	2,664,168	2,458,366	2,664,168
	Amortised acquisition cost during the year (Note 33(a))	(2,389,996)	(2,565,119)	(2,389,996)	(2,565,119)
	Balance at the end of the year	655,614	587,244	655,614	587,244

		Group		Parent	
8	**Other receivables and prepayments**	**2018**	**2017**	**2018**	**2017**
	Prepayments (Note 8(a))	83,111	9,559	83,111	9,559
	Interest receivable (Note 8(b))	114,271	86,197	114,271	86,197
	Withholding Tax Receivable	76,316	-	76,316	-
	Deposit for Software	-	2,500	-	2,500
	Stock brokers' current accounts (Note 8(e))	230,225	-	230,225	-
	Other receivables (Note 8(c))	205,936	161,260	194,773	177,998
		709,859	259,516	698,696	276,254

(a)	**Prepayments**	**N'000**	**N'000**	**N'000**	**N'000**
	Balance at the beginning of the year	9,559	16,577	9,559	16,577
	Payment during the year	105,507	7,019	103,817	7,019
	Amortisation during the year (Note 37(b))	(31,955)	(14,037)	(30,265)	(14,037)
	Balance at the end of the year	83,111	9,559	83,111	9,559

(i)	**Breakdown of prepayments**	**N'000**	**N'000**	**N'000**	**N'000**
	Prepaid Commission	65,810	-	65,810	-
	Rent and rates	17,301	9,559	17,301	9,559
		83,111	9,559	83,111	9,559

(ii) Prepaid commission represent commission paid to brokers on deposit premium received during the year.

(b)	**Interest receivable**	**N'000**	N'000	**N'000**	N'000
	Balance at the beginning of the year	86,197	65,109	86,197	65,109
	Movement during the year	28,074	21,088	28,074	21,088
	Balance at the end of the year	114,271	86,197	114,271	86,197

(c)	**Other Receivables**	**N'000**	N'000	**N'000**	N'000
	Staff loans and advances	22,826	35,498	22,826	35,498
	Others	183,110	125,762	4,447	-
	Deposit for shares in NEM Asset Management Ltd (Note 8(d))	-	-	167,500	142,500
		205,936	161,260	194,773	177,998

(d) Deposit for shares in NEM Asset Management Ltd represents amount given to NEM Asset Management Limited for future increase in shares

(e)	**Stock brokers' current accounts**	**N'000**	N'000	**N'000**	N'000
	Fundvine Capital and Securities Limited	85,314	-	85,314	-
	Centrepoint Investment Limited	1,215	-	1,215	-
	Apel Asset Limited	124,755	-	124,755	-
	Qualinvest Capital Limited	18,941	-	18,941	-
		230,225	-	230,225	-

i Stock broker's current account comprise of amount due to NEM Insurance Plc after year end reconciliation with brokers.During the year, N157 million was given to brokers to trade on behalf of the company and N62 million was recognised as Gain on equity disposed (Note (4(b)).

(f) As other receivables are short term in nature, highly active and recoverable on a monthly basis from staff salaries and ultimately from staff final entitlement, no assessment for impairment using Expected Credit Loss (ECL) aproach was carried out at the reporting period.

9	**Investment in Associate**	**N'000**	**N'000**	**N'000**	**N'000**
	Balance at the beginning of the year	392,501	264,824	392,501	264,824
	Addition during the year	-	27,692	-	27,692
	Share of Profit during the year	21,251	99,985	21,251	99,985
	Balance at the end of the year	413,752	392,501	413,752	392,501

(a) In prior year, the regulatory authorities in Ghana came up with a new capital base regime which stipulates a minimum capital of $5m (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%.

10	**Investment in subsidiary**	**N'000**	N'000	**N'000**	N'000
	Balance at the beginning of the year	-	-	50,000	142,500
	Addition during the year	-	-	-	-
	Reclassification to deposit for shares (Note 8(c))	-	-	-	(92,500)
	Balance at the end of the year	-	-	50,000	50,000

(a) NEM Insurance Plc acquired 100% interest in NEM Asset 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 N16million (2017: N12million).

11	**Investment Properties**	**N'000**	N'000	**N'000**	N'000
	Balance at the beginning of the year	676,555	442,558	676,555	442,558
	Addition during the year	-	36,405	-	36,405
	Revaluation gain	6,396	197,592	6,396	197,592
	Balance at the end of the year	682,951	676,555	682,951	676,555

(a)	**Carrying amount of investment properties**	**Status of Title**	**Balance at the begining of the year**	**Fair value changes**	**Carrying amount**
	Oniru-Block Xv1, Plot 11, Aremo Adesegun Oniru Crecent, Off Onigefon Road, Oniru, Lagos	Not Perfected	226,043	2,208	228,251
	Ebute-Metta- 22a, Borno Way, Ebute-Metta Lagos	Perfected	395,308	4,188	399,496
	Zaria- Plot No 34, Liverpool Street, Off River Road, Gra Extension Zaria, Kaduna State	Perfected	55,204	-	55,204
			676,555	6,396	682,951

The Company's investment properties are allocated as follows:				
Attributable to policyholders	-	-	-	-
Attributable to shareholders	682,951	676,555	682,951	676,555

(b) 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.

(c) 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.

(d) 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.

(e) In the year, there is revaluation surplus on investment properties of N6.3 million.

	Group		Parent	
	2018	**2017**	**2018**	**2017**
12 **Statutory deposit**	**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, 2018: N320,000,000 (2017: N 320m) which was in accordance with section 9(1) and section 10 (3) of Insurance Act CAP I17 LFN 2004. Statutory deposits are measured at cost.

13 **Intangible asset**				
Cost	**N'000**	**N'000**	**N'000**	**N'000**
At January 1,	79,051	75,784	61,596	58,329
Addition	-	3,267	-	3,267
At December 31	79,051	79,051	61,596	61,596
Amortisation				
At January 1,	60,054	55,037	51,326	50,673
Amortisation during the year	5,181	5,017	817	653
Adjustment	7,411	-	7,411	-
At December 31	72,646	60,054	59,554	51,326
Net Book Value	6,405	18,997	2,042	10,270

(a) 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.

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

(c) Adjustment represents asset wrongly treated in prior years, now corrected

14(a) **Property, plant and equipment (Group)**

Cost/Valuation	Building under Construction	Land	Building	Machinery & equipt	Motor Vehicles	Furniture & fittings	Computer Equipment	Total
Cost	N'000	N'000	N'000	N'000	N'000	N'000		N'000
At 1 January 2017	654,874	123,000	1,391,157	140,195	451,898	420,300	359,516	3,540,940
Additions	185,000	-	2,472	3,946	176,637	1,563	16,858	386,476
Disposals					(134,706)	(2,623)	(11,116)	(148,445)
At 31 December 2017	839,874	123,000	1,393,629	144,141	493,829	419,240	365,258	3,778,971
At 1 January 2018	839,874	123,000	1,393,629	144,141	493,829	419,240	365,258	3,778,971
Additions	60,000	-	-	8,160	334,718	2,588	23,922	429,388
Disposals	-	-	-	(16,403)	(104,012)	(4,243)	(7,987)	(132,645)
Reclassification	-	-	(10,000)	10,000	-	(2,757)	2,757	-
Revaluation Surplus	-	284,900	813,471	-	-	-	-	1,098,371
At 31 December 2018	899,874	407,900	2,197,100	145,898	724,535	414,828	383,950	5,174,085
Accumulated depreciation								
At 1 January 2017	-	-	60,106	64,107	278,548	169,204	148,989	720,954
Charge for the year	-	-	30,333	28,828	98,766	83,849	73,052	314,828
Disposals	-	-	-	-	(107,867)	(2,623)	(11,116)	(121,606)
At 31 December 2017	-	-	90,439	92,935	269,447	250,430	210,925	914,176
At 1 January 2018	-	-	90,439	92,935	269,447	250,430	210,925	914,176
Charge for the year	-	-	27,873	27,178	138,390	83,518	73,575	350,534
Disposals	-	-	-	(16,403)	(103,087)	(4,243)	(7,987)	(131,720)
Reclassification	-	-	(600)	600	-	(1,655)	1,655	-
Revaluation Surplus	-	-	(117,712)	-	-	-	-	(117,712)
At 31 December 2018	-	-	-	104,310	304,750	328,050	278,168	1,015,278
Carrying amounts at:								
31 December 2018	899,874	407,900	2,197,100	41,588	419,785	86,778	105,782	4,158,807
31 December 2017	839,874	123,000	1,303,190	51,206	224,382	168,810	154,333	2,864,795

(i) Building under Construction represents amount spent on Oniru building which has not been put to use.

(ii) Land and building were professionally valued by Messrs Jide Taiwo & Co . FRC/2012/NIESV/ 0000000000254 (Estate Surveyors and Valuers) as at 30th December, 2018 on the basis of their open market values. The revised value of the properties was N2,605,000,000 resulting in a surplus on revaluation of N1,216,083,000 which has been credited to the property, plant and equipment revaluation account.

(iii) The re-valued property is the company's Head Office building located at 199, Obanikoro, Lagos .

(iv) Included in motor vehicles are 15 units of new vehicles one unit of year 2017 Mercedes Benz C200,two units of year 2018 Ford Explorer XLT,one unit of year 2018 Ford Explorer Le, three units of year 2017 Nissan Almera, four Units of Year 2017 Hyundai Accent and four units of year 2017 Hyundai Tuscon, which were financed by 25% equity contribution from the Company and 75% finance lease facility from Frontline Trust Limited. The value is N224 million(2017: N95 million)

(v) The Group had no capital commitments as at the statement of financial position date (2017: Nil). As at the reporting date land is being carried at revalued amount.

(vi) Reclassification represents assets wrongly classified as Building and Furniture & fittings now amended to Machinery & equiptment and Computer Equipment.

(b) **Property, plant and equipment (Parent)**

As at 31 December 2017	**Building under Construction**	**Land**	**Building**	**Machinery & equipt**	**Motor Vehicles**	**Furniture & fittings**	**Computer Equipment**	**Total**
Cost/Valuation	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
At 1 January 2017	654,874	123,000	1,391,157	140,194	447,298	420,214	358,712	3,535,449
Additions	185,000	-	2,472	3,946	176,637	1,563	16,858	386,476
Disposals	-	-	-	-	(134,706)	(2,623)	(11,116)	(148,445)
At 31 December 2017	839,874	123,000	1,393,629	144,140	489,229	419,154	364,454	3,773,480
At 1 January 2018	839,874	123,000	1,393,629	144,140	489,229	419,154	364,454	3,773,480
Additions	60,000	-	-	8,160	334,718	2,588	23,922	429,388
Disposals	-	-	-	(16,403)	(104,012)	(4,243)	(7,987)	(132,645)
Reclassification	-	-	(10,000)	10,000	-	(2,757)	2,757	-
Revaluation Surplus	-	284,900	813,471	-	-	-	-	1,098,371
At 31 December 2018	899,874	407,900	2,197,100	145,897	719,935	414,742	383,146	5,168,594
Accumulated depreciation								
At 1 January 2017	-	-	60,107	64,107	277,629	169,187	148,829	719,859
Charge for the year	-	-	30,332	28,828	97,846	83,831	72,891	313,728
Disposals	-	-	-	-	(107,867)	(2,623)	(11,116)	(121,606)
At 31 December 2017	-	-	90,439	92,935	267,608	250,395	210,604	911,981
At 1 January 2018	-	-	90,439	92,935	267,608	250,395	210,604	911,981
Charge for the year	-	-	27,873	27,178	137,470	83,500	73,415	349,436
Disposals	-	-	-	(16,403)	(103,087)	(4,243)	(7,987)	(131,720)
Reclassification	-	-	(600)	600	-	(1,655)	1,655	-
Revaluation Surplus	-	-	(117,712)	-	-	-	-	(117,712)
At 31 December 2018	-	-	-	104,310	301,991	327,997	277,687	1,011,985
Carrying amounts at:								
31 December 2018	899,874	407,900	2,197,100	41,587	417,944	86,745	105,459	4,156,609
31 December 2017	839,874	123,000	1,303,190	51,205	221,621	168,759	153,850	2,861,499

15 Insurance Contract Liabilities

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	N'000	**N'000**	**N'000**	**N'000**
Outstanding Claims reserve (Note 15.1)	1,976,983	1,592,296	1,976,983	1,592,296
Incurred but not reported (IBNR) (Note 15.1(b)	1,003,652	1,483,100	1,003,652	1,483,100
Total outstanding Claims (including IBNR)	2,980,635	3,075,396	2,980,635	3,075,396
Unearned Premium Reserve (Note 15.2)	4,146,236	3,443,271	4,146,236	3,443,271
	7,126,871	6,518,667	7,126,871	6,518,667

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, a professional actuary registered with the Financial Reporting Council of Nigeria with registration number (FRC/2012/NAS/00000000738.

15.1 **Outstanding Claims reserve**	**N'000**	**N'000**	**N'000**	**N'000**
Fire	592,099	501,051	592,099	501,051
Accident	866,573	693,621	866,573	693,621
Marine and Aviation	140,989	76,115	140,989	76,115
Motor	315,943	273,463	315,943	273,463
Oil and Gas	61,379	48,046	61,379	48,046
	1,976,983	1,592,296	1,976,983	1,592,296

(a) **Movement in outstanding Claims reserve**	**N'000**	**N'000**	**N'000**	**N'000**
Opening balance	1,592,296	1,462,507	1,592,296	1,462,507
Increase in the year (Note 32)	384,687	129,789	384,687	129,789
Closing balance	1,976,983	1,592,296	1,976,983	1,592,296

(b) **Movement in Incurred but not reported**	**N'000**	**N'000**	**N'000**	**N'000**
Opening balance	1,483,100	1,496,094	1,483,100	1,496,094
Increase in the year (Note 32)	(479,448)	(12,994)	(479,448)	(12,994)
Closing balance	1,003,652	1,483,100	1,003,652	1,483,100

(c) The Age Analysis of Outstanding Claims in thousands of Nigerian Naira as at 31 December 2018 is as follows:

	Pending substantiating documents	**Related to awaiting adjusters' report**	**Discharge vouchers not returned by the customers**	**Total**
0 - 90 days	85,107	90,237	339,734	515,078
91 - 180 days	144,001	147,290	187,717	479,008
181 - 270 days	118,747	119,780	135,049	373,576
270 - 365 days	79,332	86,229	154,429	319,990
365 days and above	108,207	88,216	92,908	289,331
	535,394	531,752	909,837	1,976,983

15.2 **Unearned Premium reserve**	**N'000**	**N'000**	**N'000**	**N'000**
Balance at the beginning of the year	3,443,271	3,058,780	3,443,271	3,058,780
Changes in unearned premium (Note 29(a))	702,965	384,491	702,965	384,491
Balance at the end of the year	4,146,236	3,443,271	4,146,236	3,443,271

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.

	Group		Parent	
	2018	2017	2018	2017
16 Trade Payables	N'000	N'000	N'000	N'000
Due to Reinsurance Broker - A.O.N.	16,263	60,800	16,263	60,800
Due to Reinsurance Broker - SCIB	-	12,894	-	12,894
Premium Deposit (Note 16(b))	302,760	-	302,760	-
	319,023	73,694	319,023	73,694

(a) Trade payable represents premium payable to both reinsurance companies and brokers. The carrying amounts disclosed above approximate fair value at the reporting date. The carrying amount disclosed above reasonably approximates fair value at the reporting date. All amounts are payable within one year.

(b) Premium deposit represent advance received in 2018 for 2019 production.

17 Other Payables	N'000	N'000	N'000	N'000
Accruals (Note 17(b))	371,743	184,176	367,964	183,176
Unclaimed Dividend payable (Note 17(b(i))	287,636	287,636	287,636	287,636
Other creditors (Note 17(c))	225,636	78,646	228,998	102,764
Deferred commission Income (Note 17(g) and Note 31)	362,814	-	362,814	-
	1,247,829	550,458	1,247,412	573,576

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

(b) **Accruals**	N'000	N'000	N'000	N'000
Audit fees	4,200	5,000	3,200	4,000
Profit Sharing	150,000	120,000	150,000	120,000
Performance bonus	28,000	25,000	28,000	25,000
Business permit	-	20	-	20
Corporate gift	-	23	-	23
WHT Payable	2,349	-	2,349	-
VAT Payable	88,534	-	88,534	-
Legal fees	19,068	-	19,068	-
Others	79,592	34,133	76,813	34,133
	371,743	184,176	367,964	183,176

(b(i)) Dividend payable represents Unclaimed Dividend returned to the Group by African Prudential Registrars Plc for investment as required by Securities and exchange commission.

	2018	2017	2018	2017
(c) **Other Creditors**	N'000	N'000	N'000	N'000
Frontline Trust (Note 17 (d))	220,636	70,430	220,636	70,430
Due to NEM Assets Management Ltd (Note 17 (e))	-	-	3,362	24,776
FSDH	-	6,995	-	6,995
Deferred Income (Note 17(f))	-	1,221	-	563
Fines and penalty	5,000	-	5,000	-
	225,636	78,646	228,998	102,764

(d) The Company has the lease liability to finance the purchase of fifteen units of motor vehicles. The tenor of the lease is three years. The liability shall be settled from the Company's operational cash flows.

(e) NEM Asset Management Ltd financed the purchase of some motor cars for NEM Insurance Plc under finance lease. The total amount outstanding as at 31 December 2018 was N3.4million (2017: N24.8million). NEM Asset Management Limited is a subsidiary of NEM Insurance Plc.

(f) The Deferred income represents rental income received in advance from FSDH Merchant Bank Limited .

(g) Deferred commission Income represents unexpired commission received on reinsurance expenses.

18 Retirement Benefit Obligations

The Company has a defined benefit gratuity scheme covering its entire employees who have spent a minimum number of five years continuous service. The scheme is funded, therefore, no contribution is made to any fund.The Company has stopped gratuity since 2014 and the balance outstanding on it is subjected to valuation at year end.

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

	N'000	N'000	N'000	N'000
Current service cost	-	-	-	-
Interest cost on benefit obligation	11,801	13,164	11,801	13,164
	11,801	13,164	11,801	13,164

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

Present value of the defined benefit obligation	N'000	N'000	N'000	N'000
Total defined benefit obligation	78,496	91,910	78,496	91,910

The movement in the defined benefit obligation is as follows:

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	91,910	84,824	91,910	84,824
Current service cost	-	-	-	-
Interest cost	11,801	13,164	11,801	13,164
Benefits paid	(34,786)	(31,963)	(34,786)	(31,963)
Actuarial gains - Due to change in assumption	(5,482)	7,413	(5,482)	7,413
Actuarial losses - Due to experience adjustmer	15,053	18,472	15,053	18,472
Balance at the end of the year	78,496	91,910	78,496	91,910

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**

Long Term Average	**2018**	**2017**	**2018**	**2017**
Discount Rate (p.a)	15.50%	14.00%	15.50%	14.00%
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 statement of financial position date, using an interest assumption (called the discount rate under IAS 19).

The discount rate should be determined on the company's statement of financial position 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 5.73years. The average weighted duration of the longest Nigerian Government bond was 5.96years as at the valuation date with a gross redemption yield of 15.29%.

We have adopted a discount rate of 15.5% 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	
	2018	**2017**	**2018**	**2017**
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	
	2018	**2017**	**2018**	**2017**
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%
51-59	0%	0%	0%	0%

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 using this 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).**

MEMBERSHIP DATA

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

	Count	**Crystallised Gratuity as 31 December 2014**
As at 31 December 2017	100	231,010,560
Exits*	-18	(34,049,957)
As at 31 December 2018	**82**	**196,960,603**

Had the plan discontinued as at 31 December 2017, we estimate the accrued benefits payable as N196.96million. This is the sum of the crystallised gratuity benefits of all qualified employees as at the review date.

The statement of financial position 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 the 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 that 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).

	19 Taxation	**Group**		**Parent**	
		2018	**2017**	**2018**	**2017**
(a)	**Per Financial Position**	**N'000**	**N'000**	**N'000**	**N'000**
	Balance at the beginning of the year	591,760	426,471	591,760	426,471
	Income tax for the year	372,819	345,585	372,349	345,585
	Information technology levy (Note 19(d))	26,961	31,138	26,961	31,138
	Paid during the year	(155,542)	(211,434)	(155,542)	(211,434)
	Balance at the end of the year	835,998	591,760	835,528	591,760
(b)	**Per Income Statement**	**N'000**	**N'000**	**N'000**	**N'000**
	Income tax	330,768	243,897	330,700	243,897
	Education tax	42,051	35,098	41,649	35,098
	Prior year under-provision	-	66,590	-	66,590
		372,819	345,585	372,349	345,585
	Deferred tax (Note 20 (ii))	276,138	(26,086)	276,138	(26,086)
	Charge for the year	648,957	319,499	648,487	319,499

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

	Group 2018	Group 2017	Parent 2018	Parent 2017
	N'000	N'000	N'000	N'000
Profit before income tax	2,712,622	3,094,891	2,696,084	3,082,622
Tax calculated at the corporate tax rate	813,787	928,431	808,825	924,786
Effect of:				
Non-deductible expenses	(233,041)	86,709	(228,148)	90,354
Effect of Education tax levy	42,051	35,099	41,649	35,099
Effect of Capital allowance on income tax	(291,656)	(272,465)	(291,656)	(272,465)
Effect of Balancing and Investment Allowance	(2,385)	-	(2,385)	-
Effect of Deferred tax	276,138	(26,086)	276,138	(26,086)
Tax exempt income	44,064	(432,189)	44,064	(432,189)
Total income tax expense in income statement	648,958	319,499	648,487	319,499
Effective tax rate	4.18	9.69	4.16	9.65

(d) **Information Technology Levy**

The Nigeria Information Technology Development Agency (NITDA) Act was signed into Law on 24 April, 2007. Section 12 (2a) of the Act stipulates that, specified companies contribute 1% of their profit before tax to the Nigerian Information Technology Development Agency. In line with the Act, the Company has provided for NITDA levy at the specified rate.

20 Deferred Taxation

i **Deferred tax Assets**	N'000	N'000	N'000	N'000
Balance at the beginning of the year	(92,773)	(66,687)	(83,306)	(57,220)
Charge for the year	-	(26,086)	-	(26,086)
Balance at the end of the year	(92,773)	(92,773)	(83,306)	(83,306)

ii **Deferred tax Liabilities**	N'000	N'000	N'000	N'000
Balance at the beginning of the year	-	-	-	-
Charge for the year	276,138	-	276,138	-
Revaluation surplus (Note 26)	121,608	-	121,608	-
Balance at the end of the year	397,746	-	397,746	-

As a result of accelerated rates of capital allowances, the carrying amount of the Company's property, plant and equipment at the statement of financial position date exceeded their corresponding tax written down value by N642,773,939. There was a deferred tax liability of N121,608,000 on revaluation surplus which is 10% capital gains tax of the balance in the revaluation surplus account. Deferred tax liabilities arising during the year amounting to N314,440,000 have been recognised in the Audited Financial Statements

21 Issued Share Capital z	N'000	N'000	N'000	N'000
Authorised Share Capital				
8,400,000,000 ordinary shares of 50k each	4,200,000	*4,200,000*	4,200,000	*4,200,000*

(a) **Ordinary shares issued and fully paid**	N'000	N'000	N'000	N'000
5,280,502,913 ordinary shares of 50k each	2,640,251	2,640,251	2,640,251	2,640,251

22 Share Premium	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

	Group		Parent	
	2018	2017	2018	2017
23 Statutory contingency reserve	N'000	N'000	N'000	N'000
Balance at the beginning of the year	3,154,568	2,599,514	3,154,568	2,599,514
Transfer from revenue reserve (Note 24)	451,484	555,054	451,484	555,054
Balance at the end of the year	3,606,052	3,154,568	3,606,052	3,154,568

Statutory 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 3% of the gross premium.

24 Retained earnings	N'000	N'000	N'000	N'000
Balance at the beginning of the year	3,658,357	1,860,459	3,677,027	1,891,398
Profit for the year	2,036,704	2,775,392	2,020,636	2,763,123
Transfer to contingency reserve (Note 23)	(451,484)	(555,054)	(451,484)	(555,054)
Dividend paid	(528,050)	(422,440)	(528,050)	(422,440)
Balance at the end of the year	4,715,527	3,658,357	4,718,130	3,677,027

	Group		Parent	
	2018	2017	2018	2017
25 FVOCI reserve	N'000	N'000	N'000	N'000
Balance at the beginning of the year	(159,322)	-	(159,322)	-
Additions during the year	123,978	-	123,978	-
Balance at the end of the year	(35,344)	-	(35,344)	-

(a) 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.

(b) **Available for sale reserve**	N'000	N'000	N'000	N'000
Balance at the beginning of the year	-	(138,250)	-	(138,250)
Additions during the year	-	9,516	-	9,516
Balance at the end of the year	-	(128,734)	-	(128,734)

26 Asset revaluation reserve	N'000	N'000	N'000	N'000
Balance at the beginning of the year	-	-	-	-
-accumulated depreciation (Note 14 & Note 26(a))	117,712	-	117,712	-
Revaluation amount (Note 14)	1,098,371	-	1,098,371	-
	1,216,083	-	1,216,083	-
Transferred to deferred tax (Note 20ii)	(121,608)	-	(121,608)	-
Balance at the end of the year	1,094,475	-	1,094,475	-

(a) This represents change in depreciation of revalued property in line with IAS 16.

(b) This comprise cumulative fair value changes on valuation of leasehold land & building net of deffered tax asset/liabilities.

	2018	2017	2018	2017
27 Other Reserves - Employee benefit	N'000	N'000	N'000	N'000
Balance at the beginning of the year	140,614	166,499	140,614	166,499
Loss during the year	(9,571)	(25,885)	(9,571)	(25,885)
Balance at the end of the year	131,043	140,614	131,043	140,614

(a) This comprise of the cumulative actuarial (loss)/gain on change in assumption and experience adjustment

	Group 2018	Group 2017	Parent 2018	Parent 2017
28 Gross Premium written	**N'000**	**N'000**	**N'000**	**N'000**
Direct premium (Note 28(a))	14,809,858	13,145,767	14,809,858	13,145,767
Inward reinsurance (Note 28(a))	239,595	270,503	239,595	270,503
	15,049,453	13,416,270	15,049,453	13,416,270

Gross premium written increased when compared with previous year majorly because of the new business won during the year due to aggressive marketting embarked upon by the company.

(a) **Gross Premium written**	**N'000**	**N'000**	**N'000**	**N'000**
Fire	3,437,146	3,055,910	3,437,146	3,055,910
Oil and Gas	2,479,973	1,619,954	2,479,973	1,619,954
General accident	2,636,886	2,670,641	2,636,886	2,670,641
Marine	1,516,010	1,428,975	1,516,010	1,428,975
Motor	4,739,843	4,370,287	4,739,843	4,370,287
Direct premium (Note 28)	14,809,858	13,145,767	14,809,858	13,145,767
Inward reinsurance (Note 28)	239,595	270,503	239,595	270,503
	15,049,453	13,416,270	15,049,453	13,416,270

29 Gross premium income	**N'000**	**N'000**	**N'000**	**N'000**
Premium written during the year (Note 28)	15,049,453	13,416,270	15,049,453	13,416,270
Changes in unearned premium (Note 29(a))	(702,965)	(384,491)	(702,965)	(384,491)
	14,346,488	13,031,779	14,346,488	13,031,779

(a) **Movement in Unearned premium**	**N'000**	**N'000**	**N'000**	**N'000**
Unearned premium brought forward (Note 15.2)	3,443,271	3,058,780	3,443,271	3,058,780
Unearned premium carried forward (Note 15.2)	(4,146,236)	(3,443,271)	(4,146,236)	(3,443,271)
Increase in unearned premium	(702,965)	(384,491)	(702,965)	(384,491)

30 Reinsurance expense	**N'000**	**N'000**	**N'000**	**N'000**
Reinsurance premium (Cost) paid during the year (Note 30(a))	5,126,081	3,373,580	5,126,081	3,373,580
Change in Reinsurance Share of UPR (Note 6.1(a))	(68,297)	(117,698)	(68,297)	(117,698)
Change in Prepaid Reinsurance Premium (Note 6.1(b))	(1,405,090)	(26,054)	(1,405,090)	(26,054)
	3,652,694	3,229,828	3,652,694	3,229,828

(a) Reinsurance expense	**N'000**	**N'000**	**N'000**	**N'000**
Motor	18,196	42,269	18,196	42,269
Marine	693,660	522,821	693,660	522,821
Fire	2,088,035	1,186,743	2,088,035	1,186,743
General Accident	1,458,768	889,398	1,458,768	889,398
Oil & Gas	867,422	732,349	867,422	732,349
	5,126,081	3,373,580	5,126,081	3,373,580

(b) Reinsurance expenses of N5,126,081,000 was paid during the year, N2,706,688,863 was paid to the foreign insurers while N2,701,562,782 was paid to local insurers. In 2017 reinsurance expense stood at N3,373,580 (Foreign N2,411,897,868 - Local N2,408,524,288)

31 Fee and commission income

	N'000	**N'000**	**N'000**	**N'000**
Fees and Commission Income received during the year (Note 31(b))	1,106,384	658,353	1,106,384	658,353
Fees and Commission Income earned during the year	(743,570)	(658,353)	(743,570)	(658,353)
Change in deferred Commission (Note 17)	362,814	-	362,814	-

	Group 2018	Group 2017	Parent 2018	Parent 2017

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

(b) **Classes**	**N'000**	**N'000**	**N'000**	**N'000**
Motor	3,897	3,863	3,897	3,863
Marine	157,037	130,789	157,037	130,789
Fire	546,943	292,364	546,943	292,364
General Accident	355,689	231,337	355,689	231,337
Oil and Gas	42,818	-	42,818	-
	1,106,384	658,353	1,106,384	658,353

32 Claims Expenses	**N'000**	**N'000**	**N'000**	**N'000**
Gross Claims paid (Note 32(a))	6,012,351	5,011,489	6,012,351	5,011,489
Increase in outstanding claims (Note 15(a))	384,687	129,789	384,687	129,789
Changes in IBNR (Note 15(b))	(479,448)	(12,994)	(479,448)	(12,994)
Gross claims incurred during the year	5,917,590	5,128,284	5,917,590	5,128,284
Claims recovered (Note32(c))	(198,046)	(615,308)	(198,046)	(615,308)
Recoverables from Reinsurance (Note 32(d))	(3,165,291)	(2,729,402)	(3,165,291)	(2,729,402)
Net Claims expenses	2,554,253	1,783,574	2,554,253	1,783,574

(a) **Claims Paid**

Classes	**N'000**	**N'000**	**N'000**	**N'000**
Motor	2,471,399	1,931,247	2,471,399	1,931,247
Marine	590,010	178,021	590,010	178,021
Fire	1,170,851	1,934,278	1,170,851	1,934,278
General Accident	1,026,982	808,031	1,026,982	808,031
Oil and Gas	753,109	159,912	753,109	159,912
	6,012,351	5,011,489	6,012,351	5,011,489

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

(c) **Claims recovered**

Classes	**N'000**	**N'000**	**N'000**	**N'000**
Motor	267,120	128,314	267,120	128,314
Marine	2,905	91,859	2,905	91,859
Fire	203,837	277,702	203,837	277,702
General Accident	99,814	117,433	99,814	117,433
Oil and Gas	8,552	-	8,552	-
	582,228	615,308	582,228	615,308
Claims recovered from co-assurance companies (Note 6.5)	(384,182)	-	(384,182)	-
	198,046	615,308	198,046	615,308

i Claims recovered represent recoveries from co-assurance companies where NEM Insurance Plc is the lead underwriter.

(d) **Recoverables from Reinsurance**	**N'000**	**N'000**	**N'000**	**N'000**
Receipt from reinsurance during the year	2,440,410	2,215,793	2,440,410	2,215,793
Change in Reinsurance share of Claims paid	487,946	345,974	487,946	345,974
Changes in Reinsurance share of IBNR	10,318	131,324	10,318	131,324
Changes in Reinsurance share of Outstanding Claims	226,617	36,311	226,617	36,311
	3,165,291	2,729,402	3,165,291	2,729,402

	Group		Parent	
	2018	2017	2018	2017
33 Underwriting Expenses	N'000	N'000	N'000	N'000
Commission expense (Note 33(a))	2,389,996	2,565,119	2,389,996	2,565,119
Maintenance expense (Note 33(c))	1,869,874	1,599,055	1,869,874	1,599,055
	4,259,870	4,164,174	4,259,870	4,164,174

(a) **Commission expense**	N'000	N'000	N'000	N'000
Commission paid during the year (Note 33(b))	2,458,366	2,664,168	2,458,366	2,664,168
Changes in deferred acquisition cost	(68,370)	(99,049)	(68,370)	(99,049)
	2,389,996	2,565,119	2,389,996	2,565,119

(b) **Commission expense**

The analysis of commission expenses by	N'000	N'000	N'000	N'000
business class is as follows:	604,635	804,296	604,635	804,296
Motor	300,791	306,933	300,791	306,933
Marine	763,665	763,665	763,665	763,665
Fire	532,227	532,226	532,227	532,226
General Accident	257,048	257,048	257,048	257,048
Oil & Gas	2,458,366	2,664,168	2,458,366	2,664,168

(c) **Maintenance expense**	N'000	N'000	N'000	N'000
Wages and salaries - Technical Staff	156,488	142,787	156,488	142,787
Stamp duty	14,547	28,778	14,547	28,778
Entertainment & hotel expenses	65,163	106,596	65,163	106,596
NIID Expenses	3,920	4,092	3,920	4,092
Printing and Stationery expenses	48,475	78,443	48,475	78,443
Transport & Travelling Expenses	583,274	315,731	583,274	315,731
Professional Fees	313,561	283,776	313,561	283,776
Marketing Float Expenses	14,664	37,183	14,664	37,183
Business development expenses	332,909	315,503	332,909	315,503
Tracking device	225,208	190,477	225,208	190,477
Insurance levy	105,764	92,945	105,764	92,945
Industrial Training Fund	5,901	2,744	5,901	2,744
	1,869,874	1,599,055	1,869,874	1,599,055

(d) The analysis of Maintenance expenses by business class is as follows:

	N'000	N'000	N'000	N'000
Motor	596,012	687,594	596,012	687,594
Marine	192,059	199,882	192,059	199,882
Fire	440,529	207,877	440,529	207,877
General Accident	330,902	319,811	330,902	319,811
Oil & Gas	310,372	183,891	310,372	183,891
	1,869,874	1,599,055	1,869,874	1,599,055

(e) 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.

34 Investment Income	N'000	N'000	N'000	N'000
Dividend income	91,432	99,668	91,432	99,668
Interest from fixed deposit	777,932	530,488	777,932	530,488
Interest from Amortised cost financial assets	25,074	29,256	25,074	29,256
Interest from statutory deposit	51,476	50,533	51,476	50,533
	945,914	709,945	945,914	709,945
Amortised cost financial assets - Accrued interest (Note 4.3(a))	6,869	-	6,869	-
	952,783	709,945	952,783	709,945

(a) Investment Income		**N'000**	**N'000**	**N'000**	**N'000**
Attributable to Policy holders		532,020	354,942	532,020	354,942
Attributable to Share holders		420,763	355,003	420,763	355,003
		952,783	709,945	952,783	709,945

35 Net Fair Value (Loss)/(Gain)					
Investment properties		**N'000**	**N'000**	**N'000**	**N'000**
Fair Value (Loss)/(Gain) (Note 11)	9	6,396	197,592	6,396	197,592
Fair Value through Profit or Loss:					
Quoted Equity Securities (Note 4a)	2.1	(269,777)	521,653	(269,777)	521,653
		(263,381)	719,245	(263,381)	719,245

	Group		Parent	
	2018	**2017**	**2018**	**2017**
36 Other Income	**N'000**	**N'000**	**N'000**	**N'000**
Sundry Income	54,084	30,693	14,516	884
Provision no longer required- Other payables (Note 36 (a))	34,443	-	34,443	-
Rental Income	51,772	27,207	51,772	27,207
Gain on equity disposed (Note (4(b))	62,453	-	62,453	-
Exchange gain/(loss)	9,915	(1,202)	9,915	(1,202)
	212,667	56,698	173,099	26,889

(a) Provision no longer required relates to excess provision made for The Nigeria Information Technology Development Agency (NITDA) in prior year now written back.

37 Management Expenses	**N'000**	**N'000**	**N'000**	**N'000**
Employee benefit expenses (Note 37(a))	1,515,473	1,341,894	1,504,200	1,333,674
Other Management Expenses (Note 37(b))	838,766	1,189,568	833,471	1,187,211
Directors expenses	88,000	64,886	88,000	64,386
AGM expenses	19,890	21,432	19,890	21,432
Auditors Remuneration (Note 39(b))	9,000	9,000	8,000	8,000
Depreciation (Note 14)	350,534	314,827	349,436	313,728
Amortisation (Note 13)	5,181	5,017	817	653
	2,826,844	2,946,624	2,803,814	2,929,084

(a) Employee benefit expenses	**N'000**	**N'000**	**N'000**	**N'000**
Salaries and Wages	840,133	720,780	829,899	713,935
Medical Expenses	39,034	71,244	38,812	70,955
Staff Training	176,145	166,505	175,995	166,329
Staff Welfare	397,140	324,423	396,473	323,916
Employers' Pension Contribution	51,220	45,778	51,220	45,375
	1,503,672	1,328,730	1,492,399	1,320,510
Gratuity	11,801	13,164	11,801	13,164
	1,515,473	1,341,894	1,504,200	1,333,674

		Group		Parent	
		2018	2017	2018	2017
(b)	**Other Management Expenses**	**N'000**	**N'000**	**N'000**	**N'000**
	Advertising	81,958	110,444	81,958	110,444
	Business permit	2,395	3,374	2,385	3,374
	Hotel Expenses	52,788	52,527	52,788	52,527
	Postages & Telephone	10,520	9,487	10,484	9,487
	Motor Running Expenses	20,725	19,469	20,609	19,469
	Electricity Expenses	26,635	22,893	26,635	22,893
	Fine & Penalty	5,000	10,267	5,000	10,267
	Rent, rates and other expenses (Note 8(a))	31,955	14,037	30,265	14,037
	Filing Fees	500	790	500	790
	Donations	13,784	7,645	13,784	7,645
	Generator Expenses	31,221	36,145	31,221	36,145
	Dailies and Subscription	56,658	38,181	56,040	38,111
	Bank charges	47,282	30,491	47,001	30,250
	Computer Expenses	70,431	78,052	70,375	77,912
	Office General Expenses	178,664	77,317	178,395	75,917
	Other Tax Expenses	32,021	184,226	32,021	184,226
	Repair & Maintenance	35,457	45,752	35,455	45,752
	Motor Repair & Maintenance	33,776	38,146	33,526	38,146
	ECOWAS Brown Card	5,128	2,870	5,128	2,870
	Nigerian Insurers Association Levy	3,709	6,707	3,709	6,707
	Insurance Expenses	78,777	64,813	78,777	64,307
	Other assets written off -Intangible	7,410	-	7,410	-
	Other Expenses	11,972	335,935	10,005	335,935
		838,766	1,189,568	833,471	1,187,211
(c)	**Expected credit loss expense**	**N'000**	**N'000**	**N'000**	**N'000**
	Allowance for credit losses - Cash (Note 3(b))	8,920	-	8,920	-
	Allowance for credit losses - Fixed deposits and treasury bills (Note 4.3(d))	1,655	-	1,655	-
	Allowance for credit losses - Bonds (Note 4.3(a))	338	-	338	-
		10,913	-	10,913	-

	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	8,920	-	-	8,920
Financial Assets measured at amortised costs	1,655	-	-	1,655
Financial Assets measured at amortised costs	338	-	-	338
	10,913	-	-	10,913

		Group		Parent	
		2018	2017	2018	2017
38	**Profit or (Loss) on disposal of Property and Equipment**	**N'000**	**N'000**	**N'000**	**N'000**
	Sale proceeds	4,744	1,063	4,744	1,063
	Cost	(132,646)	(148,445)	(132,646)	(148,445)
	Accumulated depreciation	131,720	121,606	131,720	121,606
		3,818	(25,776)	3,818	(25,776)
39	**Supplementary profit and loss information**	**N'000**	**N'000**	**N'000**	**N'000**
(a)	Profit before taxation is arrived at after charging:				
	Depreciation (Note 14)	350,534	314,827	349,436	313,728
	Amortisation (Note 13)	5,181	5,017	817	653
	Auditors' fees (Note 37)	9,000	9,000	8,000	8,000
	Directors' emoluments (Note 37)	88,000	64,886	88,000	64,386

	Group		Parent	
	2018	**2017**	**2018**	**2017**
	N'000	**N'000**	**N'000**	**N'000**
and after charging/crediting:				
Profit on disposal of property,plant and equipment (Note 38)	3,818	(25,776)	3,818	(25,776)
Gain on investment property (Note 35)	6,396	197,592	6,396	197,592
Exchange gain/(loss) realised (Note 36)	9,915	(1,202)	9,915	(1,202)

(b) BDO Professional Services was appointed to carry out only the Statutory audit of the financial statements of the Company.

(c) **Staff Costs**

The average number of persons employed (excluding Directors) in the financial year and staff costs were as follows:

	Number	**Number**	**Number**	**Number**
Managerial	15	15	14	14
Senior	164	141	163	140
Junior	23	59	23	59
	202	215	200	213

(d) **Employees Remunerated at Higher Rates**

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

N - N	**Number**	**Number**	**Number**	**Number**
60,001 - 500,000	58	60	58	60
500,001 - 1,000,000	93	108	93	106
1,000,001 - 1,500,000	37	34	36	34
1,500,001 - 2,000,000	3	3	3	3
2,000,001 - 2,500,000	7	7	6	7
2,500,001 - 3,000,000	-	-	-	-
3,000,001 - Above	4	3	4	3
	202	215	200	213

(e) **Chairman's and Directors' Emoluments**

	2018	**2017**	**2018**	**2017**
i Aggregate emoluments of the directors were:	**N'000**	**N'000**	**N'000**	**N'000**
Fees				
Chairman	4,000	3,500	4,000	3,500
Other Directors	14,000	10,000	14,000	10,000
	18,000	13,500	18,000	13,500
Emoluments as Executives	70,000	51,386	70,000	50,886
	88,000	64,886	88,000	64,386

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

N - N	**Number**	**Number**	**Number**	**Number**
2,000,000 - 4,000,000	4	4	4	4
4,000,001 - 6,000,000	-	-	-	-
6,000,001 - 8,000,000	-	-	-	-
8,000,001 and Above	4	3	4	3
	8	7	8	7

The Highest paid Director earned N 33,600,000 in 2018 (2017:N 32,600,000)

	Group		Parent	
	2018	2017	2018	2017

40 Basic/Diluted earnings per ordinary share

Basic/Diluted earnings per share is calculated by dividing the results attributable to shareholders by the weighted average number of ordinary shares in issue and ranking for dividend.

	2018	2017	2018	2017
Net profit attributable to ordinary shareholders for basic and diluted EPS	2,036,704	2,775,392	2,020,636	2,763,123
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)	0.39	0.53	0.38	0.52
Diluted Basic Earnings Per Share (kobo)	0.39	0.53	0.38	0.52

(a) 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.

41 Related party disclosures

(a) *Parent*

Related parties include the Board of Directors, the Group Managing Director, Group Finance Director, Managing Director, close family members and companies which are controlled by these individuals

(b) *Subsidiary*

During the year, the Company conducted transactions with its related company and also with its subsidiary company, Details of amount due from and to these related parties are as disclosed in Notes 9, 10 and 17(c)) to the financial statements. Lease financing transactions with related parties were carried out in the ordinary course of business are on an arms length basis,Where these are eliminated on consolidation, they are not disclosed in the consolidated financial statements.

	N'000	N'000	N'000	N'000
Due to NEM Assets Management Limited	-	-	3,362	24,776
Investment in Subsidiary	-	-	50,000	50,000
Investment in Associate	413,752	392,501	413,752	392,501

(c) ***Transactions with key management personnel***

The company's key management personnel and persons connected with them are also considered to be related parties for disclossure purposes. The definition of key management includes close members of family and entity over which control can be exercised. The key management personnel have been identified as the executive directors of the company. Close members of family are those members who may be expected to influence or be influenced by that individual in their dealings with Nem Insurance Plc.

(d) **Short term Benefits (Board of Directors)**

Fees:	**N'000**	**N'000**	**N'000**	**N'000**
Chairman	4,000	3,500	4,000	3,500
Other Directors	14,000	10,000	14,000	10,000
	18,000	13,500	18,000	13,500
Other Emoluments:				
Other Directors	70,000	51,386	70,000	50,886
	88,000	64,886	88,000	64,386
Short term Benefits (Management Team)				
Salaries and Allowances:	202,820	202,820	197,974	197,974
Post Employment Benefits (Management Team)				
Pension	18,161	18,161	17,695	17,695
Total Benefits to Key Personnel	308,981	285,867	303,669	280,055

		Group		Parent	
		2018	2017	2018	2017
42 Cashflow from Operating activities	**Notes**	**N'000**	**N'000**	**N'000**	**N'000**
Operating profit before tax		2,685,661	3,094,891	2,669,123	3,082,622
Adjustment for non-operating items:					
Depreciation - Property, plant & equipment (Note 14)		350,534	314,827	349,436	313,728
Amortisation - Intangible assets (Note 13)		5,181	5,017	817	653
Adjustment on Intangible assets		7,411	-	7,411	-
(Profit)/loss on disposal of property and equipment		(3,818)	25,776	(3,818)	25,776
Share of Profit in Associate	9	(21,251)	(99,985)	(21,251)	(99,985)
Fair value gain on investment properties	11	(6,396)	(197,592)	(6,396)	(197,592)
Fair value loss/(gain) on quoted investment	4	269,777	(521,653)	269,777	(521,653)
Gain on FVTPL		(62,453)	-	(62,453)	-
Information Technology Development Levy		26,961	-	26,961	-
Allowance for credit losses		1,993	-	1,993	-
Service & Interest cost on retirement benefit	37(a)	11,801	13,164	11,801	13,164
Investment Income	34	(952,783)	(709,945)	(952,783)	(709,945)
Cashflow changes before changes in working capital		2,312,618	1,924,500	2,290,618	1,906,768
Changes in operating assets and liabilities					
Decrease/(Increase) in Trade receivables		443,826	(55,495)	443,826	(55,495)
Increase in Reinsurance assets		(2,427,131)	(657,360)	(2,427,131)	(657,360)
Increase in Deferred acquisition cost		(68,370)	(99,049)	(68,370)	(99,049)
Increase in Other receivables and prepayments		(450,343)	(61,078)	(422,442)	(54,014)
Increase in Insurance contract liabilities		608,204	501,284	608,204	501,284
Increase in Trade payables		245,329	8,378	245,329	8,378
Increase in Other payables		697,372	90,174	673,838	104,661
Net cash inflow from operating activities		1,361,505	1,651,354	1,343,872	1,655,173
Gratuity benefit to employees		(34,786)	(31,963)	(34,786)	(31,963)
Tax paid		(155,542)	(211,434)	(155,542)	(211,434)
		1,171,177	1,407,957	1,153,544	1,411,776

43 Capital Commitments

The company has spent N900 million on ongoing building project at Oniru Lagos and has been included in the consolidated financial statements as at 31 December 2018.

44 Contingent liabilities

There were no material contingent liabilities at 31 December 2018 (2017 Nil).

45 Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in the presentation of the current year financial statements.

46 Contingencies and commitments

(a) **Legal Proceedings**

The Company operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

(b) **Regulations**

The Company is also subject to insurance solvency regulations in all the territories where it operates and has complied with all these solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

(c) 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.

47 Contravention of laws and regulations

The company contravened certain laws and regulations during the year ended 31 December 2018. Details of the contraventions and the appropriate penalties are as follows:

SECTION	DESCRIPTION OF PENALTY	Number of times	Year of Contravention	Amount of Penalty
Financial Reporting Council of Nigeria	Inadequate Disclosure	1	2017	5,000,000

48 Events after the reporting period

There were no events after the reporting period which could have a material effect on the financial position of the company as at 31 December 2018 and profit attributable to equity holders.

49 Segment reporting

For management purposes, the Company is organised into business units based on their products and services and reportable operating segments as follows:

Segments Report - Underwriting Result per class of business

Group	MOTOR N'000	MARINE N'000	FIRE N'000	GENERAL ACCIDENT N'000	OIL & GAS N'000	2018 N'000	2017 N'000
Direct Business Premium	4,739,843	1,516,010	3,437,146	2,636,886	2,479,972	**14,809,857**	13,145,767
Reinsurance Inward	57,090	29,753	108,399	26,342	18,011	**239,595**	270,503
Gross Premium written	4,796,933	1,545,763	3,545,545	2,663,229	2,497,983	**15,049,453**	13,416,270
Increase in Unexpired Risk	(215,497)	24,152	(235,510)	(7,277)	(268,833)	**(702,965)**	(384,491)
Gross Premium Earned	4,581,436	1,569,915	3,310,035	2,655,952	2,229,150	**14,346,488**	13,031,779
Reinsurance Cost	(10,527)	(495,483)	(1,053,253)	(1,289,071)	(804,360)	**(3,652,694)**	(3,229,828)
Net Premium Earned	4,570,909	1,074,432	2,256,782	1,366,881	1,424,790	**10,693,794**	9,801,951
Commission Received	2,261	110,603	272,209	323,806	34,691	**743,570**	658,353
	4,573,170	1,185,035	2,528,991	1,690,687	1,459,481	**11,437,364**	10,460,304
Direct Claim Paid	(2,471,399)	(590,010)	(1,170,851)	(1,026,982)	(753,109)	**(6,012,351)**	(5,011,489)
Increase in Outstanding Claims & IBNR	113,834	20,881	7,089	(57,098)	10,055	**94,761**	(116,795)
Gross Claim Incurred	(2,357,565)	(569,129)	(1,163,762)	(1,084,080)	(743,054)	**(5,917,590)**	(5,128,284)
Claim recoveries	53,527	50,764	36,300	38,518	18,937	**198,046**	615,308
Reinsurance Recoveries	94,386	592,715	1,448,835	882,914	146,441	**3,165,291**	2,729,402
Net Claim Expense	(2,209,652)	74,350	321,373	(162,648)	(577,676)	**(2,554,253)**	(1,783,574)
Acquisition Cost	(579,251)	(306,926)	(700,655)	(524,939)	(278,225)	**(2,389,996)**	(2,565,120)
Underwriting Expenses	(596,012)	(192,059)	(440,529)	(330,902)	(310,372)	**(1,869,874)**	(1,599,054)
Total Deduction	(3,384,915)	(424,635)	(819,811)	(1,018,489)	(1,166,273)	**(6,814,123)**	(5,947,748)
Underwriting Profit	**1,188,255**	**760,400**	**1,709,180**	**672,198**	**293,208**	**4,623,241**	**4,512,556**

50 Claim Development Table
Extracts from EY Nigeria Limited Valuation Report

50.1 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.

(a) **Claims Data**

Class of Business	Gross Claims Paid Data	Gross Claims Paid Account	Precentage Difference
	N'000	N'000	
General Accident	1,026,982	1,026,982	0.00%
Fire	1,170,851	1,170,851	0.00%
Marine	590,010	590,010	0.00%
Motor	2,471,399	2,471,399	0.00%
Oil and Gas	753,109	753,109	0.00%
Total	6,012,351	6,012,351	0.00%

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.

(b) Premium Data

Class of Business	Gross Premium Written Data	Gross Premium Written Account	Precentage Difference
	N'000	N'000	
General Accident	2,663,228	2,663,228	0.00%
Fire	3,545,546	3,545,546	0.00%
Marine	1,545,763	1,545,763	0.00%
Motor	4,796,933	4,796,933	0.00%
Oil and Gas	2,497,984	2,497,984	0.00%
Total	15,049,454	15,049,454	0.00%

(c) Comments on Claims Data

The claims data was divided into five risk groups - (Marine, Motor, Fire, General Accident and Oil & Gas) in accordance with the Nigerian Insurance Act CAP I17, LFN 2004.

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

(d) Business Trend

We illustrate in the table below that the overall Gross Written Premium slightly increased by 24% between the calendar years 2017 and 2018 with increases in all sectors.

Class of Business	Gross Premium Written Data 2018 N'000	Gross Premium Written Data 2017 N'000	Precentage Difference
General Accident	2,663,229	2,670,641	-0.3%
Fire	3,545,545	3,055,910	16.0%
Marine	1,545,763	1,428,975	8.2%
Motor	4,796,933	4,370,287	9.8%
Oil and Gas	2,497,983	1,619,954	54.2%
Total	15,049,453	13,145,767	88%

50.2 Valuation Methodology

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

(a) 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.

(b) 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.

50.3 Valuation Results

(a) Inflation Adjusted Chain Ladder Method - Result table

Discounted Inflation Adjusted Basic Chain Ladder Method - Discounted

Class of Business	Gross Outstanding Claims N'000	Estimated Reinsurance Recoveries N'000	Net Outstanding Claims N'000
General Accident	1,077,985	(641,542)	436,443
Fire	885,971	(394,220)	491,751
Marine	277,063	(118,664)	158,399
Motor	483,677	(133,579)	350,098
Oil and Gas*	255,939	(1,938)	254,001
Total	**2,980,635**	**(1,289,943)**	**1,690,692**
Accounts (Outstanding Claims)	1,976,983	(955,927)	1,021,056
Difference	1,003,652	(334,016)	669,636

* Estimated using Expected loss ratio method and discounted

(b) Incurred But Not Reported (IBNR) Table

Class of Business	Outstanding Claim Reserve N'000	Outstanding Reported Claim Reserve N'000	IBNR N'000
General Accident	1,077,985	866,228	211,757
Fire	885,971	591,979	293,992
Marine	277,063	155,363	121,700
Motor	483,677	302,234	181,443
Oil and Gas	255,939	61,179	194,760
Total	2,980,635	1,976,983	1,003,652

(c) Reinsurance IBNR table

Class of Business	Total Outstanding Reinsurance Recoveries N'000	Outstanding Reported Reinsurance Recoveries N'000	Reinsurance IBNR N'000
General Accident	641,542	462,431	179,111
Fire	394,220	326,485	67,735
Marine	118,664	64,604	54,060
Motor	133,579	100,469	33,110
Oil and Gas	1,938	1,938	-
Total	1,289,943	955,927	334,016

(d) UPR (Gross and Reinsurance UPR) - Result table

Class of Business	Gross UPR	Reinsurance UPR	Net UPR
	N'000	N'000	N'000
General Accident	820,186	(320,734)	499,452
Fire	972,887	(293,564)	679,323
Marine	384,738	(164,986)	219,752
Motor	1,389,434	(2,118)	1,387,316
Oil and Gas	578,991	(121,024)	457,967
Total	4,146,236	(902,426)	3,243,810

(e) 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
General Accident	36%	62%
Fire	43%	69%
Marine	26%	52%
Motor	40%	66%
Oil and Gas	25%	51%

50.4 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 N7.13 billion and Reinsurance Assets of N2.19 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	2,980,636	(1,289,944)	1,690,692
UPR	4,146,236	(902,426)	3,243,810
Total	7,126,872	(2,192,370)	4,934,502

51 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.

(a) 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;

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

ii **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 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.

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.

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

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

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 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.

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

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%.

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

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

e) **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

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 2018 and 2017 for Gross Premiums written is set out below:

(a) By product

	2018	**2017**
	N'000	N'000
Motor business	4,796,933	4,460,460
Fire & Property	3,545,545	3,122,763
Marine & Aviation	1,545,763	1,464,407
General Accident	2,663,229	2,746,735
Energy business	2,497,983	1,621,905
	15,049,453	13,416,270

(b) By sector	N’000	N’000
Energy	1,819,965	1,493,328
Financial Services	4,267,814	3,941,177
IT/Telecoms & Other Corp.	3,602,835	3,276,198
Manufacturing	3,914,231	3,587,595
Retail	1,444,608	1,117,972
	15,049,453	13,416,270

52 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.

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.

(a) **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 2018	Carrying amount N'000	No stated maturity	0 - 90 days	91 - 180 days	181 - 365 days	1 - 2 years	> 2 years
Financial assets							
Cash & bank balances	1,008,883	-	1,008,883	-	-	-	-
Short Term Deposits	5,675,961	-	2,264,490	-	-	-	-
Trade receivables	279,709	-	279,709	-	-	-	-
Other Receivables	698,696	-	273,698	230,225	194,773	-	-
Amortised Cost Assets	1,235,106	-	-	1,034,829	-	-	200,277
Equity securities							
Financial Assets -FVTPL	1,108,206	1,108,206	-	-	-	-	-
Financial Assets -FVOCI	1,260,729	1,260,729	-	-	-	-	-
	11,267,290	**2,368,935**	**3,826,780**	**1,265,054**	**194,773**	**-**	**200,277**
Insurance liabilities							
Insurance Contract liability	7,126,871	-	7,126,871	-	-	-	-
Reinsurance Asset	(4,809,590)	-	(4,809,590)	-	-	-	-
	2,317,281	**-**	**2,317,281**	**-**	**-**	**-**	**-**

At 31 December 2017	Carrying amount N'000	No stated maturity	0 - 90 days	91 - 180 days	181 - 365 days	1 - 2 years	> 2 years
Financial assets							
Cash & bank balances	1,060,849	-	1,060,849	-	-	-	-
Short Term Deposits	2,264,491	-	2,264,491	-	-	-	-
Trade receivables	723,535	-	723,535	-	-	-	-
Other Receivables	276,254	-	98,257	-	85,498	-	-
Amortised Cost Assets	-	-	-	-	-	-	181,365
Equity securities							
Financial Assets -FVTPL	1,347,462	1,347,462	-	-	-	-	-
Financial Assets -FVOCI	-	-	-	-	-	-	-
	5,672,591	**1,347,462**	**4,147,132**	**-**	**85,498**	**-**	**181,365**
Insurance liabilities							
Insurance Contract liability	6,518,667	-	6,518,667	-	-	-	-
Reinsurance Asset	(2,382,459)	-	(2,382,459)	-	-	-	-
	4,136,208	**-**	**4,136,208**	**-**	**-**	**-**	**-**

(b) ***Sensitivity analysis - interest-rate risk***

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.

31 December 2018 (N'000)

Assets	**Carrying amount**	**Fixed rate**	**Floating rate**
Cash and cash equivalents	6,675,924	-	-
Trade receivables	279,709	-	-
Reinsurance Assets	4,809,590	-	-
Amortised Cost Assets	1,235,106	1,235,106	-
	13,000,329	**1,235,106**	**-**
Liabilities			
Non-life insurance liability	7,126,871	-	-
Other liabilities	1,566,435	-	-
Bank Overdraft	-		-
Debt security in issue	-	-	-
	8,693,306	**-**	**-**

31 December 2017 (N'000)

Assets	**Carrying amount**	**Fixed rate**	**Floating rate**
Cash and cash equivalents	3,325,340	-	-
Trade receivables	723,535	-	-
Reinsurance Assets	2,382,459	-	-
Amortised Cost Assets	-	-	-
	6,431,334	**-**	**-**
Liabilities			
Non-life insurance liability	6,518,667	-	-
Other liabilities	647,270	-	-
Bank Overdraft	-		-
Debt security in issue	-	-	-
	7,165,937	**-**	**-**

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.

(c) ***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.

As at 31 December 2018, the market value of quoted securities held by the Company is N 1.108 billion (2017: N 1.347 billion). If the all share index of the NSE moves by 100 basis points at 31 December 2018, the effect on profit or loss would have been N 11.08 million (N 13.47 million).

The Company holds a number of investments in unquoted securities with a market value of N1.26 billion as at 31 December 2018 (2017: N1.17 billion) of which investment in MTN Nigeria Ltd is the significant holding. This investment was valued at N 1.17 billion (cost N 1.15 billion) (2017 N1.068 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 statement of financial position. The main sources of the Company's incoming cash flows 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 default 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.

(a) **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 The table below provides information regarding the credit risk exposure of the Company in relation with comparative exposure::

Maximum exposure to credit risk before collateral held or other credit enhancements:	**Maximum exposure**	
	2018	**2017**
	N'000	**N'000**
Cash and cash equivalents	6,675,924	3,325,340
Trade receivables	279,709	723,535
Debt measured at amortised cost	1,235,106	-
Loans and other receivables	698,696	276,254
Held-to-maturity	-	181,364
Total assets bearing credit risk	8,889,435	4,506,493

Age analysis for past due and impaired	**Cash and cash equivalents**	**Trade receivables**	**Loans and other**	**Amortised cost**	**Total**
31 December 2018	6,675,924	279,709	698,696	1,235,106	8,889,435
Neither past due nor impaired	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Impaired	-	-	-	-	-
Net	6,675,924	279,709	698,696	1,235,106	8,889,435

Business Risk Management

Business risk is managed by Management Underwriting & Investment Committee through consistent monitoring of product lines' profitability, stakeholder engagement to ensure positive outcomes from external factors beyond the Group's control and prompt response to changes in the external environment.

Reputational Risk Management

NEM Insurance Plc norms and values set a tone for acceptable behaviours required for all staff members, and provide structure and guidance for non-quantifiable decision making, thereby assisting in the management of the group's reputation.

The Group identifies, assesses and manages reputational risks predominately within its business processes. Management of reputational risks is based on the Group's risk governance framework. In addition, company-wide risks are identified and assessed qualitatively as part of the annual risk & control self-assessment. The Group's risk functions analyses the overall risk profile and regularly informs management about the current profile and potential exposures to the risk. Risk functions' presentation of potential reputational risk guides management decisions in executing business operations and strategies.

The Group has laid great emphasis on effective management of its exposure to credit risk especially premium related debts. The Group defines credit risk as the risk of counterparty's failure to meet its contractual obligations. Credit risk arises from insurance cover granted to parties with payment instruments or payments plan issued by stating or implying the terms of contractual agreement. Credit risk exposure to direct business is low as the Company requires debtors to provide payment plans before inception of insurance policies. The Company's exposure to credit risk arising from brokerage business is relatively moderate and the risk is managed by the Group's internal rating model for brokers. Our credit risk internal rating model is guided by several weighted parameters which determine the categorization of brokers the Group transacts businesses with.

The Group credit risk originates from reinsurance recoverable transactions, retail clients, corporate clients, brokers and agents.

Management of credit risk due to outstanding premium
Credit Rating

We constantly review brokers' contribution to ensure that adequate attention is paid to high premium contributing brokers while others are explored for possible potentials.

Receivables are reviewed and categorized into grade A, B, C and D on the basis of:
a) Previous year contribution
b) Payment mode
c) Outstanding as at December of the previous year
d) Future prospect
e) Recommendation

The Group credit risk is constantly reviewed and approved during the weekly Management Operations meeting. The monthly Group management meeting is responsible for the assessment and continual review of the Company premium debt and direct appropriate actions in respect of delinquent ones. It also ensured that adequate provisions are taken in line with the regulatory guidelines. Other credit risk management includes:

a) Formulating credit policies with strategic business units, underwriters, brokers covering, brokers grading, reporting, assessment, legal procedures and compliance with regulatory and statutory bodies.

b) Identification of credit risk drivers within the Group in order to coordinate and monitor the probability of default that could have an unfortunate impact.

c) Developing and monitoring credit limits. The Group is responsible for setting credit limits through grading in order to categorize risk exposures according to the degree of financial loss and the level of priority expected from management.

d) Assessment of credit risk. All firsthand assessment and review of credit exposures in excess of credit limits, prior to granting insurance cover are subject to review process and approval given during management meeting.

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

In measuring credit risk, the Group considers three models:

a) The Probability of Default(PD), the likelihood that the insured will fail to make full and timely payment of financial obligations

b)The Exposure at Default (EAD) is derived from the Group's expected value of debt at the time of default

c)The Loss Given Default (LGD) which states the amount of the loss if there is a default, expressed as a percentage of the (EAD).

Impairment Model

Premium debtors, which technically falls under receivables is recognized at a fair value and subsequently measured at amortised cost, less provision for impaired receivables. Under IFRS, an asset is impaired if the carrying amount is greater than the recoverable amount. The Group adopts simplified provision matrix for calculating expected losses on premium receivables as a practical expedient in line with IFRS 9. The provision matrix is based on the Group's historical default rates over the expected life of the trade receivables which is adjusted for forward-looking estimates

Credit quality

The Group loan and receivables has no collateral as security and other credit enhancements, thus the group has no loan or receivables that are past due but not impaired. Insurance receivables are to be settled on demand and the carrying amount is not significantly different from the fair value.

The Group further manages its exposure to credit risk through deduction of transactions at source and investment in blue-chip companies quoted on Nigerian Stock Exchange. The exposure to credit risk associated with other receivables is low.

Operational Risk Management

A summary of the analytical tools that the Group employed in operational risk management are discussed below:

Issue tracking report/action plan report:
Issues can surface from the internal self-assessment process, an audit, or regulators requirements. A key result of the self-assessment process is an action plan with assigned responsibilities. This report contains a reap of major issues, the status of the action plan, and an aging of overdue tasks.

Risk control and self-assessment (RCSA): The business areas perform self-assessments semi- annually and results are aggregated to provide a qualitative and quantitative profile of risk across the organization and related action items. Severity of the risks identified is compared with previous RCSA risk severity and a trend is ascertained. The register summarizes findings into list of risks facing the institution. These summary results are accompanied by descriptions of the significant gaps and trends, suggested mitigants, and process owners and timeline for each risk.

The profile of risks across the organization is an integral input for the Group's internal audit whilst preparing audit plans. Areas with high-risk exposures are thoroughly audited and performance of recommended controls tested by the Group's internal control function to ascertain that risks are properly managed.

Risk Maps: Risk maps typically are graphs on which impact of each risk is plotted against probability of occurrence. Risk maps are designed either to show inherent or residual risk categories by line of business. Risks in the upper right are very severe and need to be monitored closely to reduce the Group's exposure. High-frequency/low-severity risks create the basis for expected losses and are often subject to detailed analysis focused on reducing the level of losses.

Key risk indicators dashboard: These are numerous measures of actual risks in the business and support functions, such as error rates and control breaks. Summary indicators, related escalation criteria, explanations of any excesses, and identified trends are all important aspects that are tracked. Many indicators are specific to each business unit or process, but some may be common and reported in a consolidated fashion. Threshold is set by management for each key risk indicators and escalation of indicators above such levels triggers a mitigation response.

Loss events report: The ERM team developed a database for loss event collation named Loss Event Register. This register allows staff to report actual and near-miss (an unplanned event that did not result in injury, illness, or damage – but had the potential to do so) loss events. Summary statistics from the loss event database are used to show trends of total losses and mean average loss, with analysis by type of loss and business line.

Business continuity plan: A critical tool in managing our operational risk is the Business Continuity Plan (BCP) that documents the procedures to be executed by relevant teams in the event of a disaster.

Liquidity Risk Management

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Group mitigates this risk by monitoring cash activities and expected outflows. The Group's current liabilities arise as claims are made and clients request for termination of their investment-linked products. The Group has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claims payments are funded by current operating cash flow including investment income. The Group has no tolerance for liquidity risk and is committed to meeting all liabilities as they fall due.

Expected Credit Loss Impairment Model for financial assets

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Group adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

• Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

• Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

• Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination. Examples of financial assets with low credit risk (no significant increase in credit risk) include: Risk free and gilt edged debt investment securities that are determined to have low credit risk at the reporting date; and Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Measurement of Expected credit losses

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

The group employs the usage of international rating agencies PD factors which was modified by factors specific to the Nigerian Economy such as inflation rate, umemployment rate, GDP and so on.

Using the probabilities of default (PD) as provided by Standard & Poors, our model employs Nigeria-centric forward-looking macro-economic factors which have been determined to be statistically significant, to adjust the PDs. Country-specific factors are also applied to the LGD factors which originate from Basel recommendations and are thereby adjusted to our specific circumstances. Base, optimistic and pessimistic scenarios are employed and projected cash flows are discounted to present value at using the effective rates of interest. The resulting ECL computations are therefore appropriately probability-weighted and consider relevant forward-looking information as well as the time value of money.

Details of these statistical parameters/inputs are as follows:

• PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

1. 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over) the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.

2. Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9.

• EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

• LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. Basically, It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. However, the group make use of the combination of the following in establishing its LGD:

1) Fixed LGD ratios prescribed by the Bank for International Settlements (BIS) under the foundation approach

2) Recovery rates on insolvencies in Nigeria as published by the World bank

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

The Group relies on a broad range of forward looking information as economic inputs, such as: GDP growth, unemployment rates, central bank base rates, crude oil prices, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

Multiple forward-looking scenarios

The Group determines allowance for credit losses using probability-weighted forward looking scenarios.

The Group considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Group prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), Nigeria Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria (CBN), Financial Markets Dealers Quotation (FMDQ) and Trading Economics.

The Group estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD) – Normal, Upturn and Downturn, which in turn are used in the estimation of the multiple scenario ECLs. The normal case represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers specific quantitative and qualitative information about the issuer without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depend on the type of product, characteristics of the financial instruments and the issuer and the geographical region.

The Group adopts a multi factor approach in assessing changes in credit risk. This approach considers:
Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages.

i **Quantitative elements**

The quantitative element is the primary indicator of significant increases in credit risk, with the qualitative element playing a secondary role. The quantitative element is calculated based on the change in lifetime PDs by comparing:

• the remaining lifetime PD as at the reporting date; with

• the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations)

ii **Qualitative elements**

In general, qualitative factors that are indicative of an increase in credit risk are reflected in PD models on a timely basis and thus are included in the quantitative assessment and not in a separate qualitative assessment. However, if it is not possible to include all current information about such qualitative factors in the quantitative assessment, they are considered separately in a qualitative assessment as to whether there has been a significant increase in credit risk. If there are qualitative factors that indicate an increase in credit risk that have not been included in the calculation of PDs used in the quantitative assessment, the Group recalibrates the PD or otherwise adjusts its estimate when calculating ECLs.

iii **Backstop indicators**

Instruments which are more than 30 days past due or have been granted forbearance are generally regarded as having significantly increased in credit risk and may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the Group has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

(i) Significant financial difficulty of the borrower or issuer;

(ii) A breach of contract such as a default or past due event;

(iii) It is becoming probable that the issuer will enter bankruptcy or other financial reorganisation; or

(iv)The disappearance of an active market for a security because of financial difficulties.

(v)The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

An asset that has been renegotiated due to a deterioration in the issuer's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired,the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets:
- Financial assets measured at FVOCI: loss allowance shall be recognized in the statement of financial position because the carrying amount of these assets shall be their fair value. However, the loss allowance shall be disclosed and recognized in the fair value reserve.

Inputs, assumptions and techniques used for estimating impairment

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

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by using days past due and assessing other information obtained externally.Whenever available, the Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published rating, the group also reviews changes in Bond yields together with available press and regulatory information about issuers.

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

The Group has assumed that the credit risk of a financial asset has not increased significantly since the initial recognition if the financial asset has low credit risk at reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this to be Baa3 or higher based on the Moody rating.

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

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

- The criteria are capable of identifying significant increase in credit risk before an exposure is in default;

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

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions and other factors not related to a current or potential credit deterioration of the borrower. An existing financial asset whose terms have been modified may be derecognized and the renegotiated asset recognized as a new financial asset at fair value in accordance with the accounting policies. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- Its risk of default occuring at the reporting date based on the modified term; with
- The risk of default occuring estimated based on Data on initial recognition and the original contractual terms.

Liquidity Risk

Liquidity risk is the inability of a Group to meet obligations on a timely basis. It is also the inability of a Group 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 Group is exposed to daily calls on its available cash resources from claims to be paid.

At 31 December 2018, management does not believe the current maturity profile of the Group 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 Group's insurance portfolio. The Group'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 Group'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

(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 2018 (N'000)	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Financial Assets -FVTPL	1,108,206	-	-
Financial Assets -FVOCI	-	1,260,729	-
Amortised Cost Assets	1,235,106	-	-
	2,343,312	**1,260,729**	**-**

At 31 December 2017 (N'000)	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Financial Assets -FVTPL	1,347,462	-	-
Financial Assets -FVOCI	-	-	-
Amortised Cost Assets	-	-	-
	1,347,462	**-**	**-**

(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.

53 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.

(a) **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.

(b) **Solvency Status**

The Company met the criteria for solvency margin as stated in section 24(1) of the Insurance Act, CAP I17, LFN 2004, the solvency margin maintained is N7,963,968

(c) **Capital Adequacy Test**

Based on the capital adequacy claculation below, NEM Insurance Plc has a surplus of N12.0 billion.

	2018	
	N'000	**N'000**
Shareholders' fund as per Statement of Financial Position		12,427,157
Less:		
Intangible Assets	(2,042)	
Deferred tax liability	(397,746)	
Due from related parties	-	
		(399,788)
Capital base		12,027,369

Management uses regulatory capital ratios to monitor its capital base. Based on the capital base computed above, the Company capital base is above the minimum capital requirement of N3 billion specified by NAICOM.

(d) **DETERMINATION OF SOLVENCY MARGIN**	**Admissible**	**Inadmissible**	**2018 N'000**	**2017 N'000**
Cash and cash equivalents	6,376,396	299,528	6,675,924	3,325,340
Financial assets				
-FVTPL	1,108,206	-	1,108,206	1,347,462
-Amortised Cost	1,053,216	181,890	1,235,106	-
-Held-to-maturity	-	-	-	153,536
-FVOCI	1,260,729	-	1,260,729	-
-Available-for-sale	-	-	-	4,388,095
Trade receivables	279,709	-	279,709	723,535
Reinsurance assets	4,809,590	-	4,809,590	2,382,459
Deferred acquisition costs	655,614	-	655,614	587,244
Investment in Subsidiary	50,000	-	50,000	50,000
Staff loans and advances	6,103	-	6,103	6,866
Investment in Properties	454,700	228,251	682,951	676,555
Property, plant and equipment	1,197,035	2,959,574	4,156,609	2,861,499
Statutory deposit	320,000	-	320,000	320,000
Admissable assets	17,571,298	3,669,243	21,240,541	16,822,591
LIABILITIES				
Insurance contract liabilities	7,126,871		7,126,871	6,518,667
Trade payables	319,023		319,023	73,694
Provisions and other payables	1,247,412		1,247,412	573,576
Retirement benefits obligations	78,496		78,496	91,910
Current income tax liabilities	835,528		835,528	591,760
Admissible liabilities	9,607,330	-	9,607,330	7,849,607
Solvency margin	7,963,968			8,972,984
Minimum share capital	3,000,000			3,000,000
Surplus in solvency margin	4,963,968			5,972,984
Percentage of solvency	62%			67%

The Company's capital requirement ratio and Solvency margin is above the requirements of the Insurance Act CAP I17, LFN 2004.

Asset and Liability Management

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities.

Asset and Liability management (ALM) attempts to address financial risks the group is exposed to which include interest rate risks, foreign currency risks, equity price risks and credit risks. The major financial risk is that in the long term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. ALM ensures that specific assets of the group is allocated to cover reinsurance and liabilities of the Group.

The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. The notes below show how the Group has managed its financial risks.

Assets	Insurance funds	Shareholders' funds	Total
	N'000	N'000	N'000
Cash and cash equivalents	6,376,396	299,528	6,675,924
Financial assets			
-FVTPL	1,108,206	-	1,108,206
-FVOCI	-	1,260,729	1,260,729
- At amortised cost	-	1,235,106	1,235,106
Trade receivables	-	279,709	279,709
Reinsurance assets	2,192,370	2,617,220	4,809,590
Deferred acquisition costs		655,614	655,614
Other receivables and prepayment	-	698,696	698,696
Investment in Associate	-	413,752	413,752
Investment in Subsidiary	-	50,000	50,000
Investment properties	-	682,951	682,951
Statutory deposit	-	320,000	320,000
Intangible assets	-	2,042	2,042
Property, plant and equipment	-	4,156,609	4,156,609
Deferred tax assets	-	83,306	83,306
Total assets	9,676,972	12,755,262	22,432,234
Liabilities:			
Insurance contract liabilities	7,126,871	-	7,126,871
Trade payables	-	319,023	319,023
Other payables	-	1,247,412	1,247,412
Retirement benefit obligations	-	78,496	78,496
Income tax liability	-	835,528	835,528
Deferred tax liabilities	-	397,746	397,746
Total liabilities	7,126,871	2,878,205	10,005,076
Gap	2,550,101	9,877,057	12,427,158

The main objectives of the Company when managing capital are:

- to ensure that the Minimum Capital Requirement of N3 billion as required by the Insurance Act CAP I17, LFN 2004, is maintained at all times.

This is a risk based capital method of measuring the minimum amount appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on applying capital factors to amongst others, the Company's assets, outstanding claims, unearned premium reserve and assets above a certain concentration limit.

STATEMENT OF VALUE ADDED - GROUP

	2018 N'000	%	2017 N'000	%
Gross Premium Income:				
Local	14,346,488		13,031,779	
Foreign	-		-	
Other Income:				
Local	1,912,838		1,424,996	
Foreign	21,251		99,985	
	16,280,577		14,556,760	
Bought in Services:				
Local	(10,744,194)		(8,804,976)	
Foreign	-		(17,661)	
Value Added	5,536,383	100	5,734,123	100
Applied as follows:				
Employees				
Salaries and other employees benefits	1,515,473	27	1,341,894	23
Provider of Capital				
Dividend to Shareholders	528,050	10	422,440	7
Government				
Taxation	648,957	12	319,499	6
Retention and Expansion				
Depreciation and Amortisation Charges	355,715	6	319,844	6
Contingency reserves	451,484	8	555,054	10
Retained profits for the year	2,036,704	37	2,775,392	48
Value Added	5,536,383	100	5,734,123	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

	2018 N'000	%	2017 N'000	%
Gross Premium Income:				
Local	14,346,488		13,031,779	
Foreign	-		-	
Other Income:				
Local	1,873,270		1,395,187	
Foreign	21,251		99,985	
	16,241,009		14,526,951	
Bought in Services:				
Local	(10,721,831)		(8,788,850)	
Foreign	-		(17,661)	
Value Added	5,519,178	100	5,720,440	100
Applied as follows:				
Employees				
Salaries and other employees benefits	1,504,200	27	1,333,674	23
Provider of Capital				
Dividend to Shareholders	528,050	10	422,440	7
Government				
Taxation	648,487	12	319,499	6
Retention and Expansion				
Depreciation and Amortisation Charges	350,253	6	314,381	5
Contingency reserves	451,484	8	555,054	10
Retained profits for the year	2,036,704	37	2,775,392	49
Value Added	5,519,178	100	5,720,440	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.

FIVE YEAR FINANCIAL SUMMARY - GROUP

STATEMENT OF FINANCIAL POSITION

	2018	2017	2016	2015	2014
Assets	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Cash and Cash Equivalents	6,697,017	3,328,800	3,471,854	3,387,674	3,446,995
Financial assets					
- At fair value through profit or loss	1,108,206	1,347,462	820,809	654,054	665,837
- At fair value through other comprehensive income	1,260,729	-	-	-	-
- At amortised cost	1,235,106	-	-	-	-
-Available for Sale	-	4,388,095	2,992,467	2,857,226	2,334,283
-Held-to-Maturity	-	181,364	192,707	181,777	160,939
Trade Receivable	279,709	723,535	668,040	531,497	209,493
Reinsurance Assets	4,809,590	2,382,459	1,725,098	690,838	717,121
Deferred Acquisition Cost	655,614	587,244	488,195	498,862	482,385
Investment in Associate	413,752	392,501	264,824		
Investment Properties	682,951	676,555	442,558	388,371	485,830
Intangible Assets	6,405	18,997	20,747	13,083	5,627
Property, plant and equipment	4,158,807	2,864,795	2,819,986	2,694,001	2,213,264
Other Receivables and Prepayment	709,859	259,516	198,439	227,373	137,232
Statutory Deposit	320,000	320,000	320,000	343,489	340,112
Deferred tax asset	92,773	92,773	66,687	16,066	-
Income Tax Credit		-	-	-	-
Total Assets	22,430,518	17,564,096	14,492,411	12,484,311	11,199,118
Liabilities					
Insurance Contract Liabilities	7,126,871	6,518,667	6,017,381	5,482,960	4,660,059
Trade Payables	319,023	73,694	65,315	33,415	16,463
Other Payables	1,247,829	550,458	497,272	502,760	168,484
Income Tax Liabilities	835,998	591,760	426,473	156,858	15,212
Deferred Tax Liability	397,746	-	-	-	280,913
Retirement Benefit Obligations	78,496	91,910	84,824	108,956	187,848
Bank Overdraft	-	-	-	-	4,364
Total liabilities	10,005,963	7,826,489	7,091,265	6,284,949	5,333,343
Net Assets	12,424,555	9,737,607	7,401,146	6,199,362	5,865,775
Equity					
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	131,043	140,614	166,499	162,035	68,178
FVOCI reserve	(35,344)	-	-	-	-
Available for sale reserve	-	(128,734)	(138,249)	173,368	329,232
Asset revaluation reserve	1,094,475	-	-	-	-
Contingency Reserve	3,606,052	3,154,568	2,599,514	2,322,895	1,995,456
Retained Earnings	4,715,527	3,658,357	1,860,580	628,262	560,107
Shareholders' Fund	12,424,555	9,737,607	7,401,146	6,199,362	5,865,775

FIVE YEAR FINANCIAL SUMMARY - GROUP

INCOME STATEMENT

	2018 N'000	2017 N'000	2016 N'000	2015 N'000	2014 N'000
Gross Premium Written	15,049,453	13,416,270	10,757,674	10,895,711	9,836,596
Gross premiums income	14,346,488	13,031,779	10,628,183	10,718,314	9,773,550
Net Premium income	10,693,794	9,801,951	8,512,467	8,556,954	8,897,486
Other Revenue	1,934,089	2,244,226	1,614,096	1,300,427	204,192
Total Revenue	12,627,883	12,046,177	10,126,563	9,857,381	9,101,678
Claims expense	(2,554,253)	(1,783,574)	(2,669,780)	(3,959,103)	(2,942,375)
Impairment	-	-	-	(40,000)	(68,852)
Other Expenses	(7,377,056)	(7,167,712)	(5,311,011)	(5,259,441)	(4,323,681)
Total Benefits, Claims and Other	(9,931,309)	(8,951,286)	(7,980,791)	(9,258,544)	(7,334,908)
Profit Before Tax	2,696,574	3,094,891	2,145,772	598,837	1,766,770
Income tax expense	(648,957)	(319,499)	(327,974)	114,864	(241,451)
Profit For the Year	2,047,617	2,775,392	1,817,798	713,701	1,525,319
Other Comprehensive Income for the year	1,208,882	(25,885)	(307,153)	(81,277)	341,870
Total Comprehensive Income for the year	3,256,499	2,749,507	1,510,645	632,424	1,867,189
Basic EPS (Kobo)	39	53	34	14	29
Diluted Basic EPS (Kobo)	39	53	34	14	29

NEM INSURANCE PLC
FINANCIAL STATEMENTS, 31 DECEMBER 2018
OTHER NATIONAL DISCLOSURE
FIVE YEAR FINANCIAL SUMMARY - PARENT
STATEMENT OF FINANCIAL POSITION

	2018	2017	2016	2015	2014
Assets	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	6,675,924	3,325,340	3,464,575	3,355,044	3,425,121
Financial Assets					
- At fair value through profit or loss	1,108,206	1,347,462	820,809	654,054	665,837
- At fair value through other comprehensive income	1,260,729	-	-	-	-
- At amortised cost	1,235,106	-	-	-	-
-Available for Sale	-	4,388,095	2,992,467	2,560,909	2,087,799
-Held-to-Maturity	-	181,364	192,707	181,777	160,939
Trade Receivable	279,709	723,535	668,040	531,497	209,493
Reinsurance Assets	4,809,590	2,382,459	1,725,098	690,838	717,121
Deferred Acquisition Cost	655,614	587,244	488,195	443,678	442,473
Investment in Associate	413,752	392,501	264,825	-	-
Investment in Subsidiary	50,000	50,000	142,500	193,308	193,308
Investment Properties	682,951	676,555	442,558	388,371	485,830
Intangible Assets	2,042	10,270	7,656	12,157	4,459
Property, plant and equipment	4,156,609	2,861,499	2,815,591	2,637,457	2,175,775
Other Receivables and Prepayments	698,696	276,254	129,741	102,512	89,159
Statutory Deposit	320,000	320,000	320,000	320,000	320,000
Deferred tax asset	83,306	83,306	57,220	16,066	-
Total Assets	22,432,234	17,605,884	14,531,982	12,087,668	10,977,314
Liabilities					
Insurance Contract Liabilities	7,126,871	6,518,667	6,017,381	5,161,722	4,444,126
Trade Payables	319,023	73,694	65,315	-	9,733
Other Payables	1,247,412	573,576	506,023	455,308	137,407
Income Tax Liabilities	835,528	591,760	426,473	154,348	12,212
Deferred Tax Liability	397,746	-	-	-	280,913
Retirement Benefit Obligations	78,496	91,910	84,824	108,956	187,848
Bank Overdraft	-	-	-	-	4,364
Total liabilities	10,005,076	7,849,607	7,100,016	5,880,334	5,076,603
Net Assets	12,427,158	9,756,277	7,431,966	6,207,334	5,900,711
Equity					
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	131,043	140,614	166,499	162,035	68,178
FVOCI reserve	(35,344)	-	-	-	-
Available for sale reserve	-	(128,734)	(138,249)	173,368	329,232
Asset revaluation reserve	1,094,475	-	-	-	-
Contingency Reserve	3,606,052	3,154,568	2,599,514	2,276,784	1,966,395
Retained Earnings	4,718,130	3,677,027	1,891,400	682,345	624,104
Shareholders' Fund	12,427,158	9,756,277	7,431,966	6,207,334	5,900,711

FIVE YEAR FINANCIAL SUMMARY - PARENT

STATEMENT OF FINANCIAL POSITION

	2018	2017	2016	2015	2014
INCOME STATEMENT	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Gross Premium Written	15,049,453	13,416,270	10,757,674	10,346,291	9,448,284
Gross premiums income	14,346,488	13,031,779	10,628,183	10,239,449	9,384,396
Net Premium income	10,693,794	9,801,951	8,512,467	8,145,555	8,485,289
Other Revenue	1,894,521	2,214,417	1,551,928	1,206,680	657,433
Total Revenue	12,588,315	12,016,368	10,064,395	9,352,235	9,142,722
Claims expense	(2,554,253)	(1,783,574)	(2,669,780)	(3,799,062)	(2,854,723)
Impairment	-	-	-	(40,000)	-
Other Expenses	(7,354,026)	(7,150,172)	(5,208,556)	(4,953,809)	(4,547,916)
Total Benefits, Claims and Other	(9,908,279)	(8,933,746)	(7,878,336)	(8,792,871)	(7,402,639)
Profit Before Tax	2,680,036	3,082,622	2,186,059	559,364	1,740,083
Income tax expense	(648,487)	(319,499)	(337,441)	126,097	(232,905)
Profit For the Year	2,031,549	2,763,123	1,848,618	685,461	1,507,178
Other Comprehensive Income for the year	1,208,882	(25,885)	(307,153)	(81,277)	341,870
Total Comprehensive Income for the year	3,240,431	2,737,238	1,541,465	604,184	1,849,048
Basic EPS (Kobo)	39	52	35	13	29
Diluted Basic EPS (Kobo)	39	52	35	13	29