

**Wapic Insurance Plc.**

**Unaudited Interim Financial Statements**

**For the Period Ended 31 March 2017**

**Wapic Insurance Plc**


**Consolidated Statement of Financial Position  
as at the period ended 31st March 2017**


(All amounts in Naira thousands unless otherwise stated)

	<b>Group 2017 Mar N'000</b>	<b>Group 2016 Dec N'000</b>	<b>Company 2017 Mar N'000</b>	<b>Company 2016 Dec N'000</b>
Cash and cash equivalents	1,280,758	2,220,395	609,920	311,223
Financial assets	8,548,690	7,401,489	3,672,497	3,429,338
Trade receivables	434,608	553,575	88,791	553,575
Reinsurance assets	2,576,340	1,572,830	1,688,163	1,094,415
Deferred acquisition cost	766,007	447,934	542,199	281,344
Other receivables and prepayments	1,663,478	1,145,019	1,408,092	1,137,047
Investment property	539,980	539,930	539,980	539,930
Investment in associates	7,265,927	7,173,843	5,059,810	5,059,810
Investment in subsidiaries	-	-	3,876,571	3,876,571
Property and equipment	3,997,532	4,025,510	3,800,690	3,811,639
Intangible assets	216,945	203,895	212,564	199,170
Deferred tax asset	-	-	-	-
Statutory deposit	606,193	617,632	300,000	300,000
<b>Total assets</b>	<b>27,896,457</b>	<b>25,902,052</b>	<b>21,799,277</b>	<b>20,594,062</b>
Trade payables	262,639	235,800	173,880	157,870
Other payables	1,499,814	1,320,043	1,216,191	1,157,450
Current income tax liabilities	299,127	208,381	163,461	88,113
Investment contract liabilities	954,787	920,154	-	-
Insurance contract liabilities	7,977,525	6,373,682	4,875,671	3,763,964
Deferred tax liabilities	277,653	277,655	393,175	393,174
<b>Total liabilities</b>	<b>11,271,545</b>	<b>9,335,715</b>	<b>6,822,378</b>	<b>5,560,571</b>
<b>Net assets</b>	<b>16,624,912</b>	<b>16,566,337</b>	<b>14,976,899</b>	<b>15,033,491</b>
<b>Equity attributable to owners:</b>				
Share capital	6,691,369	6,691,369	6,691,369	6,691,369
Share premium	6,194,983	6,194,983	6,194,983	6,194,983
Contingency reserves	1,910,516	1,807,949	1,637,022	1,550,425
Other reserves	1,002,576	1,209,743	835,309	788,338
Retained earnings	825,468	662,293	(381,785)	(191,624)
<b>Shareholders' fund</b>	<b>16,624,912</b>	<b>16,566,337</b>	<b>14,976,899</b>	<b>15,033,491</b>


These interim unaudited financial statements were approved by the board of directors (BOD) on 26 April 2017 and signed on behalf of the board of directors by the directors listed below:

  
Aigboje Aig-Imoukhuede, CON  
FRC/2013/CIBN/00000001999  
Chairman

  
Adeyinka Adekoya  
FRC/2016/CIIN/00000013893  
Managing Director

  
Bode Ojeniyi  
Executive Director  
FRC/2016/CIBN/00000013894

Additionally certified by:

  
Oluseyi Taiwo  
FRC/2013/ICAN/00000004011  
Chief Finance Officer

The statement of significant accounting policies and the accompanying notes form an integral part of these financial statements.

Wapic Insurance Plc

**Consolidated Statements of Profit or Loss  
For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

	Group		Company	
	2017 Mar N'000	2016 Mar N'000	2017 Mar N'000	2016 Mar N'000
Gross written premium	3,771,467	3,022,444	2,886,580	2,077,911
Movement in unearned premium	(1,618,225)	(1,218,305)	(1,333,812)	(817,505)
<b>Gross premium income</b>	<b>2,153,242</b>	<b>1,804,139</b>	<b>1,552,768</b>	<b>1,260,406</b>
Reinsurance expenses	(878,693)	(713,469)	(684,612)	(590,017)
<b>Net premium Income</b>	<b>1,274,548</b>	<b>1,090,670</b>	<b>868,156</b>	<b>670,389</b>
Fees and commission income	153,092	68,318	108,068	40,803
<b>Net underwriting income</b>	<b>1,427,640</b>	<b>1,158,988</b>	<b>976,223</b>	<b>711,191</b>
Claims Paid	(830,273)	(567,223)	(366,701)	(314,957)
Movement in Outstanding Claims	116,338	(68,010)	168,934	-
Claims expense recoverable	65,095	171,941	(113,735)	30,964
<b>Net claims expenses</b>	<b>(648,840)</b>	<b>(463,292)</b>	<b>(311,502)</b>	<b>(283,993)</b>
Underwriting expenses	(352,883)	(337,107)	(283,323)	(255,464)
<b>Total underwriting expenses</b>	<b>(1,001,723)</b>	<b>(800,400)</b>	<b>(594,825)</b>	<b>(539,457)</b>
<b>Underwriting profit</b>	<b>425,917</b>	<b>358,588</b>	<b>381,398</b>	<b>171,735</b>
Investment income	413,899	289,290	179,636	162,524
Net realised gain/(loss) on financial assets	-	-	-	-
Net FV Gain/Loss on investments @ FVTPL	-	-	-	-
Net FV Gain/Loss on financial asset HFT	0	(4)	0	(4)
Other operating income	71,199	16,796	15,914	9,295
<b>Total investment and other income</b>	<b>485,098</b>	<b>306,082</b>	<b>195,550</b>	<b>171,815</b>
<b>Net income</b>	<b>911,015</b>	<b>664,670</b>	<b>576,949</b>	<b>343,550</b>
Impairment on trade receivable	3,910	(21,015)	3,910	(21,015)
Impairment on Other Assets	2,262	(17,637)	-	-
Interest on deposit admin funds	(15,485)	-	-	-
Employee benefit expenses	(300,699)	(248,751)	(206,675)	(168,857)
Other operating expenses	(575,758)	(435,841)	(381,362)	(256,762)
<b>Total operating expenses</b>	<b>(885,770)</b>	<b>(723,244)</b>	<b>(584,127)</b>	<b>(446,634)</b>
<b>Operating profit</b>	<b>25,245</b>	<b>(58,574)</b>	<b>(7,179)</b>	<b>(103,084)</b>
Share of profit of associate	358,864	221,963	-	-
<b>Profit before tax</b>	<b>384,109</b>	<b>163,389</b>	<b>(7,179)</b>	<b>(103,084)</b>
Income tax	(118,367)	(36,932)	(96,384)	(37,355)
<b>Profit after tax</b>	<b>265,742</b>	<b>126,457</b>	<b>(103,563)</b>	<b>(140,439)</b>
<b>Other Comprehensive Income, net of tax:</b>				
Exch. Diff. on translation of foreign operation	(11,360)	111,723	-	-
Net fair value gain on AFS financial asset	70,972	(133,379)	46,971	(131,838)
Gain on revaluation of property and equipment	-	-	-	-
Deffered tax on revaluation gain	-	-	-	-
Share of other comprehensive income of associate	(266,780)	-	-	-
<b>Total Other Comprehensive Income</b>	<b>(207,167)</b>	<b>(21,655)</b>	<b>46,971</b>	<b>(131,838)</b>
<b>Total comprehensive income/loss</b>	<b>58,575</b>	<b>104,801</b>	<b>(56,591)</b>	<b>(272,277)</b>
Basic Earning Per Share (Kobo)	0.02	0.00	(0.01)	(0.00)

**Wapic Insurance Plc**

**Consolidated Statements of Changes in Equity -Group  
For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

	Share capital	Share premium	Contingency reserves	Other reserves	Retained earnings	Total equity
Balance at 1 January 2017	6,691,369	6,194,983	1,807,949	1,209,743	662,293	16,566,337
<i>Total comprehensive income for the year</i>						
Profit for the year	-	-	-	-	265,742	265,742
Transfer to contingency reserves	-	-	102,567	-	(102,567)	-
	-	-	102,567	-	163,175	265,742
<b>Other comprehensive income</b>						
Net changes in fair value of AFS financial instruments	-	-	-	70,972	-	70,972
net Reclassification adjustments for realised net gains/loses	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	(11,360)	-	(11,360)
Share of other comprehensive income of associates	-	-	-	(266,780)	-	(266,780)
Reclassification of revaluation gain net of tax on disposed property	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	(207,167)	-	(207,168)
Total comprehensive income for year	-	-	102,567	(207,167)	163,175	58,574
<b>Transactions with equity holders, recorded directly in equity:</b>						
Dividend paid	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance at 31st March 2017	6,691,369	6,194,983	1,910,516	1,002,576	825,468	16,624,912
	-	-	-	-	-	-

**Wapic Insurance Plc**

**Statement of Changes in Equity -Company**

**For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

	Share Capital	Share premium	Contingency reserves	Other reserves	Retained earnings	Total equity
Balance at 1 January 2017	6,691,369	6,194,983	1,550,425	788,338	(191,624)	15,033,491
<i>Total comprehensive income for the year</i>						
Profit for the year	-	-	-	-	(103,563)	(103,563)
Transfer to contingency reserves	-	-	86,597	-	(86,597)	-
	-	-	86,597	-	(190,160)	(103,563)
<b>Other comprehensive income</b>						
Net changes in fair value of AFS financial instruments	-	-	-	46,971	-	46,971
Net reclassification adjustments for realised net gains/(loses)	-	-	-	-	-	-
Share of other comprehensive income of associates	-	-	-	-	-	-
Revaluation gain on property and equipment, net of tax	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	46,971	-	46,971
Total comprehensive income for year	-	-	86,597	46,971	(190,160)	(56,591)
<b>Transactions with equity holders, recorded directly in equity:</b>						
Dividend paid	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-
Balance at 31st March 2017	6,691,369	6,194,983	1,637,022	835,309	(381,785)	14,976,899
	-	-	-	-	-	-

**Wapic Insurance Plc**

**Consolidated Statements of Changes in Equity -Group  
For the period ended 31st March 2016**

(All amounts in Naira thousands unless otherwise stated)

	<b>Share capital</b>	<b>Share premium</b>	<b>Contingency reserves</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2016	6,691,369	6,194,983	1,625,511	(209,751)	660,186	14,962,298
<i>Total comprehensive income for the year</i>						
Profit for the year	-	-	-	-	126,457	126,457
Transfer to contingency reserves	-	-	76,405	-	(76,405)	-
	-	-	76,405	-	50,052	126,457
<b>Other comprehensive income</b>						
Net changes in fair value of AFS financial instruments	-	-	-	(133,379)	-	(133,379)
Foreign currency translation difference	-	-	-	111,723	-	111,723
Revaluation gain on property and equipment, net of tax	-	-	-	-	-	-
Reclassification - Excess depreciation transfer	-	-	-	-	-	-
Deferred tax on revaluation gain on property and equipment	-	-	-	-	-	-
<b>Total other comprehensive income for the year</b>	-	-	-	(21,655)	-	(21,656)
<b>Total comprehensive income for year</b>	-	-	76,405	(21,655)	50,052	104,801
<b>Total transactions with owners</b>	-	-	-	-	-	-
Balance at 31st March 2016	6,691,369	6,194,983	1,701,916	(231,406)	710,238	15,067,100

**Wapic Insurance Plc****Statement of Changes in Equity -Company****For the period ended 31st March 2016**

(All amounts in Naira thousands unless otherwise stated)

	<b>Share Capital</b>	<b>Share premium</b>	<b>Contingency reserves</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance at 1 January 2016	6,691,369	6,194,983	1,389,162	19,026	279,143	14,573,683
<i>Total comprehensive income for the year</i>						
Profit for the year	-	-	-	-	(140,439)	(140,439)
Transfer to contingency reserves	-	-	62,337	-	(62,337)	-
	-	-	62,337	-	(202,776)	(140,439)
<b>Other comprehensive income</b>						
Net changes in fair value of AFS financial instruments	-	-	-	(131,838)	-	(131,838)
Revaluation gain on property and equipment, net of tax	-	-	-	-	-	-
Reclassification - Excess depreciation transfer	-	-	-	-	-	-
Deferred tax on revaluation gain on property and equipment	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	(131,838)	-	(131,838)
Total comprehensive income for year	-	-	62,337	(131,838)	(202,776)	(272,277)
Total transactions with owners	-	-	-	-	-	-
Balance at 31st March 2016	6,691,369	6,194,983	1,451,499	(112,812)	76,367	14,301,406

**Wapic Insurance Plc**

**Consolidated Statement of Cash Flows  
For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>31-Mar</b>	<b>31-Mar</b>	<b>31-Mar</b>	<b>31-Mar</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Cash flows from operating activities</b>				
Premiums received	3,895,825	3,154,292	3,333,153	2,322,729
Fees and commission received	269,834	189,800	222,852	152,326
Fees and commission paid	(670,956)	(569,993)	(544,179)	(406,449)
Reinsurance premiums paid	(1,900,149)	(1,191,056)	(1,441,214)	(996,573)
Gross claims paid to policy holders	(830,273)	(567,223)	(366,701)	(314,957)
Reinsurance recoveries on claims	(363,298)	179,132	(131,494)	(980)
Payments to employees	(300,699)	(248,751)	(206,675)	(168,857)
Other operating cash payments	(803,494)	(1,927,703)	(553,522)	(1,170,644)
Other operating cash receipts	125,401	52,826	15,064	17,807
Tax paid	(27,621)	-	(21,036)	-
<b>Net cashflow from operations</b>	<b>(605,430)</b>	<b>(928,677)</b>	<b>306,248</b>	<b>(565,600)</b>
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	(139,652)	(164,961)	(62,634)	(123,946)
Purchases of intangible assets	(18,210)	(0)	(17,325)	-
Proceeds from sale of property and equipment	1,821	101,201	1,821	68,543
Purchases of investment securities	(5,740,607)	(2,625,278)	(2,227,521)	(1,704,459)
Proceeds from redemption of investment securities	4,684,932	989,699	1,779,710	534,280
Acquisition/Improvement to investment properties	-	(1)	-	(0)
Proceeds from sale of investment properties	-	-	-	-
Rental income received	-	500	-	500
Dividend income received	75,851	40,601	71,425	37,837
Interest income received	331,949	206,396	108,211	124,187
<b>Net cash (used in) / from investing activities</b>	<b>(803,916)</b>	<b>(1,451,841)</b>	<b>(346,315)</b>	<b>(1,063,058)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	-	-	-	-
Dividend paid	-	-	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in cash and cash equivalents</b>	<b>(1,409,346)</b>	<b>(2,380,518)</b>	<b>(40,067)</b>	<b>(1,628,658)</b>
Cash and cash equivalent at beginning of year	6,691,319	8,933,668	1,654,226	3,807,080
Net increase/(decrease) in cash and cash equivalent	(1,409,346)	(2,380,518)	(40,067)	(1,628,658)
<b>Cash and cash equivalent at end of year</b>	<b>5,281,973</b>	<b>6,553,150</b>	<b>1,614,159</b>	<b>2,178,422</b>

**Summary of Cash and cash equivalents**

For the purposes of the statement of cash flow, cash and cash equivalents is as follows:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>31-Mar</b>	<b>31-Mar</b>	<b>31-Mar</b>	<b>31-Mar</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Cash at bank and in hand	61,451	1,041,080	78,540	192,488
Money market placements	1,219,307	4,282,038	531,380	1,524,744
Treasury bills less than 90 days maturity	4,001,215	1,230,032	1,004,240	461,190
<b>Balance, end of year</b>	<b>5,281,973</b>	<b>6,553,150</b>	<b>1,614,159</b>	<b>2,178,422</b>

The statement of significant accounting policies and the accompanying notes form an integral part of these financial statements.



## Notes to the financial statements

### 1. Reporting entity

Wapic Insurance Plc (“Wapic” or “the Company”) together with its subsidiaries (collectively “the Group”) is a public liability company domiciled in Nigeria with operations in Nigeria and Ghana. Wapic Insurance Plc was incorporated on 14 March 1958 as a private limited liability Company under the name of West African Provincial Insurance Company Limited. It became a public limited liability company in 1990 when the Company’s shares were listed on the Nigerian Stock Exchange. The Company secured a life insurance business license from National Insurance Commission (NAICOM) in 2000, and became a composite insurance business. The Company separated the life business and transferred the related assets and liabilities to its subsidiary, Intercontinental Life Assurance Limited (now Wapic Life Assurance Limited), on 1 March 2007 through which it continues to provide life assurance services. Wapic Insurance Ghana Limited, a wholly owned subsidiary of Wapic Insurance Plc, was incorporated on 21 January 2008 to carry on general insurance business in Ghana from 19 February 2008. The address of the Company’s corporate office is 119, Awolowo Road, Ikoyi. The Group is principally engaged in the business of underwriting life and non-life insurance risks and also issues a diversified portfolio of investment contracts products to provide its customers with asset management solutions for their savings and target investment plans.

### Going concern

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

### 2. Basis of preparation

#### (a) Statement of compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS and in the manner required by Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria, the Financial Reporting Council of Nigeria Act (FRC Act) and Nigerian Insurance Commission (NAICOM) guidelines and circulars.

These financial statements were authorised for issue by the Company’s Board of Directors on 26 April 2017.

#### (b) Functional and presentation currency

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

#### (c) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- investment properties are measured at fair value;
- land and building are carried at revalued amount; and
- Insurance liabilities are measured at present value of future cashflows.

#### (d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. 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 estimates are revised and in any future periods affected.

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 consolidated financial statements is included in note 4 to the financial statements.

**(e) Regulation**

The Company is regulated by the NAICOM under the National Insurance Act of Nigeria. The Act specifies certain provisions which have impact on financial reporting as follows:

- i) section 20 (1a) provides that provisions for unexpired risks shall be calculated on a time apportionment basis of the risks accepted in the year;
- ii) section 20 (1b) requires provision for outstanding claims to be credited with an amount equal to the total estimated amount of all outstanding claims with a further amount representing 10 per centum of the estimated figure for outstanding claims in respect of claims incurred but not reported at the end of the year under review. Under IFRS the Incurred but not Reported (IBNR) claims are included in the reserves is as determined by the Actuary;
- iii) sections 21 (1a) and 22 (1b) require maintenance of contingency reserves for general and life businesses respectively at specified rates as set out under note 3.24 to cover fluctuations in securities and variation in statistical estimates;
- iv) section 22 (1a) requires that the maintenance of a general reserve fund (insurance contract fund) which shall be credited with an amount equal to the net liabilities on policies in force at the time of the actuarial valuation and an additional 25 percent of net premium for every year between valuation date;
- v) section 24 requires the maintenance of a margin of solvency to be calculated in accordance with the Act.

The FRC Act provides that in the matters of financial reporting if there is any inconsistency between the FRC Act and of other Act or law, the FRC Act shall supercede the other Act or law. The FRC Act provides that IFRS shall be the national financial reporting framework in Nigeria. Consequently, the following provision of the National Insurance Act, which conflict with the provisions of IFRS have not been adopted:

- i) the requirement to provide 10 per cent for outstanding claims in respect of claims incurred but not reported (IBNR) at the end of the year under review under section 20 (1b);
- ii) the requirement for additional provision of 25 per cent of net premium to general reserve fund under section 22 (1a).

**(f) Changes in accounting policies**

Except for the changes below, the Group and Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

The following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application are applicable to the Group as of 1 January 2016.

**New and amended standards and interpretations**

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

**Standards and interpretations effective during the reporting period**

Amendments to the following standard(s) became effective in the reporting period from 1st January, 2016. They do not have any material impact on the accounting policies, financial position or performance of the Company.

***Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations***

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The Company does not have any interest in joint operations and does not plan to acquire interests in same. Hence, the amendment does not impact the company.

#### ***Amendments to IAS 1 - Presentation of financial statements***

Amendments to IAS 1 is to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. The amendment does not in any way affect the company nor its financial statements and accounting policies.

#### **Amendments to IAS 27 - Separate financial statements**

Amendments to IAS 27 is to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendment does not affect the company nor its financial statements and accounting policies.

#### **Amendments to IAS 16 – Property, Plant and Equipment**

Amendments to IAS 16 is to clarify that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefit embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits in an intangible asset. The Company's property, plant and equipment are depreciated using the straight line method and is therefore not impacted by the amendment.

#### **IAS 38 – Intangible Assets**

Amendment to IAS 38 introduced a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as stated in amendment to IAS 16 above. The amendment stated that there are limited circumstances where the rebuttable presumption can be overcome. This is when the intangible asset is expressed as a measure of income and when it can be demonstrated that revenue and consumption of economic benefits of the intangible asset are highly correlated although there are no clear details as to the admissible evidence that is required to overcome the presumption. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of Company's intangible asset, hence the amendment does not impact the Company.

#### **IAS 41 – Agriculture and IAS 16 – Property, Plant and Equipment**

The amendment seeks to move biological assets that meet the definition of a "Bearer Plant" (e.g. Fruit trees) away from the fair value measurement approach as prescribed by IAS 41, Agriculture and bring it within the scope of IAS 16, Property, Plant and Equipment. This will enable entities to measure bearer plants at cost subsequent to initial recognition or at revaluation. The amendment also introduced an appropriate definition of a bearer plant. The Company does not have any operational business related to Agriculture and therefore is not in any way impacted by the standard or its amendments.

#### **IFRS 14- Regulatory deferral accounts**

IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rate-regulated entities that have not yet adopted International Financial Reporting Standards (IFRS). Its purpose is to allow rate-regulated entities adopting IFRS for the first-time to avoid changes in accounting policies in respect of regulatory deferral accounts until such time as the International Accounting Standards Board (IASB) can complete its comprehensive project on rate regulated activities. This standard would not have an impact on the Company as it is not a first time preparer of IFRS financial statements. This is in addition to the fact that the regulators of the countries where we operate do not allow creation of any regulatory deferral account.

#### **Amendments to IFRS 10 - Consolidated Financial Statements**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. 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. These amendments do not have any impact on the Company as no member of the Company is an investment entity.

#### **Amendments to IAS 34 – Interim Financial Reporting**

IAS 34 to clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross reference between the financial statements and wherever they are included within the greater interim financial report (e.g. management commentary or risk report).

### **Amendments to IFRS 5 - Non Current Asset Held for Sale and Discontinued Operations**

IFRS 5 with specific guidance on changes in disposal methods, for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases for which held for distribution accounting is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new disposal plan, rather it is a continuation of the original plan.

### **Standards and interpretations issued/amended but not yet effective**

The following new or revised standards and amendments which have a potential impact on the Company are not yet effective for the year ended 31 December 2016 and have not been applied in preparing these financial statements. However, the Company's assessments of the new standards and amendments is that they are not expected to have significant impact on the it's operations and financial position.

These other standards issued/amended by the IASB but yet to be effective are outlined below:

<b>Standard</b>	<b>Content</b>	<b>Effective Date</b>
Amendments to IAS 12	Income Taxes	1-Jan-17
IFRS 15	Revenue from Contracts with Customers	1-Jan-18
Amendments to IAS 7	Statement of Cash Flows	1-Jan-17
IFRS 9	Financial instruments	1-Jan-18
IFRS 16	Leases	1-Jan-19

**Commentaries on these new standards/amendments are provided below.**

#### **Amendments to IAS 12 – Income Taxes**

Amends IFRS 12 to clarify accounting treatment for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

#### **IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are Identification of the contract with the customer, Identification of the performance obligations in the contract, Determination of the transaction price, Allocation of the transaction price to the performance obligations in the contracts, and Recognition of revenue when (or as) the entity satisfies a performance obligation.

#### **Amendments to IAS 7 - Statement of Cash Flows**

Amends IAS 7 to include disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment specifies that the following changes arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

#### **IFRS 9 - Financial instruments**

IFRS 9 is part of the IASB's project to replace IAS 39. It addresses classification, measurement and impairment of financial assets as well as hedge accounting.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances. The bank is yet to quantify the impact of this change although it is expected to lead to an increased impairment charge than recognized under IAS 39.

Furthermore, the IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The company is yet to quantify the impact of these changes on its financial statements.

## **IFRS 16 – Leases**

This is a new standard introduced by IASB to replace existing standard IAS 17 - Leases.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to 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 required to remeasure 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 remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Other standards and interpretations issued that are effective for annual periods beginning after January 1, 2016, have not been applied in preparing these financial statements and the Company is yet to assess the full impact of the amendments arising from these standards.

### **3. Significant accounting policies**

Except for the changes explained above, the significant accounting policies set out below have been consistently applied by the Group and Company to all periods presented in these financial statements.

#### **3.1. Cash and cash equivalents**

Cash and cash equivalents include cash in hand and at bank, call deposits and short term highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

#### **3.2. Financial instruments**

##### *(i) Financial assets*

##### *(a) Classification*

The Group's financial assets include cash and short term deposits, trade and other receivables, staff loans, quoted and unquoted equity instruments, treasury bills, bonds and debt notes.

The classification of financial assets depends on the purpose for which the investments were acquired or originated.

The Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity;
- loans and receivables, and
- available-for-sale.

##### *(b) Initial recognition*

All financial instruments are initially recognized at fair value plus directly attributable transaction costs for financial instruments not classified as at fair value through profit and loss. Financial instruments are recognized when the Group has a contractual right to receive cash flows from the financial instruments or where the Group has assumed substantially all risks and rewards of ownership.

##### *(c) Subsequent measurement*

Subsequent to initial recognition, financial assets are measured either at fair value, amortised cost or cost, depending on their categorization.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at initial recognition at fair value through profit or loss.

Financial assets classified as held for trading are acquired principally for the purpose of selling in the short term for profit purposes.

Subsequent to initial recognition, financial assets at fair value through profit or loss investments are re-measured at fair value, with gains and losses arising from changes in this value recognized in the profit or loss in the period in which they arise. The fair values of quoted instruments in active markets are based on current bid prices, while those of unquoted instruments are determined by reference to an active markets or valuation techniques.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are recognised in the profit or loss. The Group holds financial assets designated at initial recognition at fair value through profit or loss in addition to those financial assets held for trading.

#### *Held-to-maturity*

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

- those that the Group designates as available for sale;
- those that upon initial recognition has been designated as at fair value through profit or loss; and
- those that meet the definition of loans and receivables.

Such instruments as government bonds, corporate bonds and treasury bills are carried at amortised cost using the effective interest method, less impairment allowance, if any.

Held to maturity investments are measured subsequent to initial recognition at amortised cost using the effective interest rate.

The Group consider tainted any financial assets classified as held to maturity, if during the current financial year or the two preceding financial years, it has sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after substantially all of the financial asset's original principal has been collected through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the Group's control, is non-recurring and could not have been reasonably anticipated by the Group.

#### *Available-for-sale*

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

Available-for-sale financial assets are carried at fair value. Fair values for quoted instruments are determined in the same manner as those of instruments at fair value through profit or loss. The fair values of unquoted equities and other instruments for which there is no active market, are established using appropriate valuation techniques. These inputs may include reference to the current fair value of other instruments that are substantially similar in terms of underlying cash flows and risk characteristics.

Available for sale equity instruments for which fair value cannot be reliably determined are carried at cost less impairment allowance, if any.

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 profit or loss upon sale or de-recognition of the instrument. When available for sale instruments are impaired, the impairment loss is recognised immediately in profit or loss.

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

Interest income on available for sale debt instruments are recognised in the profit or loss for the related period using the effective interest rate method.

#### *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 classified by the Group as at fair value through profit or loss or available-for-sale.

Loans and receivables consist primarily of staff loans, premium debtors, due from reinsurers, other debtors.

Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses. Loans granted to staff at below market rates are fair valued by reference to expected future cash flows and current market interest rates for instruments in a comparable or similar risk class and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs where these are considered material.

#### *(d) Impairment of financial assets*

The carrying amounts of financial assets subsequently measured at amortised cost are reviewed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset and can be reliably estimated.

Observable data or evidence that the group uses to determine if an impairment allowance is required on a financial asset include:

- significant financial difficulty of a counter party;
- a breach of contract such as default of contractual terms or delinquency in interest or principal payment;
- it is probable that the counterparty will enter bankruptcy or other financial reorganisation; and
- observable data which indicates that there is a measurable decrease in the estimated future cash flows from a group of assets since the initial recognition of those assets although the decrease cannot yet be identified with the individual financial assets. In addition, for an available-for-sale financial asset, a significant or prolonged decline in the fair value below its cost is also considered objective evidence of impairment. While the determination of what is significant or prolonged is a matter of judgement. In respect of equity securities that are quoted, the group is guided by the following:

- (i) a decline is generally regarded as significant if it represent substantial fall in value below cost and
- (ii) a decline in quoted price is considered to be prolonged if decline persists for more one financial year.

#### *Loans and receivables and held-to-maturity financial instruments*

For financial assets measured at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and or collectively for the entire portfolio or class of financial assets. 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.

When there is objective evidence of impairment, the amount of the impairment loss determined is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through an allowance account. The impairment loss is recognised in profit or loss.

Impairment reversals in a subsequent period arising as a result of decreases in the amount of the impairment loss is recognised where the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal is reinstated as far it does not result in the carrying amount of the financial asset that exceeds what the amortised cost would have been had the initial impairment not been recognised.

#### *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.

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

When an available-for-sale financial instrument is carried at cost because fair value is not reliably measured, an impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at current market rate of return for similar instruments.

*(ii) Financial liabilities*

The Group's financial liabilities are classified as other financial liabilities at amortised cost. They include: investment contract liabilities, trade and other payables.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value while other financial liabilities are measured at amortised cost.

In accordance with IAS 39, all financial assets and liabilities (including derivative financial instruments) have to be recognized in the financial statements and measured in accordance with their assigned categories. The table below represents the Company's classification of all its financial assets and liabilities:

Category		Classes as determined by the Company		Subclasses
Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Unlisted equity securities	Shares
	Loans and receivables	Cash and cash equivalents		Cash at bank and in hand
				Money market placements
		Trade receivables		Due from agents
				Due from policy holders/brokers
				Due from insurance companies
				Bancassurance receivables
	Reinsurance assets		Claim recoverables	
	Other receivables and prepayment		Staff loans	
	Available for sale	Investment securities	Listed equity	Shares
Unlisted equity			Shares	
Held to maturity	Investment securities	Listed debt securities	Treasury Bills	
			Corporate Bonds	
			Government Bonds	
Financial liabilities	Financial liabilities at fair value through profit or loss	Nil	Nil	Nil
	Financial liabilities at amortized cost	Trade payables		Reinsurance payable
				Customer deposits
		Other payables		Accounts payable
				Due to contractors
				Accrued expenses
		Investment contract liabilities		Individual deposit administration
Group deposit administration				

*(iii) 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 in the principal or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non performance risk.



When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where an appropriate and reliable valuation technique can not be achieved the instrument is carried at cost.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration paid or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price or at the price that best present the financial instrument.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

*(iv) Offsetting financial assets and liabilities*

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the group has a 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.

*(v) De-recognition of financial assets and liabilities*

A financial asset is derecognized when the contractual rights of the Group to the cash flows from the asset expire, or its rights to receive the contractual cash flows on the financial asset in a transaction that transfers substantially all the risks and rewards of ownership of the financial asset are transferred, or when it assumes 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 Group is recognized as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or has expired.

*(vi) Write-off policy*

The Group writes off a financial asset (and any related allowances for impairment losses) when it determines that the assets are uncollectible. This is determined after consideration of information such as significant changes in the issuer's financial position such that the issuer can no longer pay the obligation or charge off decisions generally based on specific past due status considerations.

*(vii) Trade receivables*

Trade receivables are loans and receivables financial instruments specifically arising from insurance contracts and constitutes premium debtors with determinable payments that are not quoted in an active market and the Group has no intention to sell. Trade receivables on insurance contracts are initially recognised at fair value and subsequently measured at amortised cost less impairment. Trade receivables are recognised for insurance cover for which payments have been received indirectly through duly licensed insurance brokers or lead insurers in co-insurance arrangements. Premium collected on behalf of the Group are expected to be received within 30 days from insurance brokers and lead insurers. Trade receivables that are individually identified as impaired are assessed for specific impairment. All other trade receivables are assessed for collective impairment.

### **3.3. Reinsurance assets and liabilities**

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group that meets the classification requirements for insurance contracts are classified as reinsurance contracts held by the Group. Contracts that do not meet these classification requirements are classified as financial assets.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers on settled or outstanding claims are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's obligations according to the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance premiums paid and payable on the Group's reinsurance contracts are amortised over the life of the underlying insurance contracts covered by the reinsurance policies. The unexpired portion of the amortised reinsurance premiums are recognised as prepaid reinsurance.

The Group's reinsurance assets are measured at their carrying amount less impairment charges. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. If there is objective evidence of impairment, the Group reduces the carrying amount of its reinsurance assets to its recoverable amount and recognizes the impairment loss in the profit or loss. An objective evidence exists if an event has occurred by which the Group may determine that it may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Reinsurance liabilities are premiums payable for the Group's reinsurance contracts and are recognised as an expense when due.

### **3.4 Deferred acquisition costs (DAC)**

Acquisition costs comprise insurance commissions, brokerage and other related underwriting expenses arising from the generation and underwriting of insurance contracts. Deferred acquisition costs represent a proportion of commission and underwriting expenses which are incurred during a financial period and are deferred to the extent that they are recoverable out of future revenue margins.

The proportion of these acquisition costs that correspond to the unearned premiums are deferred as an asset and amortised over the life of the associated insurance contracts on a basis consistent with the related unearned portion of the premiums.

For non life business and short-duration life insurance contracts, the Group amortises the deferred acquisition costs over the terms of the policies as premium is earned on the underlying insurance contracts by applying to the acquisition expenses the ratio of unearned premium to written premium.

For long-term life insurance contracts no assets are established in respect of deferred acquisition cost. However, an allowance for acquisition cost loading is provided for in the valuation of the insurance contract liabilities using assumptions consistent with those used in calculating future policy benefit liabilities as well as historical and anticipated future experience and is updated at the end of each accounting period.

### **3.5. Other receivables and prepayments**

Other receivables are stated after deductions of amount considered bad or doubtful of recovery. These are loans and receivables other than investment securities, insurance trade receivables and reinsurance assets. When a debt is deemed not collectible, it is written-off against the related provision or directly to profit or loss account to the extent not previously provided for. Any subsequent recovery of written-off debts is credited to profit or loss.

Prepayments represent prepaid expenses and are carried at cost less amortisation expensed in profit or loss.

### **3.6. Basis of consolidation**

#### ***(a) Subsidiaries***

Investment in subsidiaries are carried in the Company's separate financial statements at cost less allowance for impairment.

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements include the assets, liabilities and results of the Group and subsidiary undertakings. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Investment in subsidiary are carried at cost in the Group's separate financial statements and are reviewed for impairment annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and transferred to equity.

On the disposal of a foreign operation, the Group recognises in profit or loss the cumulative amount of exchange differences relating to that foreign operation. When a subsidiary that includes a foreign operation is partially disposed of or sold, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non controlling interests in that foreign operation. In the case of any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of exchange differences recognised in other comprehensive income.

#### ***(b) Transactions eliminated on consolidation***

Intra-Group balances and transactions and any unrealized gains or losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### ***(c) Associates***

Investment in associates are carried in the Company's separate financial statements at cost less allowance for impairment and consolidated in the Group's consolidated financial statements under the equity accounting method.

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity accounting method. Under the equity accounting the method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the post-acquisition profit or loss and other comprehensive income of the investee. The Group's investment in associates includes goodwill identified on acquisition while gains realised on purchase below fair value are recognised in profit or loss.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of the post-acquisition movement in other comprehensive income is recognised in other comprehensive income with corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associates, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred constructive obligations or made payments on behalf of the associate.

The Group determine at each reporting date whether there is any objective evidence that the investment in the associate is impaired. The amount of impairment is determined as the difference between the recoverable amount of the associate and its carrying value. This amount is recognised against the share of profit or loss of associates in the income statement.

On disposal of ownership interest in an associate which reduces holding but where significant influence is retained, only a proportionate share of the amount previously recognised in other comprehensive income is reclassified to profit or loss where appropriate, where significant influence is lost, the investment is reclassified as equity investment and the amount previously recognised in other comprehensive income is reclassified to profit or loss.

***(d) Elimination of upstream and downstream transactions***

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction present evidence of an impairment of the asset transferred. Accounting policies of the associate are reviewed and aligned to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in income statement.

**3.7. Investment property**

Investment property comprises investment in land or buildings held primarily to earn rentals or capital appreciation or both.

Investment property is initially recognized at cost including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes cost of day to day servicing of an investment property. Investment property is subsequently measured at fair value with any change therein recognised in profit or loss. Fair values are determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location.

Fair values are reviewed annually by independent valuer, registered with the Financial Reporting Council of Nigeria and holding a recognized and relevant professional qualification and with relevant experience in the location and category of investment property being valued.

Subsequent expenditure on investment property is capitalized only if future economic benefit will flow to the Group; otherwise they are expensed as incurred.

Investment properties are disclosed separate from the property and equipment used for the purposes of the business. The Group separately accounts for a dual purpose property as investment property if it occupies only an insignificant portion and the related value can be separately identifiable and measured reliably. Otherwise, the portion occupied by the Group is treated as property and equipment.

**3.8. Intangible assets**

*Software*

Recognition of software acquired is only allowed if it is probable that future economic benefits attributable to this intangible asset will flow to the Group. Software acquired is initially measured at cost. The cost of acquired software comprises its purchase price, including any import duties and non-refundable purchase taxes and any directly attributable expenditure on preparing the asset for its intended use. After initial recognition, software acquired is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Maintenance costs are expensed to profit or loss.

Internally developed software is capitalized when the Group has the intention and demonstrates the ability to complete the development, has the technical feasibility of completing the intangible asset so that it will be available for use and it has adequate technical, financial and other resources to complete the development and use of the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs include all costs directly attributable to the development of the software. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is five years subject to annual reassessment.

### 3.9. Property and equipment

#### *Recognition and measurement*

All items of property and equipment except land and buildings are initially recognised at cost and subsequently measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Land and buildings are initially recognised at cost and subsequently carried at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses, if any.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

#### *Subsequent Costs*

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

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

#### *Depreciation*

Depreciation is calculated on property and equipment on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life. Depreciation methods, useful lives and residual values are reassessed at each reporting date. No depreciation is charged on property and equipment until they are available for use.

Depreciation reduces an asset's carrying value to its residual value at the end of its useful life and is allocated on a straight line basis over the estimated useful lives, as follows:

Land	- Over the lease period
Buildings	- Over 50 years
Office equipment	- Over 5 years
Computer hardware	- Over 3 years
Furniture and fittings	- Over 5 years
Motor vehicles	- Over 4 years

#### *Revaluation of land and building*

Land and building is accessed for impairment at each reporting date but valued on an open market basis by qualified property valuers at the reporting date at minimum of once within three financial years.

When an individual property is revalued, any increase in its carrying amount (as a result of revaluation) is transferred to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense in the statement of profit or loss.

When the value of an individual property is decreased as a result of a revaluation, the decrease is charged against any related credit balance in the revaluation reserve in respect of that property. However, to the extent that it exceeds any surplus, it is recognised as an expense in the statement of profit and loss.

#### *Work-in-progress property and equipment*

This represent property and equipment under construction and are carried at the cost incurred until completion. Work-in-progress property and equipment are transferred to the appropriate class of property and equipment upon completion when they are ready for use and are depreciated from the date of transfer when they are brought into use.

### *Derecognition*

An item of property and equipment is derecognised when it is disposed of or where no future economic benefits are expected from its use or disposal. Gains and losses arising on derecognition are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss as other income. Where a revalued asset is disposed or scrapped, the revaluation reserve balance in respect of that asset is transferred as a reserve reclassification from other reserves to retained earnings.

### **3.10. Leases**

#### ***Operating leases***

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

#### ***Finance leases***

Leases of equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the outstanding balance of the liability.

The corresponding lease obligations, net of finance charges, are included in liabilities. The finance cost is charged to profit or loss over the lease period according to the effective interest method. The equipment acquired under the finance lease is depreciated over the shorter of the useful life of the asset and the lease term, if ownership does not pass at the end of the lease term. Leased assets under finance leases where ownership is expected to pass to the Group at the end of the lease term are treated in the same manner as property and equipment.

### **3.11. Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets are considered to be impaired when there exist any indication that the asset's recoverable amount is less than the carrying amount and are at a minimum assessed for impairment annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cashflows (cash generating units). Impairment losses are recognised in profit or loss.

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

### **3.12. Deferred tax**

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of the asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred asset tax is realisable or the deferred tax liability is payable.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly in other comprehensive income, is also credited or charged to other comprehensive income and subsequently recognised in the consolidated income statement together with the deferred gain or loss.

### **3.13. Insurance contract liabilities**

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are when the Group (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of the insured event that are at least 10% more than the benefit payable if the insured event did not occur.

Non-life insurance contracts are issued to indemnify against property and liability insurance risk and are generally annual in tenor although some contracts can be beyond one year. These are short term insurance risks.

Life insurance contracts are issued to indemnify the insured life, the dependent or other third-party of the insured life in the even of death, permanent disability, loss of job or on survival to maturity of the contract with the sums assured.

Investment contracts are those contracts that transfer financial risk and no significant insurance risk. Financial risk is the risk of possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price 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.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the terms are amended to include significant insurance risk.

Receipts and payments under investment contracts are not classified as insurance transactions in the income statement, but instead are accounted for in the statement of financial position in accordance with IAS 39. The liability recognised in the statement of financial position represents the expected amounts payable to the holders of the investment contracts inclusive of allocated investment income.

Insurance contract liabilities are determined in line with the provisions of Section 20, 21 and 22 of the Insurance Act of Nigeria to the extent that they do not conflict with the requirements of IFRS as follows:

#### **(a) General insurance contracts: Measurement of insurance contracts liabilities**

##### **(i) Reserve for unearned premium and unexpired risk**

The reserve for unearned premium is calculated on a time apportionment basis in respect of risk accepted during the year. A provision for additional unexpired risk reserve is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve.

##### **(ii) Reserve 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) at the reporting date.

#### ***Reserving methodology and assumptions***

##### ***Data segmentation***

The data used for reserving is segmented into the 8 classes as per the Insurance Act 2003 of Nigeria:

- Motor vehicle insurance business
- Fire insurance business
- General accident insurance business
- Marine, aviation and transport insurance business
- Oil and gas insurance business
- Engineering
- Bonds, credit and suretyship
- Miscellaneous

##### ***Valuation methods and assumptions***

The following valuation methods are used as appropriate in calculating the reserves:

*(i) The basic chain ladder method*

This model assumes that past experience is indicative of future experience, i.e. that claims reported to date will continue to develop in a similar manner in the future. An implicit assumption is that, for an immature accident year, the claims observed thus far tells something about the claims yet to be observed. A further assumption is that it assumes consistent claim processing, a stable mix of types of claims, stable inflation and stable policy limits.

This method is used for cases where there are extremely large losses that have been reported but not paid, and therefore will not influence the development patterns. The IBNR was calculated as follows; The reserving was determined as ultimate claim amount (excluding extreme large losses) minus claims paid to date (excluding extremely large losses) minus claims outstanding (excluding extreme large losses). This method was used for the following classes of business; motor vehicle, fire, general accident, marine, engineering and miscellaneous.

*(ii) Loss ratio method, adjusted for assumed experience to date.*

This model assumes that the average delay in the payment of claims will continue into the future. If it is expected that these delay assumptions no longer hold, an adjustment needs to be made to allow for this change in payment delay. If the delay period in payment is expected to have increased from previous years, the results shown in this report will be understated. Additionally, an estimate of the average ultimate loss ratio was assumed. The assumption for the ultimate loss ratio was based on estimated average loss ratio on claims experience to date for accident years 2007 to 2016. The Loss ratio method was used for three classes namely oil and gas, bonds and aviation which had very limited data, and where use of the basic chain ladder method was inappropriate. The model allowed for expected experience to date within the assumed delay period and the assumed average ultimate loss ratios in carrying out the calculation. The average delay is the average number of months that it takes for a claim to be paid after the loss incident occurred. The IBNR was calculated as follows; Expected average ultimate loss ratio for the assumed average delay period x Earned premium for the assumed delay period- Current experience to date relating to the accident months that the delay implies.

*Discounting*

No allowance has been made for discounting as these reserves are for short term contracts, the effect of discounting is not expected to have a significant impact on the reserves.

*Sensitivity analysis*

Sensitivity analyses are performed to test the variability around the reserves that are calculated at the best estimate level. The sensitivity analysis is done to determine how the IBNR reserve amount would change if a 75th percentile is considered as opposed to the best estimate figures included in reserve reviews as at 31 December 2016. The 75th percentile is a generally accepted level of prudence.

**(b) Life insurance contracts: Measurement of insurance contracts liabilities**

**(i) Life fund**

This is made up of net liabilities on policies in force as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the life insurance contracts are recognised in the income statement.

This is made up of liabilities on life policies in force as determined by qualified actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the life insurance contracts are recognised in profit and loss.

The reserves include Incurred But Not Reported (IBNR) and Unearned Premium Reserve (UPR).

The Group does not have contracts with discretionary participating features.

*Data segmentation*

The data used for reserving is segmented into the 2 classes as follows:

- Individual business
- Group business

*Methodologies and assumptions*

The valuation for both the individual business and Group business utilises various assumptions which include:

- the valuation age is taken as Age Last Birthday at the valuation date;
- the period to maturity is taken as the full term of the policy less the expired term.
- full credit is given to premiums due between valuation date and the end of the premium paying term.

For all individual risk business, the gross premium method of valuation was used. Reserves were calculated via a cashflow projection approach, taking into account future office premiums, expenses and benefit payments. Future cashflows were discounted back to the valuation date at the valuation rate of interest.



An unexpired premium reserve (UPR) was included for Group life business after allowing for acquisition expenses at a ratio of 20% of premium. The UPR is tested against an Additional Unexpired Risk Reserve (AURR) for adequacy and an AURR may also be held to allow for any inadequacies in the UPR for meeting claims in respect of the unexpired period. The claim rates underlying the AURR were based on pooled historical scheme claims experience. Allowance was made for IBNR (Incurred But Not Reported) claims in Group Life to take care of the delay in reporting claims. This was based on a loss ratio approach, which uses historical claims experience to estimate the expected claims, from which the IBNR portion is determined.

**(c) General insurance: Insurance contracts revenue recognition**

The recognition and measurement of the insurance contracts in the group's general business are set out as follows:

**(i) Premiums income**

Gross premium relates to premium written in a year to cover assumed insurance risk. Gross premiums comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period.

Premiums on reinsurance inward from facultative reinsurance arrangement are included in gross written premiums and accounted for as if ceded business was 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 premiums 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 the indemnity.

**(ii) Unearned premiums**

Unearned premiums are those proportions of premiums written in the year that relate to periods of risks after the reporting date. It is computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts.

**(iii) Reinsurance cost**

The Group cedes insurance risks in the normal course of business for the purpose of limiting its potential net loss on policies written. Premium ceded comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the provision for the unearned premiums; the prepaid reinsurance cost. Reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders. Subsequently, premium ceded, claims reimbursed and commission recovered are presented in profit or loss and the statement of financial position separately from the gross amounts. Reinsurance recoverable are recognized when the Group records the liability for the claims and are not netted off claims expense but are presented separately in profit or loss as part of claims expenses recoverable.

**(iv) Fees and commission**

Fee and commissions are recognized on ceding business to reinsurance. Commissions are amortised and credited to the profit or loss account over the period of the reinsurance contract.

**(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 and these are recognised in the profit or loss. The provision for outstanding claims represent the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. The provision includes an allowance for claims management and handling expenses.

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

Claims on general insurance contracts are payable on a claims-occurrence basis. The Group recognise liability for all insured events that occurred during the term of the contract. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The reserves held for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unearned premiums at the end of the reporting period.

**(v) *Salvage and Subrogation Reimbursement***

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim for example and make salvage recovery on them. The Group may also have the right to pursue third parties for payment of some or all costs for example in a subrogation. A subrogation represent the portion of claims incurred expected to be recovered from negligent third-party or the third-party insurance Group.

Salvaged property is recognized in profit or loss when the amount that can reasonably be recovered from the disposal of the property has been established and are included as part of claims recoveries. Subrogation reimbursements are recognized in claim recoveries when the amount to be recovered from the liable third party has been established.

**(vi) *Deferred income***

Deferred income represents a portion of commissions received on reinsurance contracts during the financial year but are deferred based on the tenor of the underlying contracts. It is calculated by applying the reinsurance commission income ratio of prepaid reinsurance to reinsurance cost.

**(vii) *Deferred acquisition cost***

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

**(c) *Life insurance: Insurance contracts revenue recognition***

The recognition and measurement of the insurance contracts in the Group's life business are set out as follows:

**(i) *Risk premiums on life assurance***

Premiums and annuity considerations written and/or receivable under insurance contracts are stated gross of commission and recognised when due. Outward reinsurance premiums are recognised when due for payment. Premium written relates to risks assumed during the period.

**(ii) *Claims on life assurance***

Claims recognised include maturities, surrenders, death and disability payments. Claims arising on maturities are recorded as they fall due for payments. Death, disability and surrenders are accounted for on notification. Reinsurance recoveries are accounted for when the Group records the liability for the claims.

**(iii) *Insurance contract provisions on life assurance***

Insurance contract provisions are determined using valuation basis adopted in accordance with the generally accepted actuarial practices and methodologies as set out in note 3.16 (b).

The gross insurance contract provisions and related reinsurance recoveries are estimated on the basis of the information currently available to the Group. The ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amount provided.

**(d) *Classification of insurance contracts of the Group***

**(i) *Short term insurance contracts***

Short term insurance contracts are annual insurance contracts. This comprised mainly of the Group's general insurance business and the life insurance business group life products; for which the gross premium relates to premium written to cover assumed annual insurance risk liability.

For all these contracts, premiums are recognized as revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risk at the end of reporting date is reported as the unearned premium liability.

*(i) Long term insurance contracts*

Long term insurance contracts are insurance contracts which provide insurance cover over a long duration, generally more than one annual insurance period. This comprises mainly of the Group's life insurance business individual life products; for which the gross premium relates to premium written to cover assumed insurance risk liability covering more than one insurance period. These contracts insure events associated with human life (for example, death or survival) over a long duration.

**3.14. Liability adequacy test of insurance contracts liabilities and related assets**

The liability for insurance contracts is tested for adequacy by discounting current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability net of deferred acquisition costs. Where a shortfall is identified, an additional provision is made and the Group recognizes the deficiency in the profit or loss. Insurance contract liabilities are subject to liability adequacy testing on an annual basis. The method of valuation and assumptions used, the cashflows considered and the discounting and aggregation practices adopted have been set out as part of note 3.13(a) and 3.13(b).

**3.15. Investment contract liabilities**

Contracts under which the transfer of insurance risk to the Group from the policy holder is not significant are classified as investment contracts. Such contracts include savings and /or investment contracts sold with insignificant or without life assurance protection. These contracts transfer financial risk but insignificant insurance risk.

Amounts received under investment contracts are recognised directly as investment contract liabilities.

Investment contract liabilities are reported at amortised cost and are assessed for adequacy at each reporting date.

**3.16. Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted as the impact is not expected to be significant.

**3.17. Provisions**

A provision is recognized if, as a result of a past event, the Group 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 rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

**3.18. Income tax**

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

**3.19. Dividends**

Dividend distribution to the Group's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements. Dividends on the Group's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Group's shareholders.

**3.20. Share capital and premium**

The Company classifies ordinary shares and share premium as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to issue of shares are recognized as deductions from equity net of any tax effects.

**3.21. Share premium**

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

**3.22. Contingency reserve**

The Group maintains contingency reserves in accordance with the provisions of the Insurance Act 2003 to cover fluctuations in securities and variations in statistical estimates. For general business, the reserve is calculated at the rate equal to the higher of 3% of total premium or 20% of net profit until the reserve reaches the greater of minimum paid up capital or 50% of net premium for general business. Contingency reserve for life business is credited with the higher of 1% of gross premiums and 10% of net profit.

### **3.23. Other reserve**

Other reserves are made up of the following:

#### *Revaluation reserve*

Revaluation reserve represents the fair value differences on the revaluation of items of property and equipment as at the statement of financial position date. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in revaluation reserve. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an assets carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss, however, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in respect of an item of property and equipment is transferred to retained earnings when the asset is derecognised. This involves transferring the whole of the surplus when the asset is retired or disposed and some of the surplus are transferred to retained earnings to correspond to the asset use by the entity. The amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. Transfers from revaluation reserve to retained earnings are not made through profit or loss.

#### *Foreign currency translation reserve*

The Nigerian Naira is the Group's functional and reporting currency. The assets and liabilities of foreign operations are translated to Naira at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated to Naira at spot exchange rates at the dates of the transactions or at average rates of exchange where these approximate to actual rates. Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. However, if the foreign operation is not wholly owned the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of, such that controls is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is transferred to profit or loss as part of the gain or loss in disposal.

#### *Fair value reserve*

The fair value reserve comprises the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

#### *Merger reserve*

Merger reserve warehouses the difference between the consideration paid and the capital of the acquiree under a common control transaction using the book value accounting method. This was accounted for by the merger of the Company business with it subsidiary Intercontinental Properties Limited (IPL).

### **3.24. Retained earnings and Earnings per share**

#### *(i) Retained earnings*

The net profits or losses from operations in current and prior periods are accumulated in retained earnings less distributions to equity holders.

#### *(ii) Earnings per share*

##### *(a) Basic earnings per share*

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group by the number of shares outstanding during the year.

Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares adjusted for the bonus shares issued.

##### *(b) Diluted earnings per share*

The Group presents diluted earnings per share where appropriate. Diluted earnings per share is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### **3.25. Underwriting expenses**

Underwriting expenses are made up of acquisition and maintenance expenses comprising commission and policy expenses, other direct costs and insurance supervision levy.

Underwriting expenses for insurance contracts are recognized as expense when incurred, with the exception of acquisition costs which are recognized on a time apportionment basis in respect of risk.

### 3.26. Income recognition

#### (i) Gross premium income

Gross written premiums recognised for assumed insurance risks during the year are amortised over the period of the insurance contract. The gross premiums written are recognised as gross premiums income by adjusting for the movement in the unearned premiums reserves for insurance risks brought forward from the last year at the beginning of the year and the required unearned premiums reserves for the outstanding insurance risks at the end of the year. Recognised gross premiums income represent the earned portion of all insurance contracts in force during the year both from preceding years and the current year.

#### (ii) Fees and commission income

Fees and commission income are recognised on the commission and policy admin fees received in respect of businesses ceded out to reinsurance companies and other insurance companies as set out in note 3.16 (c) (iv), and fees earned from other related financial services during the period.

#### (iii) Investment income

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

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

#### *Net realised gain/ (loss) from financial assets:*

Net realised gain/ (loss) is the gain/(loss) arising from the disposal of financial assets held at fair value through other comprehensive income and are reclassified from other comprehensive income and recognised in the profit or loss.

#### *Net fair value gain/ (loss) from assets at fair value through profit or loss (FVTPL):*

Net fair value changes arising from the changes in the fair value of financial assets held at fair value through profit or loss are recognised in the profit or loss. These are mainly fair value changes from financial assets held for trading or designated at fair value through profit or loss and investment properties.

#### (iv) Other operating income

Other operating income comprises of profit from sale of property and equipment, interest income earned on staff loans and net foreign exchange gain. Interest income is recognised in the profit or loss as it accrues and is calculated using the effective interest rate method.

#### (v) Dividend income

Dividend is recognized when the Group's right to receive the dividend has been established. The right to receive dividend is established when the dividend has been duly declared.

### 3.27. Foreign currency transactions

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.

Unrealized exchange differences are recognized in profit or loss for financial asset held for trading or designated at fair value through profit or loss, or directly in equity through other comprehensive income until the asset is sold or becomes impaired for available-for-sale financial assets.

### 3.28. Employee benefits

#### *Short-term benefits*

Short-term employee benefit obligations include wages, salaries and other benefits which the Group has a present obligation to pay, as a result of employees' services provided up to the reporting sheet date. The accrual is calculated on an undiscounted basis, using current salary rates and recognised in the profit or loss.

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

#### *Post employment benefits*

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

#### *Termination benefits*

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

### **3.29. Management expenses**

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

### **3.30. Operating segment**

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to management. Transactions between segments are priced at market-related rates.

### **3.31. Business Combination**

Business Combinations are accounted for using the acquisition method as at the acquisition date i.e., when control is transferred to the Group. The Consideration transferred in the acquisition is generally measured at fair value as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in accordance with the relevant IFRS in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

### **3.32. Statutory deposit**

These deposits represent balances statutorily required by the insurance regulator of the Group to be held with the Central Bank of Nigeria. These deposits are not available for day to day use and are stated at amortised cost.

### **3.33. Contingent liabilities and contingent assets**

The Group disclose as contingent liabilities possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control; or a present obligation that arises from past events but is not recognised because, it is not probable that an outflow of economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured reliably.

The Group classify as contingent assets, possible assets whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. Where the assets are not probable – no asset is recognised or disclosed, where the assets are probable, but not virtually certain – no asset is recognised, but disclosure is included; and where the assets are virtually certain – the asset is recognised in the statement of financial position.

Contingent liabilities and contingent assets are grouped by class with brief description of the nature of the contingency and, where practicable, an estimate of the financial effect, the uncertainties relating to the amount and timing of the probable liabilities and assets. These normally comprise of legal claims under arbitration or court process in respect of which a liability or asset is not likely to crystallise.

## Notes to the financial statements

### Critical accounting estimates and judgments

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities. The underlying judgments of the selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Key sources of estimation uncertainty

#### (i) Determination of fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 3.2(d). Further disclosures on the Group's valuation methodology have been made on note 5 (Fair value hierarchy). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

#### (ii) Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items. There were no significant sensitivities of the carrying value of property and equipment and the depreciation charge for the year to increase or decrease in the useful life of property and equipment in the books of the Company as at 31 December 2016 (31 December 2015: Nil).

#### (iii) Actuarial valuation of insurance contracts liabilities

The liabilities for life insurance contracts are estimated using appropriate and acceptable base tables of standard mortality according to the type and nature of the insurance contracts. Assumptions such as expenses inflation, valuation interest rate, mortality and claims experience are considered in estimating the required reserves for individual life contracts fund and the incurred but not reported claims under the Group life and non-life insurance contracts. The sensitivities to various valuation index for the life business is included under note 5 (Sensitivity Analysis).

#### (iv) Recoverability of deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that in management's judgements it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and adjusted to the extent that it is no longer probable that the related tax benefit will be realised.

#### (v) Impairment of available-for-sale financial assets

At the balance sheet date, the fair values of certain equity and tradeable fixed income securities classified as available-for-sale financial assets with a carrying amount of N 2.455 billion have declined below cost by N 230.36 million. The Group has made a judgement that this decline is not significant or prolonged. In making this judgement, the Group has considered, among other factors, the short-term duration of the decline, the small magnitude by which the fair value of the investment is below cost; and the positive financial health and short-term business outlook of the investees and investment instruments.

If the decline in fair value below cost was considered significant or prolonged, the Group would have recognised an additional loss of N230.36 million in its 2016 financial statements.

#### (vi) Impairment of fair value through profit or loss financial assets

At the balance sheet date, the fair values of certain financial assets classified as at fair value through profit or loss (FVTPL) with a carrying amount of N 850 million have appreciated above book value by N 240 million.

If the appreciation in fair value above cost were not considered, the Group would have recognised an additional loss of N240 million in its 2016 financial statements.

**Wapic Insurance Plc**

**Notes to the financial statements**

**For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

	<b>Group</b>	<b>Company</b>
	<b>2017</b>	<b>2017</b>
	<b>31-Mar</b>	<b>31-Mar</b>
	<b>N'000</b>	<b>N'000</b>
<b>1 Net Premium Income</b>		
Gross Written Premium (Note 1a)	3,771,467	2,886,580
Unearned Premium (Note 1b)	(1,618,225)	(1,333,812)
Reinsurance Cost (Note 1c)	(878,693)	(684,612)
<b>Net Premium Income</b>	<b>1,274,548</b>	<b>868,156</b>
<b>a Analysis of Gross Written Premium</b>		
<i>Motor</i>	692,438	480,157
<i>Fire</i>	164,884	93,389
<i>General Accident</i>	1,178,475	1,128,366
<i>Marine</i>	91,764	86,044
<i>Aviation</i>	47,253	47,253
<i>Engineering</i>	142,338	131,213
<i>Oil &amp; Energy</i>	917,848	917,848
<i>Bond</i>	2,310	2,310
<i>Group Life</i>	513,997	-
<i>Individual Life</i>	3,827	-
<i>Bancassurance Premium</i>	16,333	-
	<b>3,771,467</b>	<b>2,886,580</b>
<b>b Analysis of Unearned Premium</b>		
<i>Motor</i>	(247,828)	(234,262)
<i>Fire</i>	32,837	18,598
<i>General Accident</i>	(667,218)	(658,441)
<i>Marine</i>	(6,049)	(4,491)
<i>Aviation</i>	15,438	15,438
<i>Engineering</i>	(42,425)	(48,522)
<i>Oil &amp; Energy</i>	(420,029)	(420,029)
<i>Bond</i>	(2,103)	(2,103)
<i>Group Life</i>	(277,524)	-
<i>Individual Life</i>	(3,325)	-
	<b>(1,618,225)</b>	<b>(1,333,812)</b>
<b>c Analysis of Reinsurance Expenses</b>		
<i>Motor</i>	(48,150)	(33,630)
<i>Fire</i>	(101,567)	(44,880)
<i>General Accident</i>	(165,673)	(128,159)
<i>Marine</i>	(68,820)	(64,768)
<i>Aviation</i>	(43,010)	(43,010)
<i>Engineering</i>	(105,720)	(96,651)
<i>Oil &amp; Energy</i>	(273,767)	(273,767)
<i>Bond</i>	252	252
<i>Group Life</i>	(21,715)	-
<i>Individual Life</i>	(4,646)	-
<i>Facultative Outward Group Life</i>	(101,938)	-
<i>Co-assurance Premium ( Outward)</i>	-	-
<i>Movement in Prepaid reinsurance cost - Group life</i>	58,276	-
<i>Movement in Prepaid reinsurance cost - Individual life</i>	(2,214)	-
	<b>(878,693)</b>	<b>(684,612)</b>



**Wapic Insurance Plc****Notes to the financial statements****For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**2 Claims Expenses Incurred**

Gross Claims Paid (Note 2a)	(830,273)	(366,701)
Movement in Outstanding Claim (Note 2b & 2c)	116,338	168,934
Claims Recoverable (Note 2d & 2e & 2f)	65,095	(113,735)
<b>Net Claims Expenses</b>	<b>(648,840)</b>	<b>(311,502)</b>

**a Analysis of Gross Claims Paid**

<i>Motor</i>	(237,970)	(147,438)
<i>Fire</i>	(86,261)	(23,828)
<i>General Accident</i>	(144,586)	(131,042)
<i>Marine</i>	(24,016)	(24,016)
<i>Aviation</i>	(1,509)	(1,509)
<i>Engineering</i>	(11,355)	(11,355)
<i>Oil &amp; Energy</i>	(13,397)	(13,397)
<i>Bond</i>	(14,115)	(14,115)
<i>Group Life</i>	(270,912)	-
<i>Individual Life</i>	(26,152)	-
	<b>(830,273)</b>	<b>(366,701)</b>

**b Analysis of Movement in Outstanding Claims**

<i>Motor</i>	(89,914)	(37,788)
<i>Fire</i>	(22,283)	(3,738)
<i>General Accident</i>	193,486	191,759
<i>Marine</i>	(4,172)	3,601
<i>Aviation</i>	(5,365)	(5,365)
<i>Engineering</i>	(4,843)	(1,321)
<i>Oil &amp; Energy</i>	7,169	7,169
<i>Bond</i>	14,615	14,615
<i>Group Life</i>	52,822	-
<i>Individual Life</i>	-	-
	<b>141,515</b>	<b>168,934</b>

**c Analysis of Movement in Outstanding Claims IBNR**

<i>Motor</i>	-	-
<i>Fire</i>	-	-
<i>General Accident</i>	-	-
<i>Marine</i>	-	-
<i>Aviation</i>	-	-
<i>Engineering</i>	-	-
<i>Oil &amp; Energy</i>	-	-
<i>Bond</i>	-	-
<i>Group Life</i>	(25,177)	-
<i>Individual Life</i>	-	-
<i>Total</i>	<b>(25,177)</b>	<b>-</b>

**Wapic Insurance Plc**

**Notes to the financial statements**

**For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**d Analysis of Reinsurance Recovery**

Motor	73,497	16,099
Fire	88,682	36,395
General Accident	9,299	7,220
Marine	19,705	19,705
Aviation	-	-
Engineering	10,706	10,346
Oil & Energy	-	-
Bond	-	-
Group Life	18,771	-
Individual Life	-	-
	<u>220,660</u>	<u>89,766</u>

**e Analysis of Movement in Outstanding Claims Recoverables**

Motor	21,913	10,063
Fire	(13,322)	(3,213)
General Accident	(199,757)	(200,328)
Marine	(10,062)	(10,455)
Aviation	-	-
Engineering	794	433
Oil & Energy	-	-
Bond	-	-
Group Life	4,045	-
Individual Life	-	-
<b>Total</b>	<u>(196,388)</u>	<u>(203,499)</u>

**f Analysis of Movement in Outstanding Claims IBNR Recoverables**

Motor	-	-
Fire	-	-
General Accident	(1)	(1)
Marine	-	-
Aviation	-	-
Engineering	-	-
Oil & Energy	-	-
Bond	-	-
Group Life	40,824	-
Individual Life	-	-
<b>Total</b>	<u>40,823</u>	<u>(1)</u>

**3 Fees and Commission Income**

Motor	9,233	7,223
Fire	27,360	10,544
General Accident	49,318	37,650
Marine	17,337	16,121
Aviation	8,422	8,422
Engineering	25,403	22,682
Oil & Energy	5,501	5,501
Bond	(76)	(76)
Group Life	9,591	-
Individual Life	1,293	-
Policy admin fee income	1,666	-
Deferred fees and commission cost - Group	(2,410)	-
Deferred fees and commission cost - Individual	454	-
	<u>153,092</u>	<u>108,068</u>

**Wapic Insurance Plc****Notes to the financial statements****For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**4 Underwriting Expenses**

Motor	61,175	27,813
Fire	39,475	27,060
General Accident	109,662	101,818
Marine	17,604	17,039
Aviation	12,954	12,954
Engineering	12,465	10,621
Oil & Energy	86,000	86,000
Bond	18	18
Maintenance expenses	4,398	
Bancassurance Commission	2,858	
Group Life	54,159	
Individual Life	-	
Transfer to DA Funds	-	
Guaranteed Interest on DA	-	
Deferred acquisition cost	(47,887)	
	-	
	<b>352,883</b>	<b>283,323</b>

**5a Investment income**

Investment income	324,743	101,566
Interest on statutory deposit	7,207	6,645
Dividend income from equity investment	75,851	71,425
Dividend income from Associate	-	
Rental income	-	
Gain/(loss) on disposal of investment property	-	
Net FV Gain /Loss on Financial Asset	6,099	
	<b>413,899</b>	<b>179,636</b>
Net realised (loss)/gain on financial assets	-	
	<b>413,899</b>	<b>179,636</b>

**5b Fair Value Gain/ Loss through profit or loss**

Equity	0	0
Investment Property	-	-
	<b>0</b>	<b>0</b>

**5c Fair Value Gain/ Loss through other comprehensive income**

Equity securities	43,610	43,610
Fixed income securities	27,362	3,361
Property and equipment revaluation gain/(loss)	-	
Foreign currency translation difference of AFS	-	-
Deffered tax on revaluation gain/(loss)	-	
	<b>70,972</b>	<b>46,971</b>

**5d Share of Profit of Associate**

Coronation Merchat Bank	<b>358,864</b>	
	<b>358,864</b>	-

**5e Share of Other Comprehensive income of Associate**

Coronation Merchat Bank	<b>(266,780)</b>	
	<b>(266,780)</b>	-

**Wapic Insurance Plc****Notes to the financial statements****For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**6 Other Operating Income**

Income from property Investment	-	-
Gain/(loss) on sale of properties and equipments	851	851
Technical Fees	-	-
Foreign exchange gain/(loss)	66,759	12,477
Management Fees	-	-
Interest on staff loans	80	80
Rental Income	-	-
Sundry income	3,509	2,506
	<b>71,199</b>	<b>15,914</b>

**7 Operating Expenses**

Staff Training	28,165	11,188
Professional Fees	107,365	73,799
Corporate Strategy	(19,544)	(17,328)
Corporate Branding	2,540	-
Office Expenses	98,222	76,809
Impairment of property and equipment	-	-
Depreciation	88,359	73,298
Amortization of Intangible assets	3,937	3,931
Repairs & Maintenance	9,354	6,281
Running Cost	35,264	28,621
Board Expenses	56,763	35,269
Transport and travels expenses	9,990	-
Annual dues	(8,025)	(14,643)
Other Expenses	144,443	104,137
Audit expenses	4,673	-
Computer and telephone communication	6,094	-
Electricity and water	5,087	-
Printing and stationery	3,071	-
Interest on deposit admin funds	15,485	-
	-	-
	<b>591,242</b>	<b>381,362</b>

**8 Employee Benefit Expense**

Staff Cost	254,055	166,874
Employee Benefit - Below Market Staff Loans	-	-
Pension Cost-Define Contribution Plan	-	-
Directors Emoluments	46,644	39,801
	<b>300,699</b>	<b>206,675</b>

**9 Cash and Cash equivalents**

Cash at hand	29,354	-
Cash Balance with local banks	(12,895)	69,090
Call Balance with local banks	44,992	9,450
Money Market Placement	1,219,307	531,380
Interest Receivable on Fixed Deposit	-	-
	<b>1,280,758</b>	<b>609,920</b>

**Wapic Insurance Plc**

**Notes to the financial statements**

**For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**10 Financial Assets**

Held to Maturity (HTM) (Note 10a)	5,865,284	1,874,633
Held for Trading ( HFT) (Note 10b)	106	7
Available for Sale ( AFS) (Note 10c)	2,683,300	1,797,857
	<b>8,548,690</b>	<b>3,672,497</b>

**a Analysis of HTM Securities**

- Treasury Bill	4,270,943	1,103,447
- Eurobond	1,729,002	874,041
- Fixed Deposits with Banks	-	-
- Government Bonds - State	-	-
- Government Bonds - Federal	315,398	-
- Unearned Interest on Treasury Bill	(450,058)	(102,855)
- Unearned Discount on FGN Bond	-	-
Interest Receivable on various Bonds	-	-
<b>Carrying amount at amortised cost</b>	<b>5,865,284</b>	<b>1,874,633</b>

**b Analysis of HFT Securities**

- Treasury Bill	-	-
- Quoted/ Listed Equities	106	7
- Impairment Allowance	-	-
<b>Carrying amount at fair value</b>	<b>106</b>	<b>7</b>

**c Analysis of AFS Securities**

Unquoted/ Unlisted Equities	310,800	198,800
Quoted Equities	950,347	869,387
Fixed Income Securities	-	-
- Government Eurobonds	426,242	426,242
- Government bonds	440,285	182,856
- Corporate bonds	351,295	116,923
- Treasury bills	180,330	3,648
Fair Value Movement	24,001	-
Impairment Allowance	-	-
<b>Carrying amount at cost</b>	<b>2,683,300</b>	<b>1,797,857</b>

**d Breakdown of AFS Securities**

- African Reinsurance Corporation	-	-
- Nigerian Liability Insurance Pool	-	-
- Energy and Allied Insurance Pool	-	-
<b>Carrying amount at cost</b>	<b>-</b>	<b>-</b>

**11 Trade Receivables**

Due from Agents	-	-
Due from Brokers	1,132,234	300,108
Due from Bancassurance	2,218	285
Due from Direct Client	1,767	1,767
Due from Insurance companies	151,604	151,604
	1,287,823	453,764
Less: Impairment on Trade Receivables	(853,215)	(364,972)
Reclassification to other payables	-	-
	<b>434,608</b>	<b>88,791</b>

**Wapic Insurance Plc****Notes to the financial statements****For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**Movement in Impairment Allowance**

At start of period	858,607	370,364
Reclassification of provision	-	-
Allowance made during the period	-	-
Recoveries during the year	(3,910)	(3,910)
Write-off during the period	(1,482)	(1,482)
Exchange difference	-	-
<b>At end of period</b>	<b>853,215</b>	<b>364,972</b>

**12 Reinsurance Assets**

Prepaid M & D Reinsurance Asset	24,638	24,638
Reinsurance Share of IBNR	273,731	220,887
Reinsurance Recoverables	581,158	70,390
Liability Pool Debtors	-	-
Other Debtors-Reins Asset	35,231	35,231
Prepaid Reinsurance Asset	1,696,813	1,372,249
	<b>2,611,571</b>	<b>1,723,395</b>
Less: Impairment allowance	(35,231)	(35,231)
	<b>2,576,340</b>	<b>1,688,163</b>

**Provision**

At start of period	35,231	35,231
Movements during the period	-	-
Exchange difference	-	-
At end of period	<b>35,231</b>	<b>35,231</b>

**13 Deferred Acquisition Cost**

Balance brought forward	446,302	281,343
2016 Half Year Adjustment	-	-
Exchange Difference	-	-
Addition during the period	644,273	544,180
Amortised during the year	(324,568)	(283,323)
Balance carried forward	<b>766,007</b>	<b>542,199</b>

**14 Other Receivables and Prepayments**

Due from Related Parties	-	-
Intercompany Current Account	-	46,940
Withholding Tax receivable on dividend from Associate	-	23,606
Treaty Claim Recoverable	-	-
Prepaid Reinsurance	-	-
Other Debtors	1,860,675	1,325,824
Loan & Receivable	875,282	875,282
Deposit for Shares	8	8
Staff Debtors	7,154	7,154
IPL Building- Property Held for Sale	-	-
Prepayment	316,962	241,953
Current income tax asset	30,591	-
	<b>3,090,673</b>	<b>2,520,767</b>
Impairment Allowance	(1,427,195)	(1,112,675)
	<b>1,663,478</b>	<b>1,408,092</b>

**Wapic Insurance Plc****Notes to the financial statements****For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

<b>Provision</b>		
At start of period	1,429,456	1,112,675
Reclassification	-	-
Movements during the period	(2,262)	0
Amount written off during the year	-	-
At end of period	<b>1,427,195</b>	<b>1,112,675</b>
<b>**Breakdown of Other Debtors</b>		
Profund Securities	21,785	21,785
WHT Tax Credit Note Received	24,671	24,671
Summit Finance Limited	728,106	728,106
Tropics Finance Limited	228,115	228,115
Triumph Bank Limited	9,499	9,499
Oil View Estate - Olushola Oyinloye	4,000	4,000
Oil Veiw Estate - Okorafor Ebenezer	23,000	23,000
Interest Receivable on Statutory Deposit	7,916	7,916
StanbicBTC Receivable on Yaba Property Proceeds	30,000	30,000
Receivable from Etuna in Respect of Close Estate	78,434	78,434
Withholding Tax Receivable	15,087	15,087
Other Debtors - Others	547,807	12,956
	<b>1,860,675</b>	<b>1,325,824</b>
<b>15 Investment in associates</b>		
- 2016 Half year audit adjustment:		
Share of other comprehensive income during the year		
- Share of profit during the period	358,864	
- Share of other comprehensive income during the period	(266,780)	
	<b>7,265,927</b>	<b>5,059,810</b>
<b>16 Investment in subsidiaries</b>		
Wapic Insurance Ghana Limited		1,176,571
- <i>White Sand Oniru</i>	227,480	227,480
- <i>Magboro Estate</i>	18,050	18,050
- <i>Victoria Estate Abuja</i>	53,950	53,950
	-	-
	<b>539,980</b>	<b>539,980</b>
<b>b Investment Properties under Construction</b>		
- <i>Victoria Estate Abuja</i>	-	-
	-	-
<b>c Movement in Investment Properties</b>		
At start of year		-
Acquisition during the year		-
Disposal during the year		-
Transfer from properties under construction		-
Fair value gain/ (loss)		-
At end of year	-	-
<b>d Investment Properties Disposed During the Year</b>		
Sales Proceed		-
Transfer from investment property account		-
Gain/ (Loss) on disposal of investment property	-	-

**Wapic Insurance Plc****Notes to the financial statements****For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**18a Property, Plant & Equipment**

Cost	4,984,886	4,563,666
Accumulated Depreciation	(987,354)	(762,975)
Net Book Value	<u>3,997,532</u>	<u>3,800,690</u>

-

**17b Asset Held for Sale**

274 Alagomeji Street Yaba	-	-
IPL Building Abuja	-	-
	<u>-</u>	<u>-</u>

**19 Intangible Assets**

Cost	368,636	329,801
Accumulated Depreciation	(151,690)	(117,237)
Net Book Value	<u>216,945</u>	<u>212,564</u>

-

**20 Statutory deposit**

At start of period	606,193	300,000
Additions during the period	-	-
Exchange Difference	-	-
At end of period	<u>606,193</u>	<u>300,000</u>

**21 Trade Payables/ Due to Reinsurers**

Reinsurance Companies	149,493	60,734
Reinsurance Brokers	113,146	113,146
	<u>262,639</u>	<u>173,880</u>

**22 Provisions & Other Payables**

Premium Deposit	15,540	-
Commission payables	10,512	-
Reinsurance Commission Received in advance	231,584	219,720
Accrued expenses	414,580	235,743
Withholding tax payables	3,777	-
I-Val Plus Principal Repayment	5,677	-
Stale Cheque	20	-
Inter-Company Balances	-	53,020
PAYE	1,547	-
NSITF	225	-
Provident Fund	595	-
Deposit for Housing	63,965	63,965
Service Charge	42,118	42,118
Sundry Creditors	662,353	554,302
Integrity Clearing Account	47,322	47,322
Bank Overdraft	-	-
Transist GL	-	-
	<u>1,499,814</u>	<u>1,216,191</u>

-



**Wapic Insurance Plc****Notes to the financial statements****For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**\*\*Breakdown of Sundry Creditors**

Other creditors - Claims pool reserve	24,290	24,290
Other creditors - Withholding tax liability	33,210	28,500
Other creditors - PAYE	62,392	54,846
Other creditors - VAT	(1,292)	(1,292)
Other creditors - Fixed assets creditors	129,366	129,366
Other creditors - Expense payable	81,715	81,715
Other creditors - Unclaimed dividend	28,723	28,723
Other creditors - Others	116,347	37,762
Stale cheques	38,332	23,042
Unclaimed bank deposits	149,270	147,351
	<b>662,353</b>	<b>554,302</b>

**23 Deferred Income Tax**

Deferred Tax Assets (Note 22a)	115,522	-
Deferred Tax Liabilities (Note 22b)	(393,175)	(393,175)
Total	<b>(277,653)</b>	<b>(393,175)</b>

**a Deferred Tax Assets**

At start of period	115,522	-
Exchange difference	-	-
Charge for the period	-	-
Revaluation of property & equipment	-	-
At end of period	<b>115,522</b>	<b>-</b>

**b Deferred Tax liabilities**

At start of period	393,175	393,175
Exchange difference	-	-
Charge for the period	0	0
Addition through business integration	-	-
Revaluation of PPE	-	-
At end of period	<b>393,175</b>	<b>393,175</b>

**24 Current Income Tax liabilities**

At start of period	208,381	88,113
Exchange difference	-	-
Charge for the period	118,367	96,384
Payments during the period	(27,621)	(21,036)
Acquisition through business integration	-	-
At end of period	<b>299,127</b>	<b>163,461</b>

**Wapic Insurance Plc****Notes to the financial statements****For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**Tax Charge for the Year**

Company Income Tax Charge	15,398	-
2016 Half & Full Year Appropriation Adjustment	-	-
Minimum tax	77,487	77,487
Education tax	-	-
Under/(over) provision from prior year	25,481	18,897
Information Technology Development Levy	-	-
National fiscal stabilisation levy	-	-
<b>Total Charge for the period</b>	<b>118,367</b>	<b>96,384</b>
Deferred tax liability/(assets)charge for the period	0	0
<b>Income tax expense</b>	<b>118,367</b>	<b>96,384</b>

**25 Insurance Contract Liabilities**

a Claims payable	137,686	137,686
b Claims reported and loss adjustment expenses (Note 25a)	1,514,265	476,811
c Outstanding claims IBNR (Note 25b)	1,598,145	930,492
d Unearned Premium (Note 25c)	4,567,897	3,330,681
e Life Fund (Note 25d)	159,532	-
	<b>7,977,525</b>	<b>4,875,671</b>

**a Outstanding claims**

Motor	544,010	73,289
Fire	205,029	31,929
General accident	258,908	215,662
Marine	31,811	19,205
Aviation	8,185	8,185
Engineering	41,778	4,098
Oil and Energy	119,943	119,943
Bond	4,500	4,500
Life business: - Group Life	300,101	-
- Individual Life	-	-
	<b>1,514,265</b>	<b>476,811</b>

**b Outstanding claims IBNR**

Motor	85,268	85,268
Fire	58,576	58,576
General accident	291,685	291,685
Marine	52,763	52,763
Aviation	24,140	24,140
Engineering	33,537	33,537
Oil and Energy	384,506	384,506
Bond	18	18
Life business: - Group Life:	-	-
- Opening	642,476	-
2016 Half Audit Adjustment	-	-
- Movement during the year	25,177	-
	<b>1,598,145</b>	<b>930,492</b>

## Wapic Insurance Plc

### Notes to the financial statements

#### For the period ended 31st March 2017

(All amounts in Naira thousands unless otherwise stated)

#### c Unearned Premium

Motor	916,820	555,335
Fire	248,938	167,359
General Accident	1,114,603	1,057,823
Marine	152,699	145,108
Aviation	39,627	39,627
Engineering	206,189	186,512
Oil and Energy	1,176,638	1,176,638
Bond	2,279	2,279
Group Life:	-	-
UPR	-	-
- Opening	399,085	-
2016 Half Audit Adjustment	-	-
- Movement during the year	277,524	-
- AURR:	-	-
- Opening	-	-
- Movement during the year	-	-
	<b>4,534,402</b>	<b>3,330,681</b>

#### d Life fund

At start of year	156,208	-
Opening fund reconciliation adjustment	-	-
2016 Half Audit Adjustment	-	-
Transfer from revenue account	3,325	-
At the end of year	<b>159,532</b>	<b>-</b>

#### 26 Investment Contract Liabilities

At start of period	920,153	-
Additions	55,053	-
Withdrawals	(35,903)	-
Guarantee interest	15,485	-
Guarantee interest - 2016 Half Year Audit Adjustment	-	-
Guarantee interest - 2016 Full Year Audit Adjustment	-	-
Opening fund reconciliation adjustment	-	-
At end of period	<b>954,787</b>	<b>-</b>

#### 26.1 Group Deposit Administration - Investment Contract

At start of period	54,472	-
Additions	-	-
Withdrawals	-	-
Guarantee interest	-	-
Opening fund reconciliation adjustment	-	-
At end of period	<b>54,472</b>	<b>-</b>

#### 26.2 Individual Deposit Administration - Investment Contract

At start of period	865,681	-
Additions	55,053	-
Withdrawals	(35,903)	-
Guarantee interest	15,485	-
Guarantee interest - 2016 Half Audit Adjustment	-	-
Guarantee interest - 2016 Full Audit Adjustment	-	-
Opening fund reconciliation adjustment	-	-
At end of period	<b>900,315</b>	<b>-</b>

#### 27 Share capital

	Number	Number
Authorised:	17,000,000,000	17,000,000,000
Issued:	13,382,738,230	13,382,738,230

#### Issued and fully paid:

At start of the year	6,691,369	6,691,369
Movements	-	-
At end of year	<b>6,691,369</b>	<b>6,691,369</b>

**Wapic Insurance Plc****Notes to the financial statements****For the period ended 31st March 2017**

(All amounts in Naira thousands unless otherwise stated)

**28 Share premium**

At start of the year	6,194,983	6,194,983
Movements	-	-
At end of year	<b>6,194,983</b>	<b>6,194,983</b>

**29 Contingency reserve**

At start of period	1,807,949	1,550,425
2016 Half & Full Year Appropriation Adjustment	10,628	
Appropriation from profit and loss accounts	91,939	86,597
At end of year	<b>1,910,516</b>	<b>1,637,022</b>

**30 Other reserves**

At start of period	849,960	788,338
Revaluation reserve	70,972	46,971
Translation reserve	(11,360)	-
Credit reserve	-	-
Revaluation reserve on property	-	-
Deferred tax on revaluation	-	-
Share of Associate other comprehensive income	359,783	
Movement in Share of Associate other comprehensive income during the year	(266,780)	
Transfer to retained earnings	-	-
At end of year	<b>1,002,576</b>	<b>835,309</b>

**31 Retained earnings**

At start of the year	(1,092,175)	(191,625)
2016 Half & Full Year Appropriation Adjustment	-	-
Transfer from profit or loss	(92,903)	(103,563)
Transfer to contingency reserve	(102,567)	(86,597)
Share of Associate profit at start of year	1,754,250	
Dividend paid during the year	-	-
Movement in Share of Associate profit during the year	358,863	-
Transfer to revaluation Reserve	-	-
At end of year	<b>825,468</b>	<b>(381,785)</b>