GUINEA INSURANCE PLC

Lagos, Nigeria

REPORT OF THE DIRECTORS

AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

GUINEA INSURANCE PLC

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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GUINEA INSURANCE PLC

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTOR	CAPACITY	
Sir Emeka Offor	Chairman	Resigned 23 March 2016
Mr. Polycarp Didam	Managing Director/CEO	Resigned 23 March 2016
Mr. Fred Udechukwu	Non-Executive Director	Resigned 23 March 2016
HRH. Eze Smart Nze	Non-Executive Director	Resigned 23 March 2016
Engr. Emeka Agusiobo	Non-Executive Director	Resigned 23 March 2016
Prof. Elias Lovette Chukwunonso Nnabuife	Non-Executive Director	Resigned 23 March 2016
Alhaji Abdulkerim Oshioke Kadiri	Independent Director	
Mr. Ugochukwu Godson	Chairman	Appointed 23 March 2016
Mr. Simon Oladayo Bolaji	Non-Executive Director	Appointed 23 March 2016
Mr. Anthony Achebe	Non-Executive Director	Appointed 23 March 2016
Alhaji Hassan Dantata	Non-Executive Director	Appointed 23 March 2016
Mr. Emeka Uzoukwu	Non-Executive Director	Appointed 23 March 2016
Mr. Osita Chidoka	Non-Executive Director	Appointed 23 March 2016
Dr. Mohammed Attahir	Non-Executive Director	Appointed 23 March 2016
Mrs Isioma Omoshie Okokuku	Executive Director	Appointed 1 June 2016
Mr. Edobor Pius	Executive Director	Appointed 19 January 2017

COMPANY SECRETARY	Oke Oluranti
REGISTERED OFFICE	Guinea House 33, Ikorodu Road Jibowu - Lagos
CONTACT DETAILS	01-2934575/01-2934577 info@guineainsurance.com www.guineainsurance.com
AUDITORS	Ernst & Young 10th & 13th Floors, UBA House 57, Marina, Lagos
REGISTRAR	Cardinal Stone (Registrars) Limited (Formerly City Securities Limited) 358, Herbert Macaulay Way Yaba, Lagos
BANKERS	Access Bank Plc First bank Plc GT Bank Plc UBA Plc Zenith Bank Plc Skye Bank Plc

GUINEA INSURANCE PLC

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 ₦'000	2015 ₦'000
Key Statement of Financial Position items as at 31 December 2016		
Total assets	3,982,125	4,116,103
Total equity	2,897,745	2,899,952
Insurance contract liabilities	600,378	798,260
Key Statement of Profit or Loss and Other Comprehensive Income items for the year ended 31 December 2016		
Gross premium written	906,692	870,287
Gross premium income	913,366	1,011,901
Net premium income	649,549	759,131
Claims expenses	(42,177)	(269,135)
Profit before income tax expense	138,205	46,906
Income tax expense	(135,685)	(54,133)
Profit /(loss) for the year	2,520	(7,227)
Per 50kobo Share Data		
Basic and diluted earnings/(loss) per share (Kobo)	0.04	(0.12)
Net asset per share (Kobo)	46	47
Nigerian Stock Exchange quotation (Kobo) as at 31 December	50	50

GUINEA INSURANCE PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

In compliance with the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Insurance Act 2003, the Directors have pleasure in submitting to the members their report together with the audited financial statements of Guinea Insurance Plc ("the Company") for the year ended 31 December 2016.

1. LEGAL FORM AND PRINCIPAL ACTIVITY

The Company is a public limited liability company incorporated as a private limited liability company on 3 December 1958 in accordance with the provisions of the Companies and Allied Matters Act, transacting primarily General Insurance business. On 17 January 1991 it was listed on the Nigerian Stock Exchange.

2. RESULTS

	2016 ₦'000	2015 ₦'000
Gross premium written	906,692	870,287
Net premium income	649,549	759,131
Claims expenses	(42,177)	(269,135)
Profit/(loss) for the year	2,520	(7,227)

3. DIVIDEND

No dividend was proposed in respect of the current year (2015: Nil).

4. BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Company carried out insurance activities in accordance with its Memorandum and Articles of Association. A comprehensive review of the business for the year and prospects for the ensuing year is contained in the Managing Director's Report.

5. DIRECTORS AND THEIR INTERESTS

The following are the names of Directors who held office during the year and as at the date of this report:

DIRECTOR	CAPACITY	
Mr. Ugochukwu Godson	Chairman	Appointed 23 March 2016
Mr. Simon Oladayo Bolaji	Non-Executive Director	Appointed 23 March 2016
Mr. Anthony Achebe	Non-Executive Director	Appointed 23 March 2016
Alhaji Hassan Dantata	Non-Executive Director	Appointed 23 March 2016
Mr. Emeka Uzoukwu	Non-Executive Director	Appointed 23 March 2016
Mr. Osita Chidoka	Non-Executive Director	Appointed 23 March 2016
Dr. Mohammed Attahir	Non-Executive Director	Appointed 23 March 2016
Mrs. Isioma Omoshie Okokuku	Acting Managing Director	Appointed 1 June 2016
Mr. Edobor Pius	Executive Director	Appointed 19 January 2017
Alhaji Abdulkerim Oshioke Kadiri	Independent Director	

On 23 March 2016, in line with NAICOM guidelines of 2009 on Corporate Governance Code, board members who had spent nine (9) years and above resigned from the board.

5. DIRECTORS AND THEIR INTERESTS - continued

The names of the Directors and their interests in the issued share capital of the Company as recorded in the Register of Directors' Shareholding as at 31 December 2016 are as follows:

DIRECTORS NAME	Number of Ordinary Shares held (2016)	Number of Ordinary Shares held (2015)
Sir Emeka Offor (Resigned March 23, 2016)	Direct (1) - 30,000 Indirect (2) - 2,798,514,210 (Chrome Oil Services Limited)	Direct (1) - 30,000 Indirect (2) - 2,798,514,210 (Chrome Oil Services Limited)
Mr. Fred Udechukwu (Resigned March 23, 2016)	Direct (1) - 21,600,000	Direct (1) - 21,600,000 Indirect (2) - 1,288,252,777 (Nimek Investment Limited)
HRH Eze Smart Nze (Resigned March 23, 2016)	Indirect - 2,545,454 (Edysmart Nigeria Limited)	Indirect - 2,545,454 (Edysmart Nigeria Limited)
Engr. Emeka Agusiobo (Resigned March 23, 2016)	Indirect - 15,181,818 (Valenz Holdings)	Indirect - 15,181,818 (Valenz Holdings)
Prof. Elias Lovette Chukwunonso (Resigned March 23, 2016)	Direct - 100,000	Direct - 100,000
Alhaji Abdulkerim Oshioke Kadiri	Direct - 50,000	Direct - 50,000

None of the Directors has notified the Company for the purposes of Section 277 of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004 of any disclosable interests in contracts in which the Company was involved as at 31 December 2016.

6. EMPLOYMENT AND EMPLOYEES

i. Employee Involvement and Training

The Company is committed to keeping its employees fully informed, as much as possible on its performance and progress, and seeking their views whenever practicable on matters which practically affect them as employees. Management's professional and technical expertises are the Company's major assets and investment in their further development continues. The Company's expanding skill-base has been extended by a range of training prequogrammes for its employees and opportunities for career development within the Company have thus been enhanced.

ii. Employment of Disabled Persons

The Company in recognition of its special obligation to employ disabled persons maintains a policy of giving fair consideration to application for employment made by disabled persons with due regard to their abilities and aptitude. All employees are given equal opportunities to develop themselves. As at 31 December 2016, no disabled person was employed in the Company.

iii. Health Safety and Welfare at Work

Employees are made aware of the health and safety regulations that are in force within the premises of the Company. The Company provides subsidy to all employees for transportation, housing, lunch and medical expenses, etc.

iv. Research and Development

The Company in its determination to maintain its status as one of the best insurance companies in the industry continues to encourage research and development of existing and new products aimed at consistently improving the Company's position.

7. EVENTS AFTER REPORTING DATE

There are no events after the reporting date which could have had material effect on the state of financial affairs of the Company as at 31 December 2016 and the profit for the year then ended which have not been adequately provided for or disclosed in the financial statements.

8. EQUITY RANGE ANALYSIS

The range of shareholding as at 31 December 2016 and 2015 is as follows:

Range	No. of Holders	Percent (%)	Units	Percent (%)
1-10,000	8,561	47.30	40,657,552	0.66
10,001 - 100,000	7,799	43.10	309,668,085	5.04
100,001 - 1,000,000	1,558	8.61	479,976,375	7.82
1,000,001 - 10,000,000	158	0.87	416,590,036	6.78
10,000,001 - 100,000,000	16	0.09	275,954,674	4.49
100,000,001 - 1,000,000,000	3	0.02	530,386,291	8.64
1,000,000,001 - 99,999,999,999	2	0.01	4,086,766,987	66.57
Grand Total	18,097	100.00	6,140,000,000	100

9. SHAREHOLDERS WITH 5% UNITS AND ABOVE

	2016	2015
Chrome Oil Services Limited	45.58%	45.58%
Nimek Investments Limited	20.98%	20.98%

10. SHAREHOLDING HISTORY

The changes in the share capital of the Company since incorporation are summarized below:

	Authorized Share Capital Increase				Issued and Fully Paid Capital Increase					
DATE	UNITS	PRICE	FROM AMOUNT	TO AMOUNT	UNITS	PRICE	FROM AMOUNT	TO AMOUNT	CONSIDERATION
	"000"	N	N (000)	N (000)	"000"	N	N (000)	N (000)	
1986	500	2.00	2,000	3,000	504.9	2.00	1,515	2,525	Bonus
1989	6,000	0.50	3,000	6,000	2,524.5	0.50	2,525	3,787	Bonus
1991	18,000	0.50	6,000	15,000	-	0.50	-	3,787	Bonus
1992	30,000	0.50	15,000	30,000	15,147.0	0.50	3,787	11,360	Rights
1993	40,000	0.50	30,000	50,000	14,496.4	0.50	11,360	18,609	Rights
1997	140,000	0.50	50,000	120,000	37,016.9	0.50	18,609	37,217	Bonus
2001	-	0.50	-	120,000	165,566.2	0.50	37,217	120,000	Rights
2002	260,000	0.50	120,000	250,000	-	0.50	-	120,000	-
2003	500,000	0.50	250,000	500,000	-	0.50	-	120,000	-
2004	-	0.50	-	500,000	480,000	0.50	120,000	360,000	Rights
2005	-	0.50	-	500,000	-	0.50	-	360,000	Nil
2006	-	0.50	-	500,000	-	0.50	-	360,000	Nil
2007	5,000,000	0.50	500,000	3,000,000	-	0.50	-	360,000	Nil
2008	-	0.50	-	3,000,000	4,380,000	0.50	360,000	2,550,000	Nil
2011	-	0.50	-	3,000,000	300,000	0.50	2,550,000	2,700,000	ALB*
2012	400,000	0.50	3,000,000	3,200,000	-	0.50	-	2,700,000	-
2013	-	0.50	-	3,200,000	740,000	0.50	2,700,000	3,070,000	Cash
2015	-	0.50	-	3,200,000				3,070,000	
2016	-	0.50	-	3,200,000				3,070,000	

* Absorption of Life Business (ALB).

11. DONATIONS AND SPONSORSHIP

There were no donations and sponsorship to charitable organizations during the year (2015: Nil).

12. PROPERTY, PLANT AND EQUIPMENT INFORMATION

Information relating to the Company's property, plant and equipment is detailed in the Note 23 to the financial statements.

13. AUDITORS

Ernst & Young have indicated their willingness to continue in office as auditors of the Company in accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD

Oke Oluranti
FRC/2013/NBA/00000000646

COMPANY SECRETARY/LEGAL ADVISER
Guinea House
33, Ikorodu Road
Jibowu, Lagos

15 March 2017

GUINEA INSURANCE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION OF THE PREPARATION OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

1. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 *Laws of the Federation of Nigeria 2004;*

2. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

3. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

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

- relevant International Financial Reporting Standards issued by the International Accounting Standards Board (IASB),
- the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004,
- Insurance Act 2003,
- Financial Reporting Council of Nigeria Act, No. 6, 2011 and
- Relevant policy guidelines issued by the National Insurance Commission (NAICOM)

The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Company and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

....	....
Mrs Isioma Omoshie Okokuku	Alhaji Abdulkerim Oshioke Kadiri
Acting Managing Director	Director
FRC/2014/NBA/00000000928	FRC/2013/ICAN/00000004049

15 March 2017

GUINEA INSURANCE PLC

REPORT OF THE STATUTORY AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2016

To the members of Guinea Insurance Plc:

In accordance with the provision of Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the members of the Statutory Audit Committee of Guinea Insurance Plc hereby report as follows:

1. We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and we acknowledge the coperation of management and staff in the conduct of these responsibilities.

2. We confirm that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices, and that the scope and planning of both the external and internal audits for the year ended 31 December 2015 were satisfactory and reinforce the Company's internal control systems.

3. We have deliberated with the external auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the external auditors' recommendations on accounting and internal control matters and with the effectiveness of the Company's system of accounting and internal control.

Mr. Simon Oladayo Bolaji
For Chairman, Statutory Audit Committee
FRC/2016/ICAN/00000015126
15 March 2017

Members of the Audit Committee are:

Mr .Peter Mgbeahuru	Shareholder Representative - Chairman
Mr. Sonibare Waheed Akani	Shareholder Representative
Alhaji Abdulkerim Oshioke Kadiri	Independent Director
Mr. Simon Oladayo Bolaji	Non-Executive Director

Secretary to the Committee
Oke Oluranti

Ernst & Young

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GUINEA INSURANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Guinea Insurance Plc ("the Company"), which comprise the statements of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and relevant policy guidelines issued by National Insurance Commission (NAICOM), and the Financial Reporting Council of Nigeria Act No. 6, 2011.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Guinea Insurance Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Guinea Insurance Plc. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 39 of the financial statements which indicates that the Company's shareholders funds of N2.9 billion (2015: N2.9 billion) as at 31 December 2016, is less than the minimum regulatory requirement. These conditions indicate the existence of an uncertainty on the Company's ability to continue as a going concern. However, in view of mitigating factor mentioned in Note 39, these financial statements have been prepared on a going concern basis.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GUINEA INSURANCE PLC - Continued

Key Audit Matters - continued

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Estimates used in calculation of Non-Life insurance contract liabilities. The Company has insurance contract liabilities of N600 million at 31 December 2016 representing 57% of the Company's total liabilities. The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities. Certain policy covers are more than one year and estimating the reserve required involves significant judgement. Premium reserves, gross claim liabilities and reinsurance recoverable calculations are based on estimates and assumptions. Therefore we considered this a key audit matter for our audit. Insurance contract liabilities are disclosed in Note 25 to the financial statements.	**Our audit procedures include, amongst other procedures:** Our internal actuarial specialists assisted us in performing the audit procedures in this area, which included among others: ➢ Consideration of the appropriateness of assumptions used in the valuation of Non-Life Insurance Contracts which includes the review of the inflation rate and discount rate assumptions. ➢ Consideration of the methods used in calculating insurance contract liabilities. Other key audit procedures included: ➢ Performed file reviews of specific underwriting contracts in order to maximize our understanding of the book of business and validate premium reserves, gross claim liabilities and reinsurance recoverable. ➢ Performed subsequent year claim payments to confirm the reasonableness of the initial loss estimates.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of Directors', the Report of the Audit Committee, the Corporate Governance report, the Statement of Value Added and Five -Year Financial Summary as required by Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria. Which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditors' report thereon.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GUINEA INSURANCE PLC - Continued

Other Information - continued

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and relevant policy guidelines issued by National Insurance Commission (NAICOM), and the Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GUINEA INSURANCE PLC - Continued

Auditors' Responsibilities for the Audit of Financial Statements - continued

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. 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 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GUINEA INSURANCE PLC - Continued

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, 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) proper books of account have been kept by the Company, in so far as it appears from our examination of those books;

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

iv) in our opinion, the financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 so as to present fairly the statement of profit or loss and other comprehensive income of the Company.

Kayode Famutimi FCA,
FRC 2012/ICAN/0000000155
For Ernst & Young
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
SN/ICAN
0125023

30 March 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

Guinea Insurance Plc ("the Company") was incorporated on 3 December 1958 as a Limited Liability Company and became a Public Liability Company on 17 January 1991. The overseas shareholders divested their 40% shareholding to existing Nigerian shareholders in 1988 thereby making the Company 100% owned by Nigerians. The Company was established for the purpose of carrying on insurance business. Up till 31 December 2006, the Company operated as an insurer for all classes of insurance business in Nigeria i.e. Life and pension, General business and Special risks. From 2007, it underwrites all classes of general insurance business only. The financial statements of the Company for the year ended 31 December 2016 were authorised for issue in accordance with the resolution of the Directors.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Insurance Act 2003 and are in compliance with the Listings Requirement of the Nigerian Stock Exchange (NSE), Companies and Allied Matters Act of Nigeria (CAMA), CAP C20 Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act, No.6 2011 (FRCN) to the extent that they are not in conflict with the International Financial Reporting Standards.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in the respective notes to the financial statements.

3. Basis of preparation

(a) *Basis of measurement*

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

1. available-for-sale financial assets are measured at fair value
2. investment properties are measured at fair value
3. land and building are measured at fair value

(b) *Functional and presentation currency*

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

(c) *Significant judgements, estimates and assumption*

Judgement

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

i. Going Concern

The financial statements have been prepared on the going concern basis, and there is no intention to curtail business operations. Capital adequacy and Solvency margin are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operations of the Company.

3. Basis of preparation - continued

(c) *Use of estimates and judgements - continued*

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

The Company determined that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluated among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such qualitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. "Further details can be found in Note16.2"

iii. Impairment on receivables

In accordance with the accounting policy, the Company tests annually whether premium receivables have suffered any impairment. The recoverable amounts of the premium receivables have been determined based on the incurred loss model. These calculations required the use of estimates based on passage of time and probability of recovery. "Further details can be found in Note17.1"

iv. Valuation of employee benefit obligations

The cost of defined benefit plans and other post-employments benefits and the present value of the benefit obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 29 to the financial statements.

Estimates and assumption

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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

iv. Valuation of investment properties

The valuation of the properties is based on the price for which comparable land and properties are being exchanged or are being marketed for sale. Therefore, the market-approach method of valuation is used; this reflects existing use with recourse to comparison approach that is the analysis of recent sale transaction on similar properties in the neighbourhood. The best price that subsisting interest in the property will reasonably be expected to be sold if made available for sale by private treaty between willing seller and buyer under competitive market condition. "Further details can be found in Note 21."

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Basis of preparation - continued

(c) *Use of estimates and judgements - continued*

v. Non-life insurance contract liabilities

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

v. Non-life insurance contract liabilities - continued

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

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. "Further details can be found in Note 25."

4. Significant accounting policies

Critical 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. Guinea Insurance Plc believes that its critical accounting policies are limited to those described below. The accounting policies set out below have been consistently applied to all periods presented in these financial statements

(a) *Classification of Insurance contracts*

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Significant accounting policies - continued

(b) Recognition and measurement of insurance contracts

(i) Premiums

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

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

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

(ii) Unexpired risk provision

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

(iii) Reinsurance

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

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

Premiums, losses and other amounts relating to reinsurance treaties are recognized over the period from inception of a treaty to expiration of the related business. The actual profit or loss on reinsurance business is therefore not recognized at the inception but as such profit or loss emerges. In particular, any initial reinsurance commissions are recognized on the same basis as the acquisition costs incurred.

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

(iv) Claims incurred

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Significant accounting policies - continued

(b) Recognition and measurement of insurance contracts - continued

(iv) Claims incurred - continued

Adjustments to the amounts of claims provision for prior years are reflected in the profit or loss in the financial period in which adjustments are made, and disclosed separately if material.

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

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

(v) Acquisition costs

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

(c) Deferred expenses

Deferred acquisition costs (DAC)

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

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

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

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit or loss. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognized when the related contracts are either settled or disposed of.

Deferred expenses - Reinsurance commissions

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

(d) Interest

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Significant accounting policies - continued

(d) Interest - continued

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

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

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

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

(e) Rental income

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

(f) Net trading income

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

(g) Income tax expense

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

(h) Foreign currency translation

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

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

4. Significant accounting policies - continued

(i) Dividends

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

(j) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

(k) Cash and cash equivalents

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

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

(l) Financial assets and liabilities

(i) Initial recognition

The Company has classified its financial instruments into the following categories: available-for-sale, and loans and receivables. Management determines the classification at initial recognition.

All financial instruments are initially recognized at fair value, which includes transaction costs for financial instruments not classified as at fair value through profit and loss.

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification.

- *Available-for-sale financial assets*

  Financial assets classified by the Company as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

4. Significant accounting policies - continued

(l) Financial assets and liabilities - continued

(ii) Subsequent measurement - continued

- *Available-for-sale financial assets - continued*

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

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

- *Loans and receivables*

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

  Loans and receivables consist primarily of trade receivables and staff loans and advances. These loans and advances are managed in accordance with a documented policy and information is provided internally on this basis.

  Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR (Effective interest rate). The EIR amortization is included in 'finance income' in the profit or loss. Gains and losses are recognized in the profit or loss when the investments are derecognized or impaired, as well as through the amortization process. Staff loans granted at below market rates are fair valued and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs.

- *Trade receivables*

  Trade receivables are initially recognized at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is made when there is objective evidence such as the probability of solvency or significant financial difficulties of the debtors that the Company will not be able to collect the amount due under the original terms of the invoice.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Significant accounting policies - continued

(m) *Fair value measurement*

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

· In the principal market for the asset or liability, or
· In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible to by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as properties, and significant liabilities. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

4. Significant accounting policies - continued

(m) Fair value measurement - continued

At each reporting date, the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation committee and the Company's external valuers present the valuation results to the audit committee and the company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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

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

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

(n) Impairment of financial assets

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

4. Significant accounting policies - continued

(n) Impairment of financial assets - continued

(i) Assets carried at amortised cost

An impairment loss in respect of a financial investment measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized through profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Available-for-sale financial assets

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

An available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. Where an available-for-sale asset, which has been re-measured to fair value directly through equity, is impaired the impairment loss is recognized in the profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to the profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in the profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through the profit or loss but accounted for directly in equity.

If there is objective evidence that an impairment loss has been incurred on an equity instrument that does not have a quoted price in an active market and that is not carried at fair value because its fair value cannot be reliably measured the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(iii) Trade receivable

A provision for impairment is made when there is objective evidence, such as the probability of insolvency or significant financial difficulties of the debtors that the Company will not be able to collect the amount due under the original terms of the invoice. The Company first considers the financial assets individually for impairment or collectively impairment for those that are not individually impaired. 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.

4. Significant accounting policies - continued

(n) Impairment of financial assets - continued

(iii) Trade receivable - continued

Impaired debts are derecognized when they are not collected within 30 days in line with "NO PREMIUM NO COVER".

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed its amortised cost at the reversed date. Any subsequent reversal of an impairment loss is recognized in the profit and loss. The regulator has laid great emphasis on No Premium, No Cover and this has changed the phase of impairment model within the industry. The Company defines credit risk as the risk of counterparty's failure to meet its contractual obligations.

The introduction of NO PREMIUM NO COVER policy with effect from 1 January 2015, is to enforce the Section 50(1) of the Insurance Act 2003; which stipulates that "the receipt of an insurance premium shall be a condition precedent to a valid contract of insurance and there shall be no cover in respect of an insurance risk, unless the premium is paid in advance or receivable within 30 days. Consequently, only insurance covers for which full premiums are receivable within 30 days either directly by the insured or through a duly licensed insurance broker, are recognized as trade receivable.

(o) Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a current legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(p) De-recognition of financial instruments

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

4. Significant accounting policies - continued

(p) *De-recognition of financial instruments - continued*

Derecognition of financial liabilities

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

(q) *Impairment of non-financial assets*

The carrying amounts of the Company's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any intangible asset allocated to the units and then to reduce the carrying amount of the other assets in the unit (company of units) on a *pro rata* basis. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss

(r) *Reinsurance assets*

Reinsurance assets consist of short-term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurances contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in compliance with the terms of each reinsurance contract. The company has the right to set-off re-insurance payables against amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Significant accounting policies - continued

(r) Reinsurance assets - continued

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

These are deposit assets that are recognized based on the consideration paid less any explicit identified premiums or fees to be retained by the reinsured.

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

(s) Other receivables and prepayments

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

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

(t) Investment properties

Iinvestment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

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

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

4. Significant accounting policies - continued

(u) *Intangible assets*

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

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period (three years) and the amortization method (straight line) for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized *in the profit or loss in the expense category consistent with the* function of the intangible asset.

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

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

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

(v) *Property, plant and equipment*

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

(i) *Recognition and measurement*

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

4. Significant accounting policies - continued

(v) Property, plant and equipment - continued

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

Land	-
Building	20 years
Motor vehicles	4 years
Computer equipment	3 years
Household equipment, Office furniture and fittings	5 years

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

(iv) De-recognition

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

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(w) Leased assets

Company as lessee- Finance lease

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

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

4. Significant accounting policies - continued

(w) *Leased assets - continued*

Company as lessor operating lessee

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

Other leases are operating leases and are not recognised on the Company's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease

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

(x) *Statutory deposit*

Statutory deposit represents 10% of the paid up capital of the Company deposited with Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost. The deposit is however restricted.

(y) *Insurance Contract Liabilities*

Non-life insurance contract liabilities

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Significant accounting policies - continued

(y) *Insurance Contract Liabilities - continued*

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

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

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

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

(z) *Trade payables*

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

The company has the right to set-off reinsurance payables against the amount due from reinsures and brokers in line with the agreement between both parties. Trade payables includes reinsurance liabilities which are primarily premiums payable on reinsurance contracts entered into by the company and are recognised as at when incurred .Commissions payables to the brokers also form part of trade payables.

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

(aa) *Other payables and accruals*

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

(ab) *Employee benefits*

(i) *Defined contribution plans*
Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

4. Significant accounting policies - continued

(ab) Employee benefits - continued

(ii) Defined benefit (staff gratuity) payables

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The Company has a Gratuity Scheme for its employees. The scheme is non - contributory and employees qualify for benefits after five years' service. Provision for gratuity is made when it is determined that there is a shortfall in the assets funding liabilities.

The scheme was terminated in April 2011 and future service after this date does not attract gratuity benefits.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Company recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' in statement of profit or loss and other comprehensive income (by function):

Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, net interest expense or income.

(ac) Income tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years. This will be recognised in the statement profit or loss.

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

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

4. Significant accounting policies - continued

(ac) Income tax continued

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except: Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(ad) Provisions

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Significant accounting policies - continued

(ae) Share capital and reserves

(i) Share issue costs

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

(ii) Dividend on ordinary shares

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

(iii) Treasury shares

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

(af) Share premium

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

(ag) Contingency reserve

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

(ah) Segment reporting

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Standards issued but not yet effective

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

IFRS 9 Financial Instruments - Effective for annual periods beginning on or after 1 January 2018.

Key requirements
Classification and measurement of financial assets

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Standards issued but not yet effective - continued

IFRS 9 Financial Instruments - continued

More designations of groups of items as the hedged item are possible, including layer designations and some net positions

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

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

IFRS 15 Revenue from Contracts with Customers - Effective for annual periods beginning on or after 1 January 2018

Key requirements

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.
The principles in IFRS 15 will be applied using a five-step model:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Standards issued but not yet effective - continued

IFRS 15 Revenue from Contracts with Customers - Effective for annual periods beginning on or after 1 January 2018 - continued

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

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

Impact
The Company has assessed the potential impact of financial statements resulting from the application of IFRS 15 which is generally expected to have an impact on the financial statements of insurance businesses.

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.
Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

5. Standards issued but not yet effective – continued

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

New and amended standards and interpretations

IFRS 14 - Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Effective date is 1 January 2016. This standard will not have impact on the Company since is an existing IFRS preparer.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

5. Standards issued but not yet effective - continued

New and amended standards and interpretations -continued

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

IAS 16 and IAS 41 - Accounting for bearer plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively and do not have any impact on the Company as it does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements must apply that change retrospectively.

These amendments do not have any impact on the Company's financial statements.

6. Annual Improvements

2012-2014 cycle (issued in September 2014)

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Changes in methods of disposal

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

IFRS 7 Financial Instruments: Disclosures
Servicing contracts

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

Applicability of the offsetting disclosures to condensed interim financial statements

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

IAS 19 Employee Benefits Discount rate: regional market issue

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

IAS 34 Interim Financial Reporting
Disclosure of information 'elsewhere in the interim financial report'

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

6. Annual Improvements -continued

2012-2014 cycle (issued in September 2014)

IAS 1 Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Company.

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

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Company as the Company does not apply the consolidation exception.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. New standards and improvements adopted during the year

2011-2013 cycle (issued in December 2013)
Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2011-2013 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 July 2015. Earlier application is permitted and must be disclosed. However, these amendments that became effective for periods beginning 1 January, 2016 are not relevant to the Company.

IFRS 3 Business Combinations Scope exceptions for joint ventures
‣ The amendment clarifies that:
‣ Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
‣ The scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
‣ The amendment must be applied prospectively.

IFRS 13 Fair Value Measurement
Scope of paragraph 52 (portfolio exception)
‣ The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).
‣ The amendment must be applied prospectively.
IAS 40 Investment Property Interrelationship between IFRS 3 and IAS 40 (ancillary services)
‣ The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine whether the transaction is the purchase of an asset or business combination.
‣ The amendment must be applied prospectively

IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19
Effective for annual periods beginning on or after 1 July 2015.

Key requirements
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

Transition
The amendments must be applied retrospectively.

Impact
The amendments is not relevant to the Company

7. **New standards and improvements adopted during the year - continued**

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
Revaluation method - proportionate restatement of accumulated depreciation/amortisation
- The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed, as follows:
- Adjust the gross carrying amount of the asset to market value

Or

- Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value.
- The amendments also clarify that accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the asset.

Transition
The amendments must be applied retrospectively.

Impact
The amendments are relevant to the Company

GUINEA INSURANCE PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 ₦'000	2015 ₦'000
Gross premium written	1.1	906,692	870,287
Change in unearned premium	1.1	6,674	141,614
Gross premium income	1.2	913,366	1,011,901
Reinsurance expenses	1.3	(263,817)	(252,770)
Net premium income		649,549	759,131
Fees and commission income	2	58,646	54,085
Net underwriting Income		708,195	813,216
Claims expenses	3	(42,177)	(269,135)
Underwriting expenses	4	(212,591)	(228,838)
Underwriting results		453,427	315,243
Investment income	5	215,525	200,721
Net realized gains on disposal of property, plant and equipment	6	-	259
Net fair value gains on investment properties	7	152,000	110,500
Other income	8	32,681	131,285
Impairment (charge)/reversal	9	(114,136)	142
Management expenses	10	(598,819)	(705,954)
Finance costs	11	(2,473)	(5,290)
Profit before income tax expense		138,205	46,906
Income tax expense	12.1	(135,685)	(54,133)
Profit/(loss) for the year		2,520	(7,227)
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Fair value (loss)/gain on available-for-sale financial assets **	14	(7,736)	11,422
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain/(loss) on defined benefit plans	29.1	4,298	(959)
Income tax relating to the components of OCI	12.1	(1,289)	288
Other comprehensive (loss)/income for the year, net of tax		(4,727)	10,751
Total comprehensive (loss)/income for the year		(2,207)	3,524
Earnings/(loss) per share - Basic and diluted (kobo)	13	0.04	(0.12)

** *Income from these instruments is exempted from tax.*

The accompanying summary of significant accounting policies and notes to the financial statements are integral parts of the financial statements.

GUINEA INSURANCE PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

Assets	Note	2016 ₦'000	2015 ₦'000
Cash and cash equivalents	15	872,559	886,970
Available-for-sale financial assets	16	133,775	143,462
Trade receivables	17	18,922	3,331
Reinsurance assets	18	176,901	190,297
Deferred acquisition costs	19	39,095	42,341
Other receivables and prepayments	20	137,153	325,438
Investment properties	21	1,572,500	1,420,500
Intangible assets	22	1,806	8,439
Property, plant and equipment	23	714,414	780,325
Statutory deposit	24	315,000	315,000
Total assets		3,982,125	4,116,103
Liabilities and Equity			
Liabilities			
Insurance contract liabilities	25	600,378	798,260
Finance lease obligations	26	797	15,556
Trade payables	27	59,121	14,334
Other payables and accruals	28	149,137	177,098
Employee benefit obligations	29	12,895	17,052
Current income tax payable	12.2	131,815	103,768
Deferred tax liabilities	12.3	130,237	90,083
Total liabilities		1,084,380	1,216,151
Equity			
Issued and paid-up share capital	30	3,070,000	3,070,000
Share premium	31	337,545	337,545
Contingency reserve	32	392,501	365,300
Accumulated losses		(940,667)	(918,995)
Available-for-sale reserve	33	38,366	46,102
Total equity		2,897,745	2,899,952
Total liabilities and equity		3,982,125	4,116,103

The financial statements were approved by the Board of Directors on 15 March 2017 and signed on its behalf by:

Mrs. Isioma Omoshie Okokuku
Acting Managing Director
FRC/2014/NBA/00000000928

Alhaji Abdulkarim Oshioke Kadiri
Director
FRC/2013/ICAN/00000004049

Mr. Pius Edobor
Chief Financial Officer
FRC/2013/ICAN/000000004638

The accompanying summary of significant accounting policies and notes to the financial statements are integral parts of the financial statements.

GUINEA INSURANCE PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Issued share capital (Note 30) ₦ '000	Share premium (Note 31) ₦ '000	Contingency reserve (Note 32) ₦ '000	Accumulated losses ₦ '000	Available - for - sale reserve (Note 33) ₦ '000	Total equity ₦ '000
As at 1 January 2015	3,070,000	337,545	339,191	(884,988)	34,680	2,896,428
Loss for the year	-	-	-	(7,227)	-	(7,227)
Other comprehensive (loss)/income	-	-	-	(671)	11,422	10,751
Total comprehensive (loss)/income	-	-	-	(7,898)	11,422	3,524
Transfer between reserves	-	-	26,109	(26,109)	-	-
At 31 December 2015	3,070,000	337,545	365,300	(918,995)	46,102	2,899,952
Profit for the year		-	-	2,520	-	2,520
Other comprehensive income/(loss)	-	-	-	3,009	(7,736)	(4,727)
Total comprehensive income/(loss)	-	-	-	5,529	(7,736)	2,207
Transfer between reserves	-	-	27,201	(27,201)	-	-
At 31 December 2016	3,070,000	337,545	392,501	(940,667)	38,366	2,897,745

The accompanying summary of significant accounting policies and notes to the financial statements are integral part of the financial statements.

GUINEA INSURANCE PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 ₦ '000	2015 ₦ '000
Operating activities:			
Premium received		891,101	877,531
Commission received		58,646	54,085
Commission paid		(140,491)	(205,319)
Reinsurance premium paid		(269,276)	(307,802)
Gross claims paid net of recoveries		(214,529)	(88,218)
Payments to employees		(293,522)	(329,862)
Net other operating (payments)	35	(144,506)	(135,986)
Other income received		3,627	32,624
Cash used in operating activities		(108,950)	(102,947)
Income tax paid	12.2	(68,773)	(235,767)
Net cash used in operating activities	34	(177,723)	(338,714)
Investing activities:			
Investment income received		213,241	179,011
Purchase of property, plant and equipment	23	(31,824)	(2,128)
Purchase of intangible assets	22	(1,638)	(787)
Proceeds from sale of property, plant and equipment		-	259
Net cash provided by investing activities		179,779	176,354
Financing activities:			
Interest repayment on finance lease		(2,473)	(5,290)
Principal repayment on finance lease		(14,759)	(11,755)
Net cash used in financing activities		(17,232)	(17,045)
Net decrease in cash and cash equivalents		(15,176)	(179,406)
Effect of exchange rate changes on cash and cash equivalents		765	17,621
Cash and cash equivalents at 1 January		886,970	1,048,755
Cash and cash equivalents at 31 December	15	872,559	886,970

The accompanying summary of significant accounting policies and notes to the financial statements are integral parts of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.1 Gross Premium Income

	Gross premium written 2016 ₦ '000	Movement in unearned premium 2016 ₦ '000	Gross premium income 2016 ₦ '000
Motor	211,213	77,537	288,750
Fire	258,246	(97,870)	160,377
Marine and aviation	57,427	7,682	65,109
General accident	379,805	19,325	399,130
	906,692	6,674	913,366

Gross Premium Income

	Gross premium written 2015 ₦ '000	Movement in unearned premium 2015 ₦ '000	Gross premium income 2015 ₦ '000
Motor	196,757	9,599	206,356
Fire	205,280	1,507	206,787
Marine and aviation	46,364	58,429	104,793
General accident	421,886	72,079	493,965
	870,287	141,614	1,011,901

Changes in unearned premium per class of insurance business

2016	Unearned premium 2015 ₦'000	Decrease in unearned premium 2016 ₦'000	Unearned premium 2016 ₦'000
Motor	65,058	(77,537)	(12,479)
Fire	73,819	97,870	171,689
Marine and aviation	12,001	(7,682)	4,319
General accident	127,511	(19,325)	108,186
	278,389	(6,674)	271,715

2015

	Gross premium written 2014 ₦'000	Movement in Unearned premium 2015 ₦'000	Gross premium income 2015 ₦'000
Motor	74,657	(9,599)	65,058
Fire	75,326	(1,507)	73,819
Marine and aviation	70,430	(58,429)	12,001
General accident	199,590	(72,079)	127,511
	420,003	(141,614)	278,389

NOTES TO THE FINANCIAL STATEMENTS - Continued

1.2 Gross premium income on insurance contracts

	2016 ₦'000	2015 ₦'000
Gross premium written in the year	906,692	870,287
Change in unearned premium	6,674	141,614
Total gross premium income	913,366	1,011,901

1.3 Reinsurance expenses

	2016 ₦'000	2015 ₦'000
Premium ceded to reinsurers	(269,276)	(235,796)
Change in unearned premiums ceded to reinsurers	5,459	(16,974)
Total reinsurance expense	(263,817)	(252,770)
Total net insurance premium income	649,549	759,131

2 Fees and commission income

	2016 ₦'000	2015 ₦'000
Reinsurance commission income	58,646	54,085
Total fees and commission income	58,646	54,085

This is commission received from businesses ceded reinsurance.

3 Claims expenses

	2016 ₦'000	2015 ₦'000
Gross claims paid (Note 25.1)	303,525	214,736
Claims received from reinsurers	(88,995)	(54,511)
Gross change in outstanding claims	(191,208)	180,917
Change in outstanding claims recoverable (Note 18)	18,855	(72,007)
	42,177	269,135

4 Underwriting expenses

	2016 ₦'000	2015 ₦'000
Amortized acquisition costs (Note 19)	143,737	159,385
Maintenance costs	68,854	69,453
	212,591	228,838

5 Investment income

	2016 ₦'000	2015 ₦'000
Rental income from:		
Investment properties (Note 21)	12,395	2,900
Land and building	-	11,270
Available-for-sale financial assets:		
Dividend income	12,963	14,503
Interest income on statutory deposits	34,081	37,455
Interest income on cash and cash equivalents (Note 5.1)	156,086	134,593
	215,525	200,721

5 Investment income - continued

	2016 ₦'000	2015 ₦'000
5.1 *Interest income on cash and cash equivalents:*		
Due to Policy holders	125,224	114,708
Due to shareholders	30,862	19,885
	156,086	134,593

6 Gain on disposal of property, plant and equipment

Property, plant and equipment:		
Realized gains on disposals	-	259

7 Net fair value gains on investment properties

Fair value gains on investment properties (Note 21)	152,000	110,500

8 Other income

Recoveries from trade payables (Note 8.1)	-	30,887
Recovery from other receivables	3,574	1,661
Provision no longer required	28,289	81,040
Sundry income	53	76
Exchange gains	765	17,621
	32,681	131,285

8.1 Recoveries from trade payables

Included in trade payables from prior year (2012) is a liability of N40, 887,455 being legal cession due to Nigeria Reinsurance Corporation (Nig. Re.). On reconciliation in 2015, ₦ 10, 000,000 was finally agreed and paid as full and final settlement thereby resulting in ₦ 30, 887,455 write back from trade payables.

9 Impairment charge

	2016 ₦'000	2015 ₦'000
Trade receivables	-	(914)
Other receivables	112,185	-
Available-for-sale financial assets:		
Impairment (Note 14)	1,951	772
	114,136	(142)

10 Management expenses

Depreciation on PPE (Note 23)	97,735	107,257
Amortization of intangible assets (Note 22)	8,271	28,497
Auditors' remuneration	11,000	9,000
Employee benefits expense (10.1)	292,257	330,344
Legal and professional fees	12,226	9,305
Rents and rates	14,295	9,705
Administrative (Note 10.2)	163,035	211,846
Total management expenses	598,819	705,954

NOTES TO THE FINANCIAL STATEMENTS - Continued

10 Management expense - continued

	2016 ₦'000	2015 ₦'000
10.1 Employee benefits expense		
Wages and salaries	280,034	316,608
Defined benefit plan cost	1,265	1,499
Pension costs	10,958	12,237
Total employee benefits expense	292,257	330,344

10.2 Administrative expense

AGM Expenses	2,337	10,911
Consultancy fees	4,440	6,500
Directors expenses	17,670	14,099
Fuel	24,379	20,694
Miscellaneous	10,474	31,177
NAICOM dues	7,452	8,822
Office running expenses	64,268	79,019
Statutory Levy	13,482	22,184
Subscription	3,517	5,132
Tour and travel	15,016	13,308
Total administrative expenses	163,035	211,846

11 Finance costs

This represents interest charged on motor vehicles purchased on finance lease 2016:₦2,473,496 (2015: ₦5,289,767).

12 Income tax

The major components of income tax expense for the year are:

	2016 ₦'000	2015 ₦'000
12.1 Income tax expense		
Per profit or loss		
Current income tax:		
Company income tax	88,705	36,835
Education tax	8,115	5,001
	96,820	41,836
Deferred tax:		
Fair value gains on investment properties	15,200	11,050
Employee benefits	(108)	(450)
Property, plant and equipment	23,773	1,697
	38,865	12,297
Income tax expense reported in profit or loss	135,685	54,133
Reported in other comprehensive income		
Deferred tax relating to items recognised in Other comprehensive income (OCI) during the year:		
Re-measurement gains on defined benefit plans	1,289	(288)
Income tax expense charged to OCI	1,289	(288)

NOTES TO THE FINANCIAL STATEMENTS - Continued

12 Income tax - continued

Reconciliation to tax expense and the accounting profit multiplied by Guinea's domestic tax rate for 2016 and 2015:

	2016	2015
	₦'000	₦'000
Profit before income tax expense	138,205	46,906
At statutory income tax rate of 30%	41,462	14,072
Non-deductible expense for tax purposes	211,700	305,497
Income not subject to tax	(95,192)	(248,337)
Education tax	8,115	5,001
Tax rate differential on fair value gains	(30,400)	(22,100)
At effective income tax rate of 99% (2015: 115%)	135,685	54,133

12.2 *Current income tax payable*

	2016	2015
At 1 January	103,768	297,699
Based on profit for the year (Note 12.1)	96,820	41,836
Payments made during the year	(68,773)	(235,767)
At 31 December	131,815	103,768

12.3 *Deferred taxation*

	Statement of financial position		*Statement of profit or loss*	
	2016	2015	2016	2015
	₦'000	₦'000	₦'000	₦'000
Accelerated depreciation for tax purposes	(76,508)	(52,735)	23,773	(1,697)
Fair values on investment properties	56,537	(41,337)	15,200	11,050
Employee benefits obligation	2,808	3,989	(108)	(450)
Deferred tax expense			38,865	12,297
Net deferred tax liabilities	(130,237)	(90,083)		

Reconciliation of deferred tax liabilities, net

	2016	2015
	₦'000	₦'000
Opening balance as of 1 January	(90,083)	(78,074)
Tax expense during the year recognised in profit or loss	(38,865)	(12,297)
Tax (expense)/benefit during the year recognised in OCI	(1,289)	288
Closing balance as at 31 December	(130,237)	(90,083)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

13 Earnings/(loss) per share (EPS/LPS)

Basic EPS/(LPS) amounts are calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS/(LPS) computations:

	2016	2015
Profit/(loss) attributable to ordinary shareholders (₦'000)	2,520	(7,227)
Weighted average number of ordinary shares for basic LPS ('000)	6,140,000	6,140,000
Basic and diluted earnings/(loss) per ordinary share (kobo)	0.04	(0.12)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. Basic and diluted LPS are the same as there are no potential ordinary shares.

14 Net unrealised (loss)/gains on available-for-sale financial assets

	2016 ₦'000	2015 ₦'000
Unrealised (loss)/gain on available-for-sale financial assets (Note 16.2)	(9,687)	10,650
Reclassification adjustments included in profit or loss (Note 9)*	1,951	772
Total net unrealised (loss)/gains on available-for-sale financial assets	(7,736)	11,422

*This amount represents impairment loss on specific equity.

15 Cash and cash equivalents

	2016	2015
Cash in banks and on hand	9,021	136,829
Short-term deposits (including demand and time deposits)	863,538	750,141
Total cash and cash equivalents	872,559	886,970
Representing:		
Policyholder's fund	700,000	755,923
Shareholder's fund	172,559	131,046
	872,559	886,970

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company. All placements are subject to an average variable interest rate obtainable in the market.

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

16 Financial assets

16.1 Available-for-sale financial assets comprise:

	2016 ₦'000	2015 ₦'000
Listed equity securities at fair value	95,971	105,658
Unlisted equities at cost	37,804	37,804
Total available-for-sale financial assets	133,775	143,462

16 Financial assets - continued

16.2 Carrying value of financial instruments

	Available-for-sale ₦'000
At 1 January 2015	132,812
Fair value gain	10,650
At 31 December 2015	143,462
Fair value loss	(9,687)
At 31 December 2016	133,775

	2016 ₦'000	2015 ₦'000
Representing:		
Policyholders' funds	-	105,658
Shareholders' funds	133,775	37,804
	133,775	143,462

Fair value of financial assets and financial liabilities not carried at fair values
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets which fair value approximates carrying value
For financial assets and financial liabilities that have less than three month's maturity such as demand deposits and those without specified maturity such as statutory deposit, other receivables and other payables, the carrying amounts approximate to their fair value.

Unquoted investments carried at cost
Certain unquoted investments for which fair values could not be reliably estimated have been carried at cost less impairment. There are no active markets for these financial instruments, fair value information are therefore not available, this makes it impracticable for the Company to fair value these investments. They have therefore been disclosed at cost less impairment. The carrying amount is the expected recoverable amount on these investments. The Company does not intend to dispose of these investments.

16.3 Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by value technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

16 Financial assets - continued

16.3 Determination of fair value and fair value hierarchy - continued

31 December 2016	Level 1	Level 2	Level 3	Total
	₦'000	₦'000	₦'000	₦'000
Available-for-sale financial assets:				
Equity securities	95,971	-	-	95,971

During the reporting period ended 31 December 2016, there were no transfers between level 1 and 2 and in and out of level 3.

31 December 2015	Level 1	Level 2	Level 3	Total
	₦'000	₦'000	₦'000	₦'000
Available-for-sale financial assets:				
Equity securities	105,658	-	-	105,658

17 Trade receivables

	2016	2015
	₦'000	₦'000
Gross insurance receivables	28,820	13,229
Impairment allowance	(9,898)	(9,898)
	18,922	3,331

The carrying amounts disclosed above approximate fair value at the reporting date and are net of impairment charges.

17.1 Movement in impairment allowance:

	2016	2015
	₦'000	₦'000
At beginning of the year	9,898	10,812
Reversal	-	(914)
At end of the year	9,898	9,898

18 Reinsurance assets

	2016	2015
Reinsurer's share of reserve for outstanding claims	82,097	100,952
Prepaid reinsurance	94,804	89,345
Total reinsurance assets	176,901	190,297
At 1 January	190,297	135,264
Additions during the year	269,276	235,796
Less reinsurance expense (Note 1.3)	(263,817)	(252,770)
Share of outstanding claims (Note 3)	(18,855)	72,007
At 31 December	176,901	190,297

18 Reinsurance assets - continued

At 31 December 2016, the Company conducted an impairment review of the reinsurance assets but no impairment loss resulted from the exercise.

Reinsurance assets are not impaired as balances are set-off against payables to retrocession at the end of every quarter.

19 Deferred acquisition costs

These represents commission paid to brokers on unearned premium relating to the unexpired tenure of risks.

	Fire	Motor	General accident	Marine and aviation	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January 2015	16,336	5,917	29,591	14,016	65,860
Commission incurred during the year	43,530	25,764	60,580	5,992	135,866
Amortisation (Note 4)	(45,053)	(24,477)	(72,366)	(17,489)	(159,385)
At 31 December 2015	14,813	7,204	17,805	2,519	42,341
Commission incurred during the year	56,062	24,278	48,983	11,168	140,491
Amortisation (Note 4)	(57,241	(20,880)	(52,969)	(12,647)	(143,737)
At 31 December 2016	13,634	10,602	13,819	1,040	39,095
2016					
Current	13,634	10,602	13,819	1,040	39,095
Non-current	-	-	-	-	-
	13,634	10,602	13,819	1,040	39,095
2015					
Current	14,813	7,204	17,805	2,519	42,341
Non-current	-	-	-	-	-
	14,813	7,204	17,805	2,519	42,341

20 Other receivables and prepayments

	2016 ₦'000	2015 ₦'000
Deposit for computerization (Note 20.2)	93,291	93,291
Statutory accrued interest	16,511	14,227
Due from Global Scan systems (Note 36)	217,444	283,307
Staff upfront and advances	3,997	7,171
Prepayments	7,319	16,400
Others	4,066	4,332
	342,628	418,728
Impairment charge on other receivables (Note 20.1)	(205,475)	(93,290)
	137,153	325,438

20.1 Movement in impairment on other receivables:

	2016 ₦'000	2015 ₦'000
At beginning of the year	93,290	93,290
Additional impairment (note 9)	112,185	-
At end of the year	205,475	93,290

The carrying amounts disclosed above reasonably approximate the fair value at the reporting date. All other receivable amounts are collectible within one year and the prepayment utilisable within one year.

20.2 **Deposit for computerization**

This represents advance payment made to Ethanig Nigeria Limited for computerization of Head Office and due to delay in supply, the deposit has been impaired.

21 Investment properties

	2016 ₦'000	2015 ₦'000
At beginning of the year	1,420,500	1,310,000
Fair value adjustments (Note 7)	152,000	110,500
At end of the year	1,572,500	1,420,500

Investment properties are stated at fair value, which has been determined based on valuations performed by Yinka Kayode & Co. (FRCN/2014/00000000001197), accredited independent valuers, as at 31 December 2016. The valuer is a specialist in valuing these types of investment properties. The determination of fair value of the investment property was supported by market evidence. The modalities and process of valuation utilized extensive analysis of market data and other sectors specific peculiarities corroborated with available data derived from previous experiences.

Valuations are performed on an annual basis and the fair value gains and losses were recorded within the profit or loss.

Representing:

	2016 ₦'000	2015 ₦'000
Policyholders' funds	-	400,000
Shareholders' funds	1,572,500	1,020,500
	1,572,500	1,420,500

21 Investment properties - continued

Details of the Valuer

The investment properties were independently valued as at 31 December 2016 by Yinka Kayode & Co (an estate surveyor & valuer) duly registered with the Financial Reporting Council of Nigeria. The valuer, which is located at Block B, Suite 345/333 Sura Complex, Simpson Street Lagos Island. Yinka Kayode& Co is a qualified member of the Nigerian Institution of Estate Surveyors and Valuers with FRC No. FRC/2013/0000000001197

Description of valuation techniques used and key inputs to valuation on investment properties

The valuation of the properties is based on the price for which comparable land and properties are being exchanged hands on or are being marketed for sale. (Open Market Basis Approach)

S/NO	Location of Investment property	Valuation technique	Significant unobservable input
1	Guinea Insurance House, 33, Ikorodu, Jibowu, Lagos	Investment approach was used in arriving at the Fair value of the property using the rent currently generated by the property and rent generated by similar properties in the same neighbourhood in recent time.	Area of the land is 1,167.923m². The neighbourhood is of high density area predominantly with both commercial and residential structures. Commercial properties such as block of office, eateries, banks, filling station. Motor park among others. The neighbourhood is a high density area.
2	230, Idowu Martins Street off Adeola Odeku, V.I., Lagos	Investment approach was adopted in arriving at the Fair value through the analysis of comparable of recent rental value of similar properties within the neighbourhood.	The size of the land is about 2,983.513m². The neighbourhood is business area with commercial structures like banking hall, high rise office complex. The neighbourhood house head office of various multinational companies. The area is fully developed and complement with residential properties. The neighbourhood is a low density area.
3	21, Nnamdi Azikwe Road, Lagos Island, Lagos	The Fair value was arrived at by adopting Investment approach which is the analysis of current rental value generated by the property in relation with evidence of rent from comparable properties in the same neighbourhood.	Area of the Land is 269.36m². The property is located in central business area fully developed with retail & whole sale market. The neighbourhood is a high density area.
4	5, Primate Adejobi Crescent, Anthony Village, Lagos	Investment approach was adopted in arriving at the fair value through the analysis of comparable of recent rental values of similar properties within the neighbourhood.	The land area is 611.62m². The neighbourhood is predominant with residential properties and estate.
5	33, Amaigbo Road, Mile II, Diobu, Port Harcourt, Rivers State	Investment approach was adopted in arriving at the fair value through the analysis of comparable of recent rental values of similar properties within the neighbourhood.	Area of the land covers 1,190m². The property is located in a high density neighbourhood and predominant with commercial structures and market such as Banks, Shopping Complex and Spare Parts market.

By nature, detailed information on concluded transactions is difficult to come by. We have therefore relied on past transactions and recent adverts in deriving the value of the subject properties. At least, eight properties were analysed and compared with the subject property.

The Company enters into operating leases for its investment properties at 21, Nnamdi Azikiwe Lagos Island, Lagos. The rental income arising during the year amounted to ₦12,395,000 (year ended 31 December 2015: ₦2,900,000) and which is included in investment income.

21 Investment properties - continued

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

	2016	2015
	₦'000	₦'000
Rental income derived from investment properties	12,395	2,900
Direct operating expenses (including repairs & maintenance)	-	-
Profit arising from investment properties carried at fair value	12,395	2,900

Fair value disclosure on investment properties is as follows:

	Fair value measurement using			
	Quoted prices in active market Level 1	*Significant observable inputs Level 2*	*Significant unobservable inputs Level 3*	*Total*
Date of valuation - 31 December 2016	₦ '000	₦ '000	₦ '000	₦ '000
Investment property	-	-	1,572,500	1,572,500
Date of valuation - 31 December 2015				
Investment property	-	-	1,420,500	1,420,500

During the reporting period ended 31 December 2016, there were no transfers between level 1 and 2 and in and out of level 3.

21 Investment properties - continued

Description of valuation techniques used and key inputs to valuation on investment properties
Under the open market basis the current cost of reconstructing the existing structure together with improvement in today's market, adequately depreciated to reflect its physical wear and tear, age, functional and economical obsolescence plus site value in its existing use as at the date of inspection. The duration of the cash flows and specific timing of inflows are determined by event such as rent reviews, lease renewals and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by the agreement at the time of letting out the property. Periodic cash flow is typically estimated as gross income less non recoverable expense, collection losses, lease incentives, maintenance cost, agent and commission cost, and other operating and management expenses.

22 Intangible assets

	Computer software ₦ '000	Total ₦ '000
Cost:		
At 1 January 2015	84,504	84,504
Addition	787	787
At 31 December 2015	85,291	85,291
Additions	1,638	1,638
At 31 December 2016	86,929	86,929
Accumulated amortisation and impairment:		
At 1 January 2015	48,355	48,355
Amortisation	28,497	28,497
At 31 December 2015	76,852	76,852
Amortisation	8,271	8,271
At 31 December 2016	85,123	85,123
Carrying amount:		
At 31 December 2016	1,806	1,806
At 31 December 2015	8,439	8,439

23 Property, plant and equipment

	Land and building ₦'000	Motor vehicles ₦'000	Computer Equipment ₦'000	Household equipment, office furniture and fittings ₦'000	Total ₦'000
Cost/revaluation:					
At 1 January 2015	700,000	226,355	122,878	112,515	1,161,748
Additions	-	-	1,163	965	2,128
Disposals	-	-	(3,547)	(869)	(4,416)
Write off	-	(14,962)	(17,877)	(22,895)	(55,734)
At 31 December 2015	700,000	211,393	102,617	89,716	1,103,726
Additions	26,375	225	1,382	3,842	31,824
At 31 December 2016	726,375	211,618	103,999	93,558	1,135,550
Accumulated depreciation:					
At 1 January 2015	-	151,646	72,036	52,612	276,294
Charge for the year	30,556	27,858	31,047	17,796	107,257
Disposals	-	-	(3,547)	(869)	(4,416)
Write off	-	(14,962)	(17,721)	(23,051)	(55,734)
At 31 December 2015	30,556	164,542	81,815	46,488	323,401
Charge for the year	33,904	25,947	20,037	17,847	97,735
At 31 December 2016	64,460	190,489	101,852	64,335	421,136
Net book value:					
At 31 December 2016	661,915	21,129	2,147	29,223	714,414
At 31 December 2015	669,444	46,850	20,802	43,228	780,325

Included in the movement schedule are motor vehicles purchased under finance lease. The carrying amount of the vehicles under finance lease is ₦12,735,864.09

Revaluation of land and buildings

The revalued land and buildings consist of office properties in Ikorodu road Jibowu. Management determined that these constitute one class of asset under IFRS 13, based on the nature, characteristics and risks of the property.

Fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation on 31 January 2016, the properties' fair values are based on valuations performed by accredited independent valuer Yinka Kayode & Co. (FRCN/2015/00000000001197).

23 Property, plant and equipment

If land and buildings were measured using the cost model, the carrying amounts would be, as follows:

	2016
	N000
Cost	787,401
Accumulated depreciation and impairment	(127,480)
Net carrying amount	659,921

23.1 Qualitative disclosure of fair value measurement hierarchy of asset as at 31 December 2016

Reconciliation of fair value

Fair value disclosure on property, plant and equipment is as follows:

	Fair value measurement using			
	Quoted prices in active market Level 1	*Significant observable inputs Level 2*	*Significant unobservable inputs Level 3*	*Total*
Date of valuation - 31 December 2016	*₦ '000*	*₦ '000*	*₦ '000*	*₦ '000*
Cost			700,000	700,000
At 1 January 2016	-	-	700,000	700,000
Addition	-	-	26,375	26,375
As at 31 December 2016	-	-	726,375	726,375
Depreciation and Impairment				
At 1 January 2016	-	-	(30,556)	(30,556)
Addition	-	-	(33,904)	(33,904)
As at 31 December 2016	-	-	661,915	661,915

24 Statutory deposit

This represents the amount deposited with the Central Bank of Nigeria as at 31 December 2016 and 31 December 2015: ₦315,000,000 in accordance with Section 10 (3) of Insurance Act 2003. Interest income was earned at an average rate of 12.39% per annum (2015: 12.39%) and this has been included within investment income.

25 Insurance contract liabilities

	2016	2015
	₦ '000	₦ '000
Insurance contract liabilities consist of the following:		
Provision for reported claims by policyholders	259,819	414,017
Provision for claims incurred but not reported (IBNR)	68,844	105,854
Outstanding claims provisions (Note 25.1)	328,663	519,871
Provision for unearned premium (Note 25.2)	271,715	278,389
Total insurance contract liabilities	600,378	798,260
Represented by the following assets/investments:		
Cash and cash equivalents	700,000	755,923
Available-for-sale financial assets	-	105,658
Investment properties	-	400,000
	700,000	1,261,581

		2016	2015
25	**Insurance contract liabilities - continued**		
25.1	***Outstanding claims provision***	**₦ '000**	**₦ '000**
	At 1 January	519,871	338,953
	Claims incurred in the current accident period year	112,317	395,654
	Claims paid during the year (Note 3)	(303,525)	(214,736)
	At 31 December	328,663	519,871
25.2	***Provision for unearned premium***		
	At 1 January		420,003
	Premium written in the year (Note 1)	906,692	870,287
	Premium earned during the year (Note 1)	(913,366)	(1,011,901)
	At 31 December	271,715	278,389

26 Finance lease by maturity

	2016	2015
Within one year	797	14,672
After one year but not more than five years	-	884
	797	15,556

The Company has finance lease of some of its motor vehicles. The Company's obligations under finance leases are secured by the lessor's title to the lease assets. Future minimum lease payments under finance lease together with the present value of the minimum lease payments are as follows:

	2016		2015	
	Minimum payments ₦'000	Present value of payments ₦'000	Minimum payments ₦'000	Present value of payments ₦'000
Within one year	797	797	14,759	14,672
After one year but not more than five years	-	-	797	884
More than five years	-	-	-	-
Total minimum lease payments	797	797	15,556	15,556
Less amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	797	797	15,556	15,556

		2016	2015
27	**Trade payables**	**₦ '000**	**₦ '000**
	This represents the amount payable to insurance companies on facultative placements.	59,121	14,334

This represents the amount payable to insurance companies as at year end. The carrying amounts of trade payable as disclosed above approximate their fair value at the reporting date. Accounts are to be rendered within six weeks from the end of each quarter and settlement of balance to accompany quarterly/yearly account. The period of cancellation is subject to period agreed to prior to the next reporting period. Commission rate is subject to the class of business rate defined by NIA minimum rate and the loss participation is defined by both parties.

28 Other payables and accruals

	2016 ₦ '000	2015 ₦ '000
Accrued expenses	75,217	81,371
Rent received in advance (Note 28.1)	4,292	10,333
Statutory payables	39,100	31,049
Other payables	12,649	39,951
Deferred commission income (Note 28.2)	17,879	14,394
	149,137	177,098

Other payable is made up of creditors.

28.1 Rent received in advance

At beginning of the year	10,333	13,730
Deferred rent	6,354	10,773
Released to profit or loss	(12,395)	(14,170)
At end of the year	4,292	10,333

28.2 Deferred commission income

At beginning of the year	14,394	20,888
Addition	62,131	47,591
Released to profit or loss	(58,646)	(54,085)
At end of the year	17,879	14,394

28.3 Defined contribution payable

Defined contribution payable represents the amount payable to fund manager under a defined contributions plan. In accordance with the Pension Reform Act of 2014, the Company introduced defined contributory scheme to replace the funded defined benefit scheme. Under the contributory scheme, the employee contributes 8% of basic salary, housing and transport allowances and the employer contributes 10% on the same basis. Pension remittances are made to various Pension Fund Administrators on behalf of the Company's staff on a monthly basis. There is no further obligation on the part of the company in addition to the amount contributed.

29 Employee benefit obligations

Defined contribution payables	3,535	3,756
Defined benefit gratuity payables (Note 29.1)	9,360	13,296
	12,895	17,052

29.1 Defined benefit gratuity payables

The Company operated a non-contributory lump sum. Defined benefit gratuity payables. Employees are entitled to gratuity payments on exit after full years of service with the Company. The gratuity benefits of each employee was calculated and crystallized as at 30 April 2011. In particular, future company service after this date does not attract gratuity benefits. Employees upon exit from the Company shall receive the value of their crystallized gratuity benefit without interest credit. The scheme was closed to new entrants beginning from 30 April 2011. There are no plan assets explicitly segregated to meet gratuity benefits. The Company meets benefits on a pay-as-you-go-basis.

29 Employee benefit obligations - continued

29.1 *Defined benefit gratuity payable - continued*

The defined benefit plan will come to an end and no further disclosure will be required on characteristics of its defined benefit plans, the risks associated with them and how its defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.

An actuarial valuation was conducted by a qualified independent actuary. The last actuarial valuation was carried out by Messrs HR Nigeria Limited (Consultants and Actuaries) as at 31 December 2016. New employees joining the company from 1 April 2011 will only be entitled to the defined pension contribution payables. The gratuity balance is disclosed on the face of the statement of financial position. The Company ensures that adequate provisions are made to meet its obligations under the scheme.

The amounts recognised in profit or loss is as follows:	2016	2015
	₦'000	₦'000
Interest cost	1,265	1,499
	=====	=====
The amounts recognised in other comprehensive income:		
Re-measurement loss on defined benefit plans	4,298	(959)
	=====	=====

The movement in the defined benefit obligation is as follows:

At 1 January	13,296	10,838
Service cost		
Interest cost	1,265	1,499
Actuarial (gains)/losses - Assumption	(2,129)	1,876
Actuarial gains - Experience	(2,169)	(917)
Benefit paid by the fund	(903)	-
	-----------	-----------
At 31 December	9,360	13,296
	======	======

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 of age	Number of deaths in the year 1,000 lives
25	7
30	7
35	9
40	14
45	26

Withdrawal from service

Age band	Rate (%)
Less than or equal to 30	5.00
31-39	5.00
40-44	7.00
45-50	7.00
51-55	7.50
56-60	3.00

29 Employee benefit obligations - continued

29.2 *Defined benefit gratuity payables - continued*

The sensitivity analyses below have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The principal assumptions used in determining employee benefit obligations for the company's plans are shown below:

	2016	2015
	%	%
Discount rate:	*16*	*11*
Average pay increase	n/a	n/a
Average rate of inflation rate	n/a	n/a

A quantitative sensitivity analysis for significant assumption as at 31 December is as shown below:

Assumptions	Discount rate	
Sensitivity Level	1% Increase	1% Decrease
	₦ '000	₦ '000
Impact on the net defined benefit obligation	9,025	(9,025)
	=====	=====

Life Expectancy of staff (Mortality rate)	Discount rate	
Assumptions	Age rated up by 1 year Increase	Age rated down by 1 year Decrease
	₦ '000	₦ '000
Impact on the net defined benefit obligation	9,380	(9,380)

The following payments are expected payments to be made in the future years out of the defined benefit plan obligation:

	2016	2015
	₦ '000	₦ '000
Less than 4 years	-	-
Between 4 and 10 years	710	2,846
Between 10 and 15 years	8,650	10,450
	----------	-----------
Total expected payments	9,360	13,296
	=====	======

30 Share capital

	2016	2015
	₦ '000	₦ '000
Authorised share capital		
6.4 billion Ordinary shares of 50 kobo each	3,200,000	3,200,000
	========	========
Issued and fully paid		
6.14 billion (2015: 6.14 billion) Ordinary shares of 50 kobo each	3,070,000	3,070,000
	========	========

31 Share premium

	2016	2015
	₦'000	₦'000
At 31 December	337,545	337,545

32 Contingency reserve

Contingency reserve is computed as the higher of 20% of net profit and 3% of premium as specified in Section 21(2) of the Insurance Act 2003.

33 Available-for-sale reserve

The available-for-sale reserve shows the effects from the fair value measurement of financial instruments of the category available-for-sale. Any gains or losses are not recognised in the profit or loss until the asset has been sold or impaired.

34 Reconciliation of profit before income tax expense to cash used in operating activities

	2016	2015
	₦'000	₦'000
Profit before income tax expense	138,205	46,906
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	97,733	107,257
Amortization of intangible assets	8,271	28,497
Amortisation cost	143,737	159,385
Profit from sale of property, plant and equipment	-	(259)
Exchange differentials on transactions	(765)	(17,621)
Investment income	(215,525)	(200,720)
Impairment loss on other receivables	112,185	-
Fair value gains	(152,000)	(110,500)
Impairment loss on insurance receivables	-	(914)
Provision no longer required	(28,289)	(81,040)
Recoveries on other receivables	(3,574)	(32,496)
Interest costs on employee benefit obligation	1,265	1,499
Impairment loss on available-for-sale financial assets	1,951	772
Finance costs	2,473	5,290
Changes in working capital:		
(Increase)/decrease in trade receivables	(15,591)	8,158
Decrease /(increase) in reinsurance assets	13,396	(55,032)
Increase in deferred expenses	(140,491)	(135,866)
Decrease in other receivables and prepayment	78,384	330,853
(Decrease)/increase in provision for outstanding claims	(191,208)	180,918
Decrease in provision for unearned premium	(6,674)	(141,614)
Increase/(decrease) in trade payables	44,787	(98,855)
Increase/(decrease) in other payables and accruals	3,684	(97,565)
Benefit paid	(903)	-
Income tax paid	(68,773)	(235,767)
Net cash used in operating activities	(177,723)	(338,714)

35 Other operating cash (payment)/receipt	2016 ₦'000	2015 ₦'000
Auditors' remuneration	(11,000)	(9,000)
Other expenses	(228,716)	(231,858)
Decrease in other receivables and prepayment	78,384	313,648
Decrease in other payables	(27,961)	(109,188)
Increase/(decrease) in trade payables	44,787	(99,588)
	(144,506)	(135,986)

36 Related party disclosures

36.1 *Investment with related parties*

Cash and cash equivalents		
- Global Scansystems Technology commercial paper	-	131,046
Receivable from related party at the end of the year		
- Zenith Bank guarantee by Global Scan	217,444	283,307
- Ethanig Nigeria Limited -Shareholder	93,291	93,291

Outstanding balances at the reporting date are unsecured. Settlement will take place in cash. However, ₦65.9m has been received as at 13 April 2016 from Global Scan Systems Technology Limited and the balance receivable as at 31 December 2016 is ₦217.4m(2015:N283.3m).

No amount was payable to related parties at the end of the year.

36.2 *Compensation of key management personnel:*	2016 ₦'000	2015 N'000
Salaries	44,493	60,959
Post-employment pension benefits	2,490	3,182
Total compensation of key management personnel	46,983	64,141

37 Contraventions: *Nature of contravention*	*Number of Infractions*	*Penalty* ₦'000
2016		
Late submission of audited financial statements to Nigerian Stock Exchange	1	10,700
Late submission of audited financial statements to Securities Exchange Commission	1	-
Late submission of audited financial statements to NAICOM	1	-
2015		
Late submission of audited financial statements to Nigerian Stock Exchange	1	-
Late submission of audited financial statements to Securities Exchange Commission	1	-
Late submission of audited financial statements to NAICOM	1	-

38 Events after the reporting date

No significant event has occurred since the reporting date which requires adjustment of, or further disclosure in the financial statements.

39 Going Concern

The Company's shareholders funds as at 31 December 2016 is ₦2.9billion (2015: ₦2.9billion) is less than the minimum regulatory requirement. The board has approved issue of fresh capital of 1billion to remedy the gap.

40. Segment reporting

Segment reporting
A segment is a distinguishable component of the company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company's activities are concentrated in one geographic region. The Company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company's internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	2016 ₦'000	2015 ₦'000
Revenue from internal customers in Lagos	721,243	691,286
	=======	=======

The company has a major customer that amount to 10% or more of the revenue, Enugu Electricity Distribution Company (EEDC) ₦128,629,827.27 which amounts to 14% of its total revenue.

Non- current operating assets in Nigeria	2,288,720	2,209,604
	=========	=========

Non-current assets for this purpose consist of property, plant and equipment, investment properties and intangible assets

41. Insurance and financial risk

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Company policy framework which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Company.

41. Insurance and financial risk - continued

The board of directors approves the Company risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

1. To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;

2. To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;

3. To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;

4. To align the profile of assets and liabilities taking account of risks inherent in the business;

5. To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders;

6. To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
7. To hold sufficient capital to cover the statutory requirements based on the NAICOM directives, including any additional amounts required by the regulator

In reporting financial strength, capital and solvency are measured using the rules prescribed by the National Insurance Commission. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds.

The Company has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

41. Insurance and financial risk - continued

Capital management objectives, policies and approach - continued
Available capital resources as at 31 December 2016

	2016		2015	
	₦'000	₦'000	₦'000	₦'000
Total shareholders' funds per financial statements		2,897,745		2,899,952
Regulatory adjustments- Other receivables and prepayment	(137,153)		(325,438)	
- Accrued interest on statutory deposit	16,511		14,227	
-Staff upfront and advance	3,997		7,171	
- Received from global scan after year end	-		65,864	
- Intangible assets	(1,806)		(8,439)	
		(118,451)		(246,615)
Available capital resources		2,779,294		2,653,337
Minimum capital base required by regulator		3,000,000		3,000,000
Shortfall in capital		220,706		346,663

The shortfall in current year shall be addressed by way of raising fresh capital of ₦1billion.

The adjustments onto a regulatory basis represent assets inadmissible for regulatory reporting purposes. However, current year available capital resources are subject to Regulator's review and approval.

NAICOM measures the financial strength of non-life insurers using a solvency margin model. It generally expects non-life insurers to comply with this capital adequacy requirement. Section 24 of the Insurance Act 2003 defines solvency margin of a non-life insurer as the difference between the admissible assets and liabilities and this shall not be less than 15% of the net premium income (Gross Premium Income less Reinsurance Premium paid) or the minimum capital base (3billion) whichever is higher. The regulator indicated that insurers should produce a minimum solvency margin of 100%. The Company maintain solvency margin which was below the minimum required as at 31 December, 2016. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement, including withdrawal of its operating license which put its going concern on threat.

Solvency margin for the non-life business as at 31 December 2016 is as follows:-

	2016	2015
Admissible assets	₦'000	₦'000
Cash and cash equivalents	872,559	886,970
Available for sale	133,775	143,462
Trade receivables	18,922	3,331
Reinsurance assets	176,901	190,297
Deferred acquisition costs	39,095	42,341
Investment properties	1,572,500	1,420,500
Other receivables and prepayments	125,768	325,438
Property, plant and equipment (Others)	714,414	780,325
Statutory deposit	315,000	315,000
	3,968,934	4,107,664

41. Insurance and financial risk - continued

Capital management objectives, policies and approach - continued

Solvency margin for the non-life business as at 31 December 2016 - continued

Admissible liabilities	2016 ₦'000	2015 ₦'000
Insurance contract liabilities	600,378	798,260
Employee benefit obligations	12,895	17,052
Trade payable	59,121	14,334
Finance lease obligation	797	15,556
Other payables and accruals	149,137	177,098
Current tax payable	131,815	103,768
	954,143	1,126,068
Solvency margin	3,014,791	2,981,596
Required solvency	3,000,000	3,000,000
Surplus/(shortfall)	14,791	(18,404)

Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

Asset liability management (ALM) framework

The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. For each category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is:

An integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

a. Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

41. Insurance and financial risk - continued

Asset liability management (ALM) framework - continued

a. Insurance risk - continued

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 20% of total reinsurance assets at the reporting date.

The Company principally issues the following types of general insurance contracts: fire, motor, general accident, engineering, marine and aviation, bond and credit and oil and gas. Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 50% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

41. Insurance and financial risk – continued

a. Insurance risk - continued

Key assumptions
The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Non -life Insurance contracts (General insurance)
The company principally issues the following types of general insurance contract which include; motor, miscellaneous general accident, fire, marine and aviation. Risk under non -life policies usually cover an average of twelve (12) month duration.

For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risk, are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further more strict claim review policies to access all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforced a policy of actively managing and promptly pursing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. The Company has also limited its exposure by imposing maximum claim amount on certain contract as well as the use of reinsurance arrangements in order to limit exposure.

The table below set out the concentration of non-life insurance contract liabilities by type of contract

	31 December 2016			31 December 2015		
	Gross liabilities	Reinsurance of liabilities	Net liabilities	Gross liabilities	Reinsurance of liabilities	Net liabilities
	₦ 000	₦ 000	₦ 000	₦ 000	₦ 000	₦ 000
MISC GENERAL ACCIDENT	188,777	46,976	141,801	214,973	8,053	206,920
FIRE	76,774	30,241	46,533	227,490	85,248	142,242
MARINE	13,671	2,700	10,971	14,929	3,228	11,701
MOTOR	49,441	2,180	47,261	62,479	4,423	58,056
	328,663	82,097	246,566	519,871	100,952	418,918

41. Insurance and financial risk - continued

a. Insurance risk - continued

Key assumptions

The principal assumptions underlying the liability estimates is that the company uses historically paid losses are inflated using the corresponding inflation index in each of the accident years to the year of valuation and then accumulated to their ultimate values for each accident year to obtain the projected outstanding claims .These projected outstanding claims are then further multiplied by the future inflation index from the year of valuation to the future year of payment of the outstanding claims .

The non-life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. It should be noted that movements in these assumptions are non-linear.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

31 December 2016

Discounted IABCL

Class of Business	Base	5% Loss Ratio	(-5%) Loss Ratio	1%Inflation Rate	(-1)%Inflation Rate	1%Discount Rate	(-1)%Discount Rate
General Accident	188,778,227	227,510,621	163,722,962	191,773,182	185,826,560	185,946,055	191,700,680
Fire	76,773,901	92,447,358	64,268,401	77,725,770	75,830,767	75,837,182	77,734,573
Marine and Aviation	13,670,924	15,648,995	12,130,523	13,870,464	13,473,208	13,507,075	13,839,161
Motor	49,440,650	58,292,834	34,395,801	49,881,906	49,001,001	49,119,560	49,768,208
Total	328,663,702	393,899,808	274,517,687	333,251,323	324,131,536	324,409,872	333,042,622
Account Outstanding	259,819,116	259,819,116	68,844,586	68,844,586	68,844,586	68,844,586	68,844,586
IBNR	68,844,586	134,080,692	205,673,101	264,406,737	255,286,950	255,565,286	264,198,036
Percentage Change		19.8%	-16.5%	1.4%	-1.4%	-1.3%	1.3%

31 December 2015

Discounted IABCL

Class of Business	Base	5% Loss Ratio	(-5%) Loss Ratio	1%Inflation Rate	(-1)%Inflation Rate	1%Discount Rate	(-1)%Discount Rate
General Accident	214,972,517	255,853,825	188,819,746	217,507,929	212,474,309	212,801,652	217,204,037
Fire	227,490,125	277,052,185	192,603,674	228,036,208	226,950,491	225,203,263	229,832,196
Marine and Aviation	14,928,635	16,956,875	13,407,888	15,055,443	14,802,961	14,787,242	15,073,279
Motor	62,479,309	71,864,679	43,796,870	63,035,854	61,925,407	62,082,449	62,884,164
Total	519,870,586	621,727,564	438,628,178	523,635,434	516,153,168	514,874,606	524,993,676
Account Outstanding	414,016,934	414,016,934	105,853,652	105,853,652	105,853,652	105,853,652	105,853,652
IBNR	105,853,652	207,710,628	332,774,526	417,781,782	410,299,516	409,020,954	419,140,025
Percentage Change		19.6%	-15.6%	0.7%	-0.7%	-1.0%	1.0%

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each triangulation below illustrates how the Company's estimate of total claims outstanding for each year has changed at successive year-ends.

41. Insurance and financial risk - continued

a. Insurance risk - continued

Claims development table - continued

Claims Paid Triangulations as at 31 December 2016
Development Years
Motor

Table 2 Cumulative table for Attritional loses

Accident year	1	2	3	4	5	6	7	8	9	10
2007	-	5,575	8,921	10,290	10,330	10,330	10,330	10,330	10,330	10,330
2008	37,788	72,798	75,886	78,611	78,611	78,611	78,611	78,611	78,611	78,661
2009	40,942	75,457	78,718	78,718	78,718	78,733	78,733	78,733	78,733	78,733
2010	23,320	42,181	49,807	50,396	51,937	52,204	52,204	52,204	52,204	52,204
2011	16,419	48,459	51,980	52,879	53,947	54,163	54,215	54,215	54,215	54,215
2012	12,898	22,550	23,731	23,731	23,748	31,999	31,999	31,999	31,999	31,999
2013	12,131	23,516	23,516	23,516	27,656	27,723	27,723	27,723	27,723	27,723
2014	32,109	49,559	51,880	56,284	56,568	56,726	56,726	56,726	56,726	56,726
2015	38,080	52,828	58,783	59,230	59,571	59,762	59,762	59,762	59,762	59,762
2016	23,351	42,356	45,658	46,034	46,320	46,481	46,481	46,481	46,481	46,481

Fire

Table 2 Cumulative table for Attritional loses

Accident year	1	2	3	4	5	6	7	8	9	10
2007	-	7,280	7,326	8,076	8,076	8,076	8,124	8,135	8,135	8,135
2008	1,116	3,276	3,333	3,380	3,380	3,380	3,445	3,445	3,445	3,445
2009	324	1,363	3,688	7,090	7,090	7,090	7,201	7,201	7,201	7,201
2010	-	4,732	5,505	5,734	5,734	5,734	5,734	5,734	5,734	5,734
2011	285	442	2,236	2,236	2,300	2,300	2,300	2,300	2,300	2,300
2012	137	3,669	6,399	7,235	7,235	8,385	8,385	8,385	8,385	8,385
2013	742	7,761	9,024	9,886	11,139	11,139	11,139	11,139	11,139	11,139
2014	3,099	8,697	9,915	17,714	17,819	17,819	17,819	17,819	17,819	17,819
2015	4,602	9,354	23,401	25,309	25,476	25,476	25,476	25,476	25,476	25,476
2016	7,680	16,795	25,463	27,718	27,916	27,916	27,916	27,916	27,916	27,916

41. Insurance and financial risk - continued

a. Insurance risk - continued

Claims development table - continued

Claims Paid Triangulations as at 31 December 2016
Development Years

General Accident
Table 2

Cumulative table for Attritional loses

Accident year	1	2	3	4	5	6	7	8	9	10
2007	-	7,459	22,566	24,638	24,661	24,717	26,912	26,925	26,925	27,135
2008	9,238	21,578	45,744	58,808	63,527	67,854	68,191	68,191	68,191	68,191
2009	9,625	58,337	66,334	69,570	80,819	98,320	100,677	100,677	100,734	100,734
2010	52,251	100,952	103,723	126,687	127,189	127,189	127,845	150,922	150,922	150,922
2011	25,269	55,168	91,134	106,147	110,724	111,206	117,737	117,761	117,761	117,761
2012	11,392	44,725	56,779	69,731	81,016	94,150	97,906	97,929	97,929	97,929
2013	16,691	72,524	114,267	114,336	127,340	137,021	143,233	143,271	143,271	143,271
2014	22,676	40,298	42,139	74,126	81,092	87,758	92,035	92,061	92,061	92,061
2015	17,998	29,022	38,519	45,062	49,898	54,526	57,495	57,513	57,513	57,513
2016	8,204	23,575	31,692	37,285	41,418	45,373	47,911	47,927	47,927	47,927

Marine
Table 2

Cumulative table for Attritional loses

Accident year	1	2	3	4	5	6	7	8	9	10
2007	-	199	199	199	199	199	199	199	199	199
2008	1,869	2,508	2,508	2,508	4,527	4,527	4,527	4,527	4,527	4,527
2009	-	8,285	8,285	8,670	8,670	8,670	8,670	8,670	8,670	8,670
2010	629	2,781	2,781	6,192	6,192	6,192	6,192	6,192	6,192	6,192
2011	374	5,002	7,691	7,881	7,881	7,881	7,881	7,881	7,881	7,881
2012	7,399	12,464	12,482	12,482	12,482	13,172	13,172	13,172	13,172	13,172
2013	2,726	3,002	3,002	3,002	3,936	3,936	3,936	3,936	3,936	3,936
2014	-	3,381	3,755	5,423	5,423	5,423	5,423	5,423	5,423	5,423
2015	305	702	7,887	8,484	8,484	8,484	8,484	8,484	8,484	8,484
2016	4,287	6,350	7,002	7,652	7,652	7,652	7,652	7,652	7,652	7,652

41. Insurance and financial risk - continued

b. Financial risks

(i). Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

1. Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of director and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

2. The Company sets the maximum amounts and limits that may be advances to corporate counterparties by reference to their long-term credit ratings.

b. Financial risks - continued

(i). Credit risk - continued

3. The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid or fully provided for and Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

4. Net exposure limits are set for each counterparty i.e limits are set for investments and cash deposits, foreign exchange trade exposures and minimum credit ratings for investments that may be held.

5. A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Risk Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit exposure
The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2016 is the carrying amounts as presented in Notes 20.

The credit risk analysis below is presented in line with how the Company manages the risk. The Company manages its credit risk exposure based on the carrying value of the financial instruments.

41. Insurance and financial risk - continued

Industry analysis 31 December 2016	Financial services ₦'000	Government ₦'000	Other ₦'000	Total ₦'000
Other receivables	-	-	113,323	113,323
Statutory deposit	-	315,000	-	315,000
	-	315,000	113,323	428,323
Reinsurance assets	-	-	82,097	82,097
Trade receivables	-	-	18,922	18,922
Cash and cash equivalents	872,559	-	-	872,559
Total credit risk exposure	872,559	315,000	214,342	1,401,901
31 December 2015				
Other receivables	-	-	294,810	294,810
Statutory deposit	-	315,000	-	315,000
	-	315,000	294,810	609,810
Reinsurance assets	-	-	100,952	100,952
Trade receivables	-	-	3,331	3,331
Cash and cash equivalents	886,970	-	-	886,970
Total credit risk exposure	886,970	315,000	399,093	1,601,063

41. Insurance and financial risk - continued

b. Financial risks - continued
(i). Credit risk - continued

Credit exposure - continued
No internal and external credit rating for neither past due nor impaired has been done.
The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counter parties:

		Neither past-due nor impaired			
31 December 2016	Investment Grade ₦'000	Non-investment grades satisfactory ₦'000	Non-investment grades unsatisfactory ₦'000	Past-due but not impaired ₦'000	Total ₦'000
Other receivables	-	113,323	-	-	113,323
Statutory deposit	315,000	-	-	-	315,000
Reinsurance assets	-	82,097	-	-	82,097
Trade receivables	-	-	-	18,922	18,922
Cash and cash equivalents	872,559	-	-	-	872,559
Total	1,201,970	195,420	-	18,922	1,401,901
31 December 2015					
Other receivables	-	294,810	-	-	294,810
Statutory deposit	315,000	-	-	-	315,000
Reinsurance assets	-	100,952	-	-	100,952
Trade receivables	-	-	-	3,331	3,331
Cash and cash equivalents	886,970	-	-	-	886,970
Total	1,201,970	395,762	-	3,331	1,601,063

41. Insurance and financial risk - continued

b. Financial risks - continued

(i). Credit risk - continued

Credit exposure - continued

Age analysis of financial assets past due but not impaired

31 December 2016	< 30 days ₦'000	31 to 60 days ₦'000	61 to 90 days ₦'000	Total past due but not impaired ₦'000
Reinsurance assets	-	-	-	-
Trade receivables	18,922	-	-	18,922
Total	18,922	-	-	18,922
31 December 2015				
Reinsurance assets	-	-	-	-
Trade receivables	3,331	-	-	3,331
Total	3,331	-	-	3,331

At 31 December 2016, there are no impaired reinsurance assets (2015: Nil), impaired other receivables of ₦314,197,000 (2015: ₦93,290,000) and trade receivable 2016 ₦9,898,000 (2015:₦9,898,000).

For assets to be classified as 'past-due and impaired' contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

(ii). Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meeting insurance and investment contracts obligations.
- The Company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.
- Contingency funding plans are place, which specify minimum proportions of funds to meet emergency calls well as specifying events that would trigger such plans.

41. Insurance and financial risk - continued

b. Financial risks - continued

(ii). Liquidity risk - continued

Maturity profiles

The table that follows summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs to assist users in understanding how assets and liabilities have been matched. Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable.

41. Insurance and financial risk - continued

b. Financial risks - continued
(ii). Liquidity risk - continued

Maturity analysis (contractual undiscounted cash flow basis)

31 December 2016	Carrying amount ₦'000	Up to 1 year ₦'000	1-3 years ₦'000	3-5 years ₦'000	Over 5 years ₦'000	No maturity date ₦'000	Total ₦'000
Financial assets							
Other receivables	113,323	113,323	-	-	-	-	113,323
Reinsurance assets	82,097	82,097			-	-	82,097
Trade receivables	18,922	18,922	-	-	-	-	18,922
Cash and cash equivalents	872,559	872,559	-	-	-	-	872,559
Total assets	1,086,901	1,086,901	-	-	-	-	1,086,901
Financial liabilities							
Insurance contract liabilities	328,663	328,663	-	-	-	-	328,663
Trade payables	59,121	59,121	-	-	-	-	59,121
Finance lease obligation	797	-	-	-	-	-	797
Other payables and accruals	126,966	126,966	-	-	-	-	126,966
Total liabilities	515,547	515,547	-	-	-	-	515,547
Total liquidity gap	571,354	571,354	-	-	-	-	571,354

41. Insurance and financial risk - continued

b. Financial risks - continued
(ii). Liquidity risk - continued

Maturity analysis (contractual undiscounted cash flow basis)

31 December 2015	Carrying amount ₦'000	Up to 1 year ₦'000	1-3 years ₦'000	3-5 years ₦'000	Over 5 years ₦'000	No maturity date ₦'000	Total ₦'000
Financial assets							
Other receivables	294,810	294,810	-	-	-	-	294,810
Reinsurance assets	100,952	100,952			-	-	100,952
Trade receivables	3,331	3,331	-	-	-	-	3,331
Cash and cash equivalents	886,970	886,970	-	-	-	-	886,970
Total assets	1,286,063	1,286,063	-	-	-	-	1,286,063
Financial liabilities							
Insurance contract liabilities	519,871	519,871	-	-	-	-	519,871
Trade payables	14,334	14,334	-	-	-	-	14,334
Finance lease obligation	17,052	-	17,052	-	-	-	17,052
Other payables and accruals	152,371	152,371	-	-	-	-	152,371
Total liabilities	703,628	686,576	17,052	-	-	-	703,628
Total liquidity gap	582,435	599,487	(17,052)	-	-	-	582,435

41. Insurance and financial risk - continued
Maturity analysis on expected maturity basis

31 December 2016 Assets	Current ₦'000	Non- Current ₦'000	Total ₦'000
Cash and cash equivalents	872,559	-	872,559
Trade receivables	18,922	-	18,922
Reinsurance assets	176,901	-	176,901
Financial assets:			
Available-for-sale financial assets	-	133,775	133,775
Investment properties	-	1,572,500	1,572,500
Property, plant and equipment	-	714,414	714,414
Intangible assets	-	1,806	1,806
Other receivables and prepayments	137,153	-	137,153
Deferred acquisition costs	38,712	383	39,095
Statutory deposit	-	315,000	315,000
Total assets	1,244,247	2,737,878	3,982,125
Liabilities			
Other payables and accruals	148,698	439	149,137
Trade payables	59,121	-	59,121
Current tax payable	131,815	-	131,815
Deferred tax liability	-	130,237	130,237
Employee benefit obligations	12,895	-	12,895
Finance Lease obligations	797	-	797
Insurance contract liabilities	590,992	9,386	600,378
Total liabilities	944,318	140,062	1,084,380

31 December 2015 Assets	Current ₦'000	Non- Current ₦'000	Total ₦'000
Cash and cash equivalents	886,970	-	886,970
Trade receivables	3,331	-	3,331
Reinsurance assets	190,297	-	190,297
Financial assets:			
Available-for-sale financial assets	-	143,462	143,462
Investment properties	-	1,420,500	1,420,500
Property, plant and equipment	-	780,325	780,325
Intangible assets	-	8,439	8,439
Other receivables and prepayments	325,438	-	325,438
Deferred acquisition costs	42,341	-	42,341
Statutory deposit	-	315,000	315,000
Total assets	1,448,377	2,667,726	4,116,103
Liabilities			
Other payables and accruals	177,098	33,775	177,098
Trade payables	14,334	-	14,334
Current tax payable	103,768	-	103,768
Deferred tax liability	-	90,083	90,083
Employee benefit obligations	17,052	-	17,052
Finance Lease obligations	15,556	-	15,556
Insurance contract liabilities	783,854	14,405	798,259
Total liabilities	1,111,662	138,263	1,216,151

41. Insurance and financial risk – continued

b. Financial risks - continued

(iii). Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk). The risk management frameworks for each of its components are discussed below:

(a). Currency risk

Currency risk is the risk that fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Our currency risk exposure is minimal and we are currently putting framework to manage our exposures to exchange rate risks emanating from our underwriting some foreign transactions.

Foreign exchange risk

Guinea Insurance is exposed to foreign exchange currency risk primarily through certain transactions denominated in foreign currency. The Company is exposed to foreign currency risk through bank balances in other foreign currencies.

The carrying amounts of the Company's foreign currency-denominated assets as at end of the year are as follows:

	Cash & cash equivalents	Available-for-sale	Total
2016	₦'000	₦'000	₦'000
Dollars	294,261	-	294,261
2015			
Dollars	123,867	-	123,876

The Company limits its exposure to foreign exchange to 10% of total investment portfolio. Foreign currency changes are monitored by the investment committee and holdings are adjusted when offside of the investment policy. The Group further manages its exposure to foreign exchange risk using sensitivity analysis to assess potential changes in the value of foreign exchange positions and impact of such changes on the Group's investment income. At the year end, the foreign currency investments held in the portfolio are cash and cash equivalents.

There have been no major changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency risk

The following table details the effect on the profit as at 31 December 2016 from a ₦304.50/$ closing rate favorable/unfavorable change in US dollars against the naira with all other variables held constant.

	2016 Increase by 1%	2016 decrease by 1%	2015 Increase by 1%	2015 Decrease by 1%
	₦'000	₦'000	₦'000	₦'000
Impact on profit/(loss) before tax	(335)	335	(464)	464

41. Insurance and financial risk - continued

b. Financial risks - continued
(iii). Market risk - continued

(a). Currency risk - continued
The method used to arrive at the possible risk of foreign exchange rate was based on both statistical and non-statistical analyses. The statistical analysis was based on movement in main currencies for the last five years. This information was then revised and adjusted for reasonableness under the current economic circumstances.

(b). Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is not exposed to interest rate risk.

(c). Equity Price risk
Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities. The risks arising from change in price of our investment securities is managed through our investment desk and in line with the investment risk policy.

The Company's management of equity price risk is guided by the following:
- Investment Quality and Limit Analysis
- Stop Loss Limit Analysis
- Stock to Total Loss Limit Analysis

Investment quality and limit analysis
The Board through its Board Investment Committee set approval limits for taking investment decision approval limits are illustrated using an approval hierarchy that establishes different levels of authority necessary to approve investment decisions of different naira amounts. The approval limits system: sets a personal discretionary limit for Chief Executive Officer; requires that investment decisions above this personal discretionary limit requires approval by the Board of Directors and; sets out lower limits for Chief Finance Officer (CFO) and, or provides the CFO with the authority to assign limits to subordinates.

Stop loss limit analysis
The eligible stocks are further categorized into class A, B and C based on market capitalizations, liquidities and market volatilities. These classes are assigned stop loss limits and maximum holding days for trading as a measure of the amount of loss the Group is willing to accept. Periodic reviews and reassessments are undertaken on the performance of the stocks. The stop loss limits on classes' basis that guide the monitoring of investment in capital markets depicted below:

NOTES TO THE FINANCIAL STATEMENTS - Continued

41. Insurance and financial risk - continued

b. Financial risks - continued
(iii). Market risk - continued

(c). Equity Price risk - continued
The Company's ERM function monitors compliance of the Investment arm to these limits and reports to Management periodically.

A summary of the Company's Stop Loss Limit position on trading equities as at 31 December 2016 is as follows:

Stock to total limit on Company's investment portfolio

Sector of stock	Cost price	Market price	Stock class	Gain/loss	Bench Mark
Breweries	90	288	A	220%	25%
Petroleum (Marketing)	147	426	A	190%	25%
Banking	105	73	C	- 30%	25%
Insurance	5	1	C	-80%	20%
Conglomerate	11	89	A	706%	25%

Stock to total limit on Company's portfolio

Sector of stock	Market price	%
Breweries	288	33%
Petroleum (Marketing)	426	49%
Banking	73	8%
Insurance	1	0%
Conglomerate	89	10%

A summary of the Company's Stop Loss Limit position on trading equities as at 31 December 2015 is as follows:

Stock to total limit on Company's investment portfolio

Sector of stock	Cost price	Market price	Stock class	Gain/loss	Bench Mark
Breweries	90	333	A	283%	25%
Petroleum (Marketing)	147	282	A	146%	25%
Banking	105	98	C	- 30%	25%
Insurance	5	1	C	-75%	20%
Conglomerate	11	110	A	900%	25%

41. Insurance and financial risk - continued

b. Financial risks - continued
(iii). Market risk – continued

(c). Equity Price risk - continued
A summary of the Company's Stop Loss Limit position on trading equities as at 31 December 2015 is as follows: - continued

Stock to total limit on Company's portfolio

Sector of stock	Market price	%
Breweries	256	32%
Petroleum (Marketing)	361	45%
Banking	73	9%
Insurance	1	0%
Conglomerate	110	14%

Equity price risk
At the reporting date, the exposure to listed equity securities at fair value was ₦95,971,000. An increase of 5% on the NSE market index could have an impact of approximately ₦100, 769,550 and a 5% decrease ₦ 91,172,450 on the income or equity attributable to the Company, depending on whether the decline is significant or prolonged.

	2016 Increase by 5%	2016 decrease by5%	2015 Increase by 5%	2015 Decrease by 5%
	₦'000	₦'000	₦'000	₦'000
Impact on profit before tax	(100,770)	91,172	(110,010)	100,435

Operational risks
Our operational risk exposure arises from inadequately controlled internal processes or systems, human error or non-compliance as well as from external events. Operational risk management framework includes strategic, reputation and compliance risks. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

42. Contingencies and commitments

(a). Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine 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.

42. Contingencies and commitments - continued

(a). Legal proceedings and regulations - continued

The Company is also subject to insurance solvency regulations of NAICOM. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

(b). **Capital commitments and operating leases**

The Company has no capital commitments at the reporting date.

43. Admissible assets

The admissible assets representing insurance funds are included in the Statement of Financial Position as follows:

31 December 2016

Total assets representing Insurance funds	**N'000**	**N'000**
Cash and cash equivalents:		
Cash	-	
Short-term deposits	700,000	
Total cash and cash equivalents		700,000
Available-for-sale financial assets:		
Quoted equities		-
Investment properties:		
No. 21 Nnamdi Azikiwe Road, Lagos Island, Lagos State		-
Total assets representing insurance funds		700,000
Total insurance funds		(600,378)
Balance due to shareholders' funds		99,622

31 December 2015

Total assets representing Insurance funds	₦'000	₦'000
Cash and cash equivalents:		
Cash	136,828	
Short-term deposits	750,141	
Total cash and cash equivalents		886,969
Available-for-sale financial assets:		
Quoted equities		105,658
Investment properties:		*400,000*
No. 21 Nnamdi Azikiwe Road, Lagos Island, Lagos State		
Total assets representing insurance funds		1,392,627
Total insurance funds		(798,260)
Balance due to shareholders' funds		594,367

NOTES TO THE FINANCIAL STATEMENTS - Continued

Non-life revenue account for the year ended 31 December 2016

	Fire Business ₦'000	Motor Business ₦'000	Individual General Accident ₦'000	Marine and Aviation ₦'000	2016 ₦'000	2015 ₦'000
Income						
Gross premium written	258,246	211,213	379,806	57,427	906,692	870,287
(Increase)/decrease in reserve for unexpired risks	(97,870)	77,537	19,325	7,682	6,674	141,614
Gross premium income	160,376	288,750	399,131	65,109	913,366	1,011,901
Reinsurance expense	(83,962)	(68,894)	(101,906)	(9,055)	(263,817)	(252,770)
Net insurance premium revenue	76,414	219,856	297,225	56,054	649,549	759,131
Fees and Commission income	21,052	23,213	11,353	3,028	58,646	54,085
Net underwriting income	97,466	243,069	308,578	59,082	708,195	813,216
Expense						
Gross claims paid	(206,048)	(49,921)	(30,410)	(17,146)	(303,525)	(214,735)
Adjustment for movement in outstanding claims	185,417	15,282	(11,277)	1,786	191,208	(180,917)
Gross claims incurred	(20,631)	(34,639)	(41,687)	(15,360)	(112,317)	(395,652)
Change in insurance contract liabilities ceded to reinsurers	(55,007)	(2,243)	38,923	(528)	(18,855)	72,007
Reinsurance recoveries	73,385	7,216	8,173	221	88,995	54,511
Claims expense	(2,253)	(29,666)	5,409	(15,667)	(42,177)	(269,134)
Acquisition expenses	(57,240)	(20,880)	(52,971)	(12,647)	(143,738)	(159,385)
Maintenance Expenses	(4,802)	(25,697)	(37,216)	(1,138)	(68,853)	(69,453)
Total expenses	(62,042)	(46,577)	(90,187)	(13,785)	(212,591)	(228,838)
Total underwriting expenses	(64,295)	(76,243)	(84,778)	(29,452)	(254,768)	(497,972)
Transfer to profit and loss account	33,171	166,826	223,800	29,630	453,427	315,243

NOTES TO THE FINANCIAL STATEMENTS - Continued

Non-life revenue account for the year ended 31 December 2015

	Fire Business ₦'000	Motor Business ₦'000	Individual General Accident ₦'000	Marine and Aviation ₦'000	2015 ₦'000	2014 ₦'000
Income						
Gross premium written	205,280	196,757	421,886	46,364	870,287	1,093,413
(Increase)/decrease in reserve for unexpired risks	1,508	9,598	72,079	58,429	141,614	(225,416)
Gross premium income	206,788	206,355	493,965	104,793	1,011,901	867,997
Reinsurance expense	(84,100)	(3,218)	(101,486)	(63,965)	(252,770)	(242,810)
Net insurance premium revenue	122,688	203,137	392,479	40,827	759,131	625,187
Fees and Commission income	17,850	683	21,975	13,577	54,085	47,229
Net underwriting income	140,538	203,820	414,454	54,404	813,216	672,416
Expense						
Gross claims paid	(28,928)	(65,255)	(114,487)	(6,066)	(214,735)	314,404
Adjustment for movement in outstanding claims	(144,484)	(27,369)	(41,932)	32,867	(180,917)	521
Gross claims incurred	(173,411)	(92,623)	(156,419)	26,801	(395,652)	314,925
Change in insurance contract liabilities ceded to reinsurers	68,271	153	1,608	1,974	72,007	(1,474)
Reinsurance recoveries	7,606	18,188	16,660	12,057	54,511	(69,934)
Claims expense	(97,534)	(74,282)	(138,151)	40,832	(269,134)	243,517
Acquisition expenses	(43,596)	(21,169)	(73,961)	(20,659)	(159,385)	130,588
Maintenance Expenses	(1,839)	(37,937)	(25,715)	(3,962)	(69,453)	20,396
Total expenses	(45,435)	(59,106)	(99,676)	(24,621)	(228,838)	150,984
Total underwriting expenses	(142,969)	(133,388)	(237,827)	16,211	(497,972)	394,501
Transfer to profit and loss account	(2,432)	70,432	176,628	70,616	315,243	277,915

GUINEA INSURANCE PLC

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 N'000	%	2015 N'000	%
Gross premium written	906,692		870,287	
Claims expenses	(42,177)		(269,135)	
Reinsurances expenses	(263,817)		(252,770)	
Other charges and expenses	(215,932)		(129,805)	
Fees and commission	58,646		54,085	
Investment and other income	248,206		332,006	
Value added	691,618	100	604,668	100
Applied as follows:				
Salaries, wages and other benefits	292,257	42	330,344	55
In payment to Government:				
Taxation	135,685	20	54,133	9
Retained in the business:				
Depreciation and amortization	106,006	15	135,754	22
Contingency reserve	27,201	4	26,109	4
Available for sale reserve	(7,736)	(1)	11,422	2
Transfer to general reserve	138,205	20	46,906	8
	691,618	100	604,668	100

Value added is the wealth created by the efforts of the company and its employees. This statement shows the allocation of that wealth among the employees, shareholders, government and amount re-invested for future creation of further wealth.

GUINEA INSURANCE PLC

FIVE -YEAR FINANCIAL SUMMARY

AS AT 31 DECEMEBER

Statement of Financial Position	2016 ₦'000	2015 ₦'000	2014 ₦'000	2013 ₦'000	2012 ₦'000
Assets					
Cash and cash equivalents	872,559	886,970	1,048,755	1,471,323	1,288,245
Available-for-sale financial assets	133,775	143,462	132,812	140,504	129,947
Trade receivables	18,922	3,331	10,575	4,053	215,304
Reinsurance assets	176,901	190,297	135,265	103,811	127,589
Deferred acquisition costs	39,095	42,341	65,860	27,729	25,384
Other receivables and prepayments	137,153	325,438	624,859	52,003	774,617
Investment properties	1,572,500	1,420,500	1,310,000	1,050,000	1,030,000
Intangible assets	1,806	8,439	36,149	64,021	-
Property, plant and equipment	714,414	780,325	885,453	985,515	52,068
Statutory deposit	315,000	315,000	315,000	315,000	315,000
Total assets	3,982,125	4,116,103	4,564,728	4,213,959	3,958,154
Liabilities					
Insurance contract liabilities	600,378	798,260	758,956	533,020	555,434
Finance lease obligation	797	15,556	27,126	-	-
Trade payables	59,121	14,334	113,189	57,278	86,301
Other payables and accruals	149,137	177,098	276,686	244,938	247,342
Employee benefit obligations	12,895	17,052	16,570	16,118	18,096
Current income tax payable	131,815	103,768	297,699	301,217	104,964
Deferred tax liabilities	130,237	90,083	78,074	78,435	14,005
Advance for increase in share capital	-	-	100,000	-	370,000
Total liabilities	1,084,380	1,216,151	1,668,300	1,231,006	1,396,142
Equity					
Issued and paid-up share capital	3,070,000	3,070,000	3,070,000	3,070,000	2,700,000
Share premium	337,545	337,545	337,545	337,545	337,545
Contingency reserve	392,501	365,300	339,191	306,389	273,739
Accumulated losses	(940,667)	(918,995)	(884,988))	(770,328)	(778,062)
Available-for-sale-reserve	38,366	46,102	34,680	39,347	28,790
Total equity	2,897,745	2,899,952	2,896,428	2,982,953	2,562,012
Total liabilities and equity	3,982,125	4,116,103	4,564,728	4,213,959	3,958,154

GUINEA INSURANCE PLC

FIVE - YEAR FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER

	2016	2015	2014	2013	2012
	N'000	N'000	N'000	N'000	N'000
Statement of Profit or loss					
Gross premium written	906,692	870,287	1,093,413	1,088,340	1,138,741
Premium earned	913,366	1,011,901	867,997	1,081,185	1,237,920
Profit/(loss) before income tax expense	138,205	46,906	(14,372)	300,282	(179,752)
Profit/(loss) for the year	2,520	(7,227)	(81,898)	39,835	52,763
Per 50k share data (kobo):					
Basic earnings/(losses) per share	0.04	(0.12)	(1.4)	0.65	1.0
Net assets	46	47	47	51	41
	===	===	===	===	===