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CERTIFIED

Director

Secretary

Corporate Information

Directors	Dr. Fidelis Ayebae	Chairman
	Mr. Tope Smart	Group Managing Director/CEO
	Mrs. Susan Abisola Giwa-Osagie	Deputy Managing Director
	Ms Stella Omoraro	Executive Director
	Mr. Andrew Ikekhua	Executive Director
	Mrs. Yinka Aletor	Director
	Alh. Ahmed Yakasai	Director
	Chief Ede Dafinone	Director
	Mrs Joy Teluwo	Director
	Mr Kelchi Okiro	Director
	Mr Papa Ndiaye	Director
Company Secretary	Mrs. Olajumoke Philip-Akede 199, Ikorodu Road Obanikoro, Lagos	
Registered Office	NEM House 199, Ikorodu Road Obanikoro, Lagos	
FRCN Number	FRC/2012/0000000000249	
Registration Number	6971	
Corporate Head Office	NEM House 199, Ikorodu Road Obanikoro, Lagos	
Registrars	APEL Capital & Trust Limited 8, Alhaji Bashorun Street Off Norman Williams Crescent, South West, Ikoyi Lagos Tel: 01-2932121 Mobile No: 07046126698	
Bankers	Access Bank Plc Diamond Bank Plc (Now Polaris Bank Limited) Ecobank Nigeria Limited First Bank of Nigeria Limited GTBank Plc Keystone Bank Limited Standard Chartered Bank Nigeria Limited Sterling Bank Plc United Bank for Africa Plc Zenith Bank Plc	
Auditors	BDO Professional Services (Chartered Accountants) ADOL House, 15 CIPM Avenue Central Business District Alausa, Ikeja, Lagos. P.O.Box 4929,GPO, Marina Lagos. www.bdo-ng.com	

CERTIFIED BY:-
Director
Secretary

Corporate Information (Cont'd)

Solicitors	**Koya & Kuti Solicitors** 5th Floor, 3, Ajele Street Lagos. **Sola Abidakun & Co** 9th Floor, UBA House 57, Marina Lagos.
Reinsurers	African Reinsurers Corporation Continental Reinsurance Corporation SWISS Reinsurance Company WAICA Reinsurance Pool
Subsidiary	**NEM Asset Management Ltd** 199, Ikorodu Road Obanikoro Airport Residential Area P.O. Box 654 Lagos Tel: 01-4489574
Associate	Regency Nem Insurance (Ghana) Limited No 65, Patrice Lumumba Road, Accra P.O. Box 6342, Cantonments,
Branch Networks	**Abuja - Garki** 3, Ringim Close Off Sokoto Street Area 7, Garki, Abuja Branch Manager: Michael A. Giwa Mobile No: 08033208141 **Abuja - Wuse** Plot 960, Ahmadu Bello Way Wuse II, Abuja Branch Manager: Mr. Martins Ilegoma Mobile Nos: 08077284843 08078153184, 08037020262 **Abuja - Central Business District** 82, Imo State Liaison office Opp. Federal Ministry of Finance Central Business District Branch Manager: Davies O. Dada Mobile Nos: 08150849411 **Apapa** 2nd Floor 41/43 Itire Road Surulere, Lagos Tel: 01-7375546, 07028442653 Branch Manager: Uzor Enubuzo Mobile No: 08059301673, 0802896842



Corporate Information (Cont'd)

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

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

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

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

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

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

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



Corporate Information (Cont'd)

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

Oshogbo
1st Floor, Former Afribank Building
Opposite Fakunle Comprehensive High School
Fakunle, Gbongan/Ibadan Road
Osogbo, Osun Sate
Tel: 035-214844
Branch Manager: Olubiyi Sonoiki
Mobile Nos: 08038436231, 08077284898

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

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

Our Vision

To be the preferred choice of the insuring public

Our Mission

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

Core Values

Discipline
Integrity
Humility
Excellence
Empathy
Courage

CERTIFIED BY:-
Director
Secretary

NEM INSURANCE PLC
FINANCIAL STATEMENTS, 31 DECEMBER 2019

RESULTS AT A GLANCE

Financial Position	2019 ₦'000	2018 ₦'000	₦'000	Changes %
Cash and cash equivalents	8,101,885	6,697,017	1,404,868	21
- At fair value through profit or loss	2,485,564	1,108,206	1,377,358	124
- At fair value through other comprehensive income	70,028	1,260,729	(1,190,701)	(94)
- At amortised cost	2,130,855	1,235,106	895,749	73
Trade receivables	207.484	279.709	(72,225)	(26)
Reinsurance assets	5,525,893	4,809,590	716,303	15
Deferred acquisition cost	810,097	655,614	154,483	24
Other receivables and prepayments	683,375	709,859	(26,484)	(4)
Investment in Associate	435,165	413,752	21,413	5
Investment properties	1,589,278	682,951	906,327	133
Statutory deposit	320,000	320,000	-	-
Property, plant and equipment	3,031,838	4,158,807	(1,126,969)	(27)
Intangible asset	1,225	6,405	(5,180)	(81)
Deferred tax Assets	291,203	92,773	198,430	-
Total Assets	**25,683,890**	**22,430,518**	**3,253,372**	**15**
Insurance contract liabilities	9,000,865	7,126,871	1,873,994	26
Trade payables	298,046	319,023	(20,977)	(7)
Other payables	1,386,681	1,247,829	138,852	11
Retirement benefit obligations	81,635	78,496	3,139	4
Income tax liability	462,419	835,998	(373,579)	(45)
Deferred tax liabilities	356,500	397,746	(41,246)	-
Total Liabilities	**11,586,146**	**10,005,963**	**1,580,183**	**16**
Issued share capital	2,640,251	2,640,251	-	-
Share premium	272,551	272,551	-	-
Contingency reserve	4,198,848	3,606,052	592,796	16
FVOCI reserve	(51,468)	(35,344)	(16,124)	46
Asset revaluation reserve	1,094,475	1,094,475	-	-
Other Reserves - Employee benefit	111,455	131,043	(19,588)	(15)
Retained earnings	5,831,632	4,715,527	1,116,105	24
Shareholders' Fund	**14,097,744**	**12,424,555**	**1,673,189**	**13**

INCOME STATEMENT	₦'000	₦'000	₦'000	%
Gross premium written	19,759,872	15,049,453	4,710,419	31
Gross premium income	19,259,541	14,346,488	4,913,053	34
Reinsurance expenses	(6,642,001)	(3,652,694)	(2,989,307)	82
Net premium income	**12,617,540**	**10,693,794**	**1,923,746**	**18**
Fees and commission income	1,174,233	743,570	430,663	58
Net underwriting income	13,791,773	11,437,364	2,354,409	21
Claims expenses	(3,937,318)	(2,554,253)	(1,383,065)	54
Underwriting expenses	(5,505,758)	(4,259,870)	(1,245,888)	29
Underwriting profit	**4,348,697**	**4,623,241**	**(274,544)**	**(6)**
Investment income	878,186	952,783	(74,597)	(8)
Net Fair value gain/(loss)	170,963	(263,382)	434,345	(165)
Other income	72,340	212,667	(140,327)	(66)
Profit on disposal of properties, plant and equipment	872	3,818	(2,946)	(77)
Share of profit in Associate	21,413	21,251	162	1
Management expenses	(3,535,522)	(2,826,843)	(708,679)	25
Profit before taxation	**1.919.754**	**2.685.661**	**(765.908)**	**(29)**
Income taxes	475,612	(648,957)	1,124,569	(173)
Profit for the year after tax	**2,395,366**	**2,036,704**	**358,661**	**18**
Total other comprehensive (loss)/income	(35,712)	1,208,882	(1,244,594)	(103)
Total comprehensive income for the year	**2,359,654**	**3,245,586**	**(885,933)**	**(27)**
Basic Earnings Per Share (Kobo)	0.45	0.39	0.07	17.61
Diluted Basic Earnings Per Share (Kobo)	0.45	0.39	0.07	17.61

CERTIFIED
Director
Secretary

The directors hereby present their annual reports on the affairs of NEM Insurance Plc with the company's financia statements and auditors' report.

1. Legal form

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

2. Principal activities and corporate development

The company is engaged in the business of General Insurance which includes marine, motor vehicle, fire and burglary, oil and gas etc.

SUMMARY OF THE RESULT

Comprehensive Income	**2019 N'000**	**2018 N'000**
Gross premium written	19,759,872	15,049,453
Gross premium income	19,259,541	14,346,488
Reinsurance expenses	(6,642,001)	(3,652,694)
Investment Income	878,186	952,783
Other revenue	1,439,821	981,306
Total Revenue	14,935,547	12,627,883
Claims paid	3,937,318	2,554,253
Underwriting expenses	5,505,758	4,259,870
Management expenses	3,553,738	3,101,138
Total Claims and Other Expenses	12,996,814	9,915,261
Profit before tax	1,938,733	2,712,622
Information Technology Development Levy	(18,979)	(26,961)
Income tax income/(expense)	475,612	(648,957)
Profit For the Year	2,395,366	2,036,704
Other Comprehensive (loss)/income for the year	(35,712)	1,208,882
Total comprehensive income for the year	2,359,654	3,245,586
Basic Earnings Per Share (Kobo)	0.45	0.39
Diluted Basic Earnings Per Share (Kobo)	0.45	0.39

3. Corporate governance

Introduction

The business of NEM Insurance Plc is conducted under a corporate governance structure that incorporates the Board the Committees, and a functional Management System with the Board as the apex decision making body. This is i accordance with the Code of Corporate Governance for the Insurance industry in Nigeria, the Securities and Exchang Commission (SEC) Code of Corporate Governance and best practices. "At NEM Insurance Plc, we have ensured tha our business activities are implicitly transparent".

For the financial year under review, 2019; the Board is of the opinion that NEM Insurance Plc has in all materia respects, complied with the requirements of the Code of Corporate Governance for Insurance industry in Nigeria. A summary of the key components of our Corporate Governance System is provided hereunder.

CERTIFIED BY:-
Director

THE BOARD OF DIRECTORS

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

The Chairman

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

The Chief Executive Officer

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

Independent Director

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

Annual Board Appraisal

In accordance with the requirements of the NAICOM's Code, the Board renewed the mandate of New Versio Consultants Ltd to conduct the appraisal of its performance for 2019. The Board embarked on implementation o some of the recommendations of the last Appraisal Report.

(a) ACTIVITIES OF THE BOARD

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

Appointment of Non-Executive Directors

Mr. Papa Ndiaye and Mr. Kelechi Okoro were both appointed as directors on the board of the company in the las quarter of year 2019.

Composition of the Board/Schedule of Attendance at Meetings

Name of Director	Status	Meetings Held	Meetings Attended
Dr. Fidelis Ayebae	Chairman	5	5
Mr. Tope Smart	Group Managing Director/CEO	5	5
Mrs. Susan Giwa-Osagie	Deputy Managing Director	5	5
Ms. Stella Omoraro	Executive Director	5	5
Mr Andrew Ikekua	Executive Director	5	5

CERTIFIED B.
Director
Secretary

Alhaji Ahmed I. Yakasai	Independent Non-Executive Director	5	5
Mrs Joy Teluwo	Non-Executive Director	5	5
Mrs. Yinka Aletor	Non-Executive Director	5	5
Chief Ede Dafinone	Non-Executive Director	5	4
Mr. Papa Ndiaye	Non-Executive Director	2	2
Mr. Kelechi Okoro	Non-Executive Director	2	2

The board met on the 5th of March, 29th of April, 29th of July, 29th of October and 10th of December 2019

(b) **Board Committees**

The Board's committee structure is as specified in the NAICOM's Code and adequate for the complexity of th operations of the Company. The Committees and committee members for the 2019 financial year were:

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

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

Finance, General Purpose and Investment Committee

The key responsibilities Committee are:

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

TThe Committee met on the 29th of April, 29th of July, 28th October and 10th of December 2019.

Composition of Committee/Attendance

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

Enterprise Risk Management and Strategy Committee

The key responsibilities of the Committee are:

- Determine the policies in respect of Risk Profile and Risk Limits.
- Develop, recommend and implement strategic management plans
- Review Policies as required by the Emerging dynamics of the operating environment.
- Study and give advice on the strategic plans for the long term development of the Company
- Ensure that all the Departments of the Company are adequately sensitized to the level of risks inherent in thei Operations.
- Assess Adequacy of Risk mitigants for major risk indicators.

The Committee met three times during the year: 27th of March, 23rd of October and 25th of November 2019.



Composition of the Committee/Attendance

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

Remuneration, Nomination and Governance Committee

The Terms of Reference of the Committee are:

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

The Committee met three times during the year 28th of October, 25th of November and 10th of December 2019

Composition of the Committee/Attendance

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

Audit and Compliance Committee

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

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

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

The Committee met four times during the year on the 5th of March, 25th of September, 29th of October and 25th o November 2019 and covered the basic components of these responsibilities.

CERTIFIED BY:-
Director
Secretary

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

Name	Status	Meetings Held	Meetings Attended
Mr. Samuel Mpamaugo	Chairman	4	4
Mr. Taiwo Oderinde	Shareholders' Representative	4	4
Mr. Christopher Ogba	Shareholders' Representative	4	4
Chief Ede Dafinone	Non-Executive Director	4	4
Mrs Joy Teluwo	Non-Executive Director	4	4
Mrs. Yinka Aletor	Non-Executive Director	4	4

4. **Dividend**

The Directors recommend a declaration of dividend of N..... which translates to Kobo per ordinary share of 50 kob each subject to the approval of the shareholders at the next Annual General Meeting.

5. **Directors and Directors' Interest**

Directors

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

Directors' interest

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

NAME	Direct	Indirect	Total
BUKSON INVESTMENT LIMITED	-	337,054,367	337,054,367
CAPITAL EXPRESS	-	383,492,958	383,492,958
JEIDOC LIMITED	-	368,445,497	368,445,497
MR. TOPE SMART	124,643,848	-	124,643,848
DR. FIDELIS AYEBAE	24,373,852	-	24,373,852
MRS SUSAN GIWA-OSAGIE	14,722,801	-	14,722,801
MRS STELLA OMORARO	1,895,971	-	1,895,971
MR ANDREW IKEKHUA	585,742	-	585,742
ALHAJI AHMED I. YAKASAI	-	-	-
MR PAPA NDIAYE	-	1,578,870,371	1,578,870,371
MR KELECHI OKORO	-	-	-

6. **Directors Responsibilities**

The Directors are responsible for the preparation of the consolidated financial statements which give a true and fai view of the state of affairs of the Group at the end of each financial year and of the income statement for that yea and comply with the Insurance Act, 2003, Financial Reporting Council of Nigeria Act, No. 6 2011 CAP 117 LFN 200 and the Companies And Allied Matters Act CAP C20 LFN 2004.

7. **Shareholding**

The Registrars have advised that the called up and fully paid up shares of the Company as at 31 December, 201 were beneficially held as follows:



SHARE RANGE ANALYSIS AS AT DECEMBER 31ST 2019

	BEGINNING	TOTAL	% OF	TOTAL	% OF
	RANGE	SHAREHOLDERS	HOLDINGS	SHAREHOLDINGS	SHAREHOLDINGS
1	1000	5,059	11.69	2,935,037	0.06
1001	5000	10,892	25.17	34,720,478	0.66
5001	10000	8,093	18.7	67,875,232	1.29
10001	50000	13,868	32.04	349,420,538	6.62
50001	100000	3,010	6.96	237,910,045	4.51
100001	500000	1,967	4.55	411,160,452	7.79
500001	1000000	207	0.48	162,335,985	3.07
1000001	5000000	142	0.33	292,179,167	5.53
5000001	10000000	18	0.04	140,552,409	2.66
10000001	50000000	12	0.03	213,413,893	4.04
50000001	100000000	1	0	78,298,280	1.48
100000001	1.00E+12	9	0.02	3,289,701,397	62.3
Grand Total		43,278	100	5,280,502,913	100

NEM SHARE CAPITAL HISTORY

YEAR	AUTHORISED SHARE CAPITAL	ISSUED AND FULLY PAID UP
1989		
1990	8,000,000	800,000
1991	9,200,000	200,000
1993		900,000
1996	100,000,000	2,500,000
1997		34,235,623
1998		46,996,377
2004	380,000,000	251,987,063
2005	2,000,000,000	
2006		706,206,767
2007	7,000,000,000	3,531,133,835
2008	7,000,000,000	
2009	8,400,000,000	4,976,922,766
2010	8,400,000,000	5,280,502,313
2011	8,400,000,000	5,280,502,313
2012	8,400,000,000	5,280,502,313
2013	8,400,000,000	5,280,502,313
2014	8,400,000,000	5,280,502,313
2015	8,400,000,000	5,280,502,313
2016	8,400,000,000	5,280,502,313
2017	8,400,000,000	5,280,502,313
2018	8,400,000,000	5,280,502,313
2019	8,400,000,000	5,280,502,313

We hereby declare that apart from Jeidoc Limited, Bukson Investment Limited, Capital Express Assurance Limite and AFIG Funds (the shareholders with 5% and above), no other person or persons hold more than 5% and above in th issued and fully paid up shares of the company.

CERTIFIED BY:-

Director

Secretary

S/N	ACCT NO	NAME	ADDRESS	HOLDING	%
1	2979	JEIDOC LIMITED	CEDDI TOWERS 16, WHARF ROAD , APAPA LAGOS STATE LAGOS	368,445,497	6.98
2	147140	BUKSON INVESTMENT LIMITED	C/O NEM INSURANCE PLC BROAD STREET, LAGOS LAGOS	337,054,367	6.38
3	194768	CAPITAL EXPRESS ASSURANCE LIMITED	C/O NEM INSURANCE PLC, 138/146 BROAD STREET LAGOS ISLAND LAGOS	383,492,958	7.26
4		AFIG FUNDS	C/O ABOX CORPORATE SERVICES LIMITED TOWER 1, 6TH FLOOR, 1 CYBERCITY, EBENE REPUBUBLIC	1,578,870,171	29.90

Chief Ede Dafinone represents Jeidoc Limited, Mrs. Joy Teluwo represents Bukson Investment Limited, Mrs. Yink Aletor represents Capital Express Assurance Company Limited while Mr. Papa Ndiaye and Mr. Kelechi Okoro represen AFIG Funds.

Retirement by Rotation and Re-election

Composition of Directors

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

Dr. Fidelis Ayebae	Chairman
Mr. Tope Smart	Group Managing Director
Mrs. Susan Giwa-Osagie	Deputy Managing Director
Ms. Stella Omoraro	Executive Director
Mr. Andrew Ikekhua	Executive Director
Alhaji Ahmed I. Yakasai	Independent Non-Executive Director
Mrs. Yinka Aletor	Non-Executive Director
Mrs. Joy Teluwo	Non-Executive Director
Chief Ede Dafinone	Non-Executive Director
Mr. Papa Ndiaye	Non-Executive Director
Mr. Kelechi Okoro	Non-Executive Director

Records of the Directors Attendance

In accordance with Section 258 (2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the records of th Directors' attendance at Directors' meetings in 2019 are available for inspection at the Annual General Meeting.

9. **SECURITY TRADING POLICY**

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Share, Rulebook of the Exchange 2015 (Issuers Rules) the company has a Security Trading Policy that applies to all employees and Directors and this has been circulated t all employees that may at times possess any insider or material information about the company. The policy include the need to enforce confidentiality against external advisers.

CERTIFIED BY:-

Director

Secretary

10. COMPLAINTS MANAGEMENT POLICY

In compliance with the Securities and Exchange Commission's Rule on Complaints Management for Public Companies the company has in place an investor complaint desk at its head office to resolve complaints arising from issue covered under the Investment and Securities Act 2017 (ISA)

11. DONATIONS

Donations during the year ended 31 December 2019 amounted to ₦ 17,056,442 **(2018: ₦7,645,000)** as follows:

MODUPE COLE MEMORIAL CHILD CARE	1,150,000
IKEJA GOLF CLUB	250,000
INSTITUTE OF DIRECTORS NIGERIA	1,000,000
THIRD OBSERVERS NIGERIA LTD	100,000
MAYINOLUWA RAINBOW FOUNDATION	100,000
ALPES CHARITABLE FOUNDATION	850,000
ASSBIFI	250,000
CHARTERED INSURANCE INSTITUTE OF NIGERIA	540,000
BADAGRY CHAMBER OF COMMERCE INDUSTRY, MINES & AGRIC.	100,000
RACO CHILD ORPHANAGE HOME LEKKI	250,000
LASPOTECH TENNIS CLUB	500,000
PROFESSIONAL INSURANCE LADIES ASSOCIATION	250,000
PHARMACEUTICAL SOCIETY OF NIGERIA	170,000
NATIONAL COUNCIL OF REGISTERED INSURANCE BROKER	1,000,000
ACTURIAL SCIENCE & INSURANCE ASSOCIATION, UNIVERSITY OF LAGOS	250,000
THE LAGOS CHAMBER OF COMMERCE & INDUSTRY	200,000
SHANE PUNJAB ASSOCIATION OF NIGERIA	786,442
LIFE CHANGERS FOUNDATION	790,000
NIGERIA COUNCIL OF REGISTERED INSURANCE BRKS	1,000,000
UNIVERSITY OF LAGOS ALUMNI ASSOCIATION	3,000,000
NIGERIA BRITAIN ASSOCIATION	1,500,000
UCHEONYE GODS ORPHANAGE HOME	420,000
REDEEMER UNIVERSITY	50,000
THE LAGOS CHAMBER OF COMMERCE & INDUSTRY	200,000
NATIONAL ASSOCIATION OF INSURANCE AND PENSION CORRESPONDENT	200,000
RACO CHILD ORPHANAGE HOME LEKKI	1,150,000
ILUPEJU LION CLUB	1,000,000
	17,056,442

10 EVENTS AFTER REPORTING DATE

There were no significant events after reporting date which could have had a material effect on the consolidate financial statements for the year ended 31 December 2019 which have not been adequately provided for or disclose in the financial statements.

11 EMPLOYMENT AND EMPLOYEES

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

When an employee becomes physically challenged during the course of his or her employment, the Group endeavour to retain the individual for employment in spite of his or her disability, when this is reasonably possible. As at 3 December 2019 one physically challenged person was in the employment of the Company.

12 EMPLOYEES INVOLVEMENT, TRAINING AND DEVELOPMENT

i. Information dissemination

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

CERTIFIED BY:-
Director

ii. **Consultation with employees**

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

iii. **Encouraging employees' involvement and training**

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

iv. **Health, safety at work and welfare of employees**

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

13 AUDITORS

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

BY ORDER OF THE BOARD

OLAJUMOKE PHILIP-AKEDE
COMPANY SECRETARY
Lagos, Nigeria
FRC/2017/NBA/00000015972
Date: 2020

CERTIFIED BY:-
Director
Secretary

xvi

NEM INSURANCE PLC

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

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

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

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

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

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

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

BY ORDER OF THE BOARD

CERTIFIED BY:-
Director
Secretary

BOLADE SUNMONU
FRC/2016/1CAN/00000014573
Lagos, Nigeria
Date: 26-02-2020

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NEM INSURANCE PLC AND ITS SUBSIDIARY COMPANY

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated and separate financial statements of NEM Insurance Plc ("the Company") and its Subsidiary (together "the group), which comprise, the consolidated and separate statements of financial position as at 31 December 2019, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity, and consolidated and separate statements of cash flows for the year then ended; and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the consolidated and separate financial statements give a true and fair view of the financial position of the Company and its Subsidiary as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria, Act No 6, 2011, the Companies and Allied Matters Act, CAP C20, LFN 2004, Insurance Act CAP I17, LFN 2004 and the Prudential Guidelines issued by National Insurance Commission.

Basis for Opinion

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

Key Audit Matters

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

(i) **Revenue recognition**

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

Response

- We have tested the design and implementation of key controls over revenue recognition, focusing on the flow of information from the underwriting systems to the financial reporting ledger. In addition, we performed substantive analytical procedures on gross and unearned premium balances.
- We performed other substantive procedures to confirm completeness of revenue by:
selecting some debit notes from hard copy files and traced to soft copy listing of premium and obtained a serially generated debit notes and investigated missing and duplicated debit notes.

CERTIFIED BY:-

Director

Secretary

- We ensured that an appropriate and consistent revenue recognition policy is in place and in line with the Company's and its Subsidiary's accounting policies.

(ii) **Valuation of investment properties**

Management has estimated the value of the Company's and its Subsidiary's investment properties to be 1.589billion as at 31 December 2019. Independent external valuations were obtained in order to support the value in the Company's and its Subsidiary's financial statements. These valuations are dependent on certain key assumptions and significant judgments including capitalization rates and fair market rents.

Our response

We ascertained the following

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

We also reviewed and found the disclosures on note 11 to be appropriate based on the assumptions and available evidence.

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

Management has estimated the value of insurance contract liabilities in the Company's and its Subsidiary's financial statements to be N9.001billion as at year ended 31 December 2019 based on the actuarial valuation and liability adequacy test carried out by an external firm of Actuaries.

The valuation has been made on the following key assumptions which were determined by the Actuary:

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

Our response

We ascertained the following

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

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

The Company's investments in this class of financial assets include cash and short-term deposits and debt instruments carried at amortised costs. This totaled N10.138 billion as at 31 December 2019 representing 39% of the Company's total assets and the associated expected credit loss (ECL) is significant to the financial statements. This was considered a Key Audit Matter as IFRS 9 is a complex accounting standard which requires significant judgement to determine the impairment loss reserve.

CERTIFIED BY.

Director

Secretary

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

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

Our response

We ascertained the following

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

Other Information

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

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

Responsibilities of the Directors for the consolidated and separate Financial Statements

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



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

Auditors' responsibilities for the Audit of the consolidated and separate Financial Statements

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

Contravention of laws and regulations

As stated in note 47 of these consolidated and separate financial statements, the Company paid the sum of eight hundred and fifty thousand naira only to National Insurance Commission being penalty for engaging the services of loss adjuster who does not possess valid operational licence and late submission of post placement report.

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

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

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

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

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

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



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

Report on other legal and regulatory requirements

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

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

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

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

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



18th March 2020
Lagos, Nigeria

Ebenezer O. Olabisi
FRC/2012/ICAN/00000000104
For: BDO Professional Services
Chartered Accountants

CERTIFIED BY:-
..... Director
..... Secretary

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

1.0 General Information

(a) NEM Insurance Plc ("NEM" or ''the Company") is a public limited liability company domiciled in Nigeria. The Company's registered and corporate office is 199, Ikorodu Road, Obanikoro, Lagos.

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

The financial statements were authorised for issue by the Board of Directors on .....2020.

(b) **Principal activity**
The Company is principally engaged in the business of General Insurance activities. Such services include provision of non-life insurance services for both corporate and individual customers.

1.1 Summary of Significant Accounting Policies

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

1.2 Going Concern

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

1.3 Basis of Preparation and Compliance with IFRS

The Group's financial statements for the year 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Companies and Allied Matters Act, CAP C20 LFN 2004, Insurance Act CAP I17, LFN 2004 and Prudential Guidelines issued by National insurance Commisson and Investment and Securities Act 2007.

1.3.1 Foreign currency translation

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

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

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



1.3.2 **Basis of measurement**

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

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

1.4 **Critical Accounting Estimates, Judgments and Assumptions**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial positions and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.5.

1.5 **Judgments, Estimates and Assumptions**

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

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

1.5.1 **Income Taxes**

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

1.5.2 **Retirement Benefits**

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

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



2 SIGNIFICANT ACCOUNTING POLICIES

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

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

2.1 CONSOLIDATION

(i) Subsidiaries

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

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

Inter- company transactions, balances and unrealised gains on transactions between Companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiary has been changed where necessary to ensure consistency with the policies adopted by the Group. Investment in the subsidiary in the separate financial statements of the Company entity is measured at cost.

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

(ii) Disposal of subsidiaries

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity, accounted investment or as a financial asset under the Amortized Cost or Fair Value Through Other Comprehensive Income category depending on business model intended and the level of influence retained.

(iii) Special purpose entities

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

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



(iv) Associates

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

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate.

The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

2.2 CASH AND CASH EQUIVALENTS

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

2.3 FINANCIAL ASSETS

2.3.1 Recognition

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

2.3.2 Classification and Measurement

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

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

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

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



Business Model Assessment

Business model assessment shall involve determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Group shall assess business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business model the Group will take into consideration the following factors:
The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that shall be funding those assets or realizing cash flows through the sale of the assets;
How the performance of assets in a portfolio will be evaluated and reported to the relevant heads of departments and other key decision makers within the Company's business lines;
The risks that affect the performance of assets held within a business model and how those risks shall be managed;
How compensation shall be determined for the Company's business lines, management that manages the assets; and
The frequency and volume of sales in prior periods and expectations about future sales activity.

Management shall determine the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:
I) Business Model 1(BM1): Financial assets held with the sole objective to collect contractual cash flows
II) Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cash flows and selling; and
III) Business Model 3 (BM3): Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These shall be basically financial assets held with the sole objective to trade and to realize fair value changes.

The Group may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions shall be met:
i) Where these sales shall be infrequent even if significant in value. A Sale of financial assets shall be considered infrequent if the sale shall be one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.
(ii) Where these sales shall be insignificant in value both individually and in aggregate, even if frequent. A sale shall be considered insignificant if the portion of the financial assets sold shall be equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.
(iii) When these sales shall be made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not exceed the cash flows from the sales by ten (10) per cent.



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

Cash flow Characteristics Assessment

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

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

A. **Classification of Financial Assets**

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

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

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c) Financial assets measured at FVTPL

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

d) Equity Investments

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

B. Classification of Financial Liabilities

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

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

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

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



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

(b) Financial Liabilities at amortised cost

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

C. Reclassifications

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

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

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

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

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

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

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

When reclassification occurs, the Group shall reclassify all affected financial assets in accordance with the new business model. Reclassification shall be applied prospectively from the 'reclassification date'. Reclassification date shall be 'the first day of the first reporting period following the change in business model. For example, if the Group decides to shut down the retail business segment on 31 January 2019, the reclassification date will be 1 April, 2019 (i.e. the first day of the entity's next reporting period), the Group shall not engage in activities consistent with its former business model after 31 January, 2019. Gains, losses or interest previously recognised shall not be restated when reclassification occurs.

2.3.3 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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



Expected Credit Loss Impairment Model

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

Stage 1 - Where there has not been a Significant Increase in Credit Risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss shall be recorded. The expected credit loss shall be computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity shall be used.
Stage 2 - When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it shall be included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
Stage 3 - Financial instruments that are considered to be in default shall be included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

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

Measurement of Expected Credit Losses

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

Details of these statistical parameters/inputs are as follows:
PD - The probability of default shall be an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the asset has not been previously derecognized and are still in the portfolio.

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

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



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

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

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

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

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

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

Assessment of significant increase in credit risk (SICR)

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

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

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

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

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Definition of Default and Credit Impaired Financial Assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

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



2.4 TRADE RECEIVABLES

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

2.5 REINSURANCE ASSETS

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for the insurance contracts in accounting policy 2.14 are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered in to by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts. Reinsurance assets consist of short-term balances due from reinsurers, as well as long term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in compliance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Group has the right to set-off re-insurance payables against amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

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

(a) **Receivables and payables related to insurance contracts**

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

2.6 DEFERRED ACQUISITION COSTS

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



2.7 OTHER RECEIVABLES AND PREPAYMENTS

2.7.1 Other receivables

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

2.7.2 Prepayments

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

2.8 INVESTMENT IN ASSOCIATE

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

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate.

The share of profit of the associate is shown on the face of the income statement. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

2.9 INVESTMENT IN SUBSIDIARY

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases. For the purpose of these financial statements, subsidiaries are entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

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

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

On loss of control, the Group de-recognizes the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in income statement.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as fair value through other comprehensive income financial asset depending on the level of influence retained.

2.10 INVESTMENT PROPERTIES

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

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



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

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

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

2.11 STATUTORY DEPOSIT

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

2.12 INTANGIBLE ASSETS

(i) Software

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

(ii) Goodwill

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



2.13 PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Property, plant and equipment are initially recorded at cost. Land is subsequently carried at revalued amount being the fair value at the date of revaluation,while buildings are subsequently carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The Group revalues its property, plant and equipment every three years in line with relevant provisions of International Accounting Standard (IAS) 16

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

(iv) De-recognition

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

2.14 INSURANCE CONTRACT LIABILITIES

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

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



Technical Reserves

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

a) Insurance Funds

i) Reserves for unearned premium

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

ii) Reserves for additional unexpired risk

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

iii) Reserves for outstanding claims

Reserves for outstanding claims is maintained as the total amount of oustanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the statement of financial position date. The IBNR is based on the liability adequacy test.

b) Liability adequacy test

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

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

2.15 TRADE AND OTHER PAYABLES

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

2.16 RETIREMENT OBLIGATIONS AND EMPLOYEE BENEFITS

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

(i) Defined benefit gratuity scheme

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



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

(ii) **Defined contribution pension scheme**

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

(iii) **Short-term benefits**

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

2.17 **INCOME TAX**

Income tax expense comprises current and deferred tax

(i) Current income tax

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

(ii) Deferred income tax

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

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

However, deferred income tax is not recognized for:

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

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

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



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

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

2.18 SHARE CAPITAL AND PREMIUM

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

2.19 CONTINGENCY RESERVE

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

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

2.20 RETAINED EARNINGS

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

2.21 FVOCI RESERVE

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

2.22 OTHER RESERVES - EMPLOYEE BENEFIT ACTUARIAL SURPLUS

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

2.23 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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



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

2.24 REVENUE RECOGNITION

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

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

Recognition and Measurement of Insurance Contracts

i **Gross premium written**

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

ii **Gross premium earned**

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

iii **Net premium earned**

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

iv **Reinsurance premium**

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

2.25 REINSURANCE EXPENSES

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

2.26 FEES AND COMMISSION INCOME

Fees and commission income represents the income the Company is entitled to for ceding businesses to the reinsurers and other insurance Companies. Fees and commission income is recognized over time, in accordance with IFRS 15 (Revenue from Contracts with Customers), covering the policy period over which services are expected to be provided, using the time apportionment basis. Fees and commission covering the reporting period are recognized in profit or loss as fees and commission income earned, while the unearned portion of fees and commission income is reported in the statement of financial position as deferred commission income.

2.27 CLAIMS AND LOSS ADJUSTMENT EXPENSES

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

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



(a) **Salvages**

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

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

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

2.28 **UNDERWRITING EXPENSES**

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

(a) **Commission expenses**

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

(b) **Maintenance expenses**

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

2.29 **INVESTMENT INCOME**

(a) **Dividend income**

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

(b) **Interest income and expense**

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

2.30 **MANAGEMENT EXPENSES**

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

2.31 **SEGMENT REPORTING**

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

2.32 **CONTINGENT LIABILITIES**

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



STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Group		Parent	
		2019	2018	2019	2018
Assets	Note	N'000	N'000	N'000	N'000
Cash and cash equivalents	3	8,101,885	6,697,017	8,095,230	6,675,924
Financial assets					
- At fair value through profit or loss	4	2,485,564	1,108,206	2,485,564	1,108,206
- At fair value through other comprehensive income	4	70,028	1,260,729	70,028	1,260,729
- At amortised cost	4	2,130,855	1,235,106	2,130,855	1,235,106
Trade receivables	5	207,484	279,709	207,484	279,709
Reinsurance assets	6	5,525,893	4,809,590	5,525,893	4,809,590
Deferred acquisition cost	7	810,097	655,614	810,097	655,614
Other receivables and prepayments	8	683,375	709,859	627,253	698,696
Investment in Associate	9	435,165	413,752	435,165	413,752
Investment in Subsidiary	10	-	-	50,000	50,000
Investment properties	11	1,589,278	682,951	1,589,278	682,951
Statutory deposit	12	320,000	320,000	320,000	320,000
Intangible asset	13	1,225	6,405	1,225	2,042
Property, Plant and Equipment	14	3,031,838	4,158,807	3,030,737	4,156,609
Deferred tax assets	20	291,203	92,773	281,736	83,306
Total Assets		**25,683,890**	**22,430,518**	**25,660,545**	**22,432,234**
Liabilities					
Insurance contract liabilities	15	9,000,865	7,126,871	9,000,865	7,126,871
Trade payables	16	298,046	319,023	298,046	319,023
Other payables	17	1,386,681	1,247,829	1,382,477	1,247,412
Retirement benefit obligations	18	81,635	78,496	81,635	78,496
Income tax liability	19	462,419	835,998	457,987	835,528
Deferred tax liabilities	20	356,500	397,746	356,500	397,746
		11,586,146	10,005,963	11,577,510	10,005,076
Share capital	21	2,640,251	2,640,251	2,640,251	2,640,251
Share premium	22	272,551	272,551	272,551	272,551
Statutory contingency reserve	23	4,198,848	3,606,052	4,198,848	3,606,052
Retained earnings	24	5,831,632	4,715,527	5,816,923	4,718,130
FVOCI reserve	25	(51,468)	(35,344)	(51,468)	(35,344)
Asset revaluation reserve	26	1,094,475	1,094,475	1,094,475	1,094,475
Other Reserves - gratuity	27	111,455	131,043	111,455	131,043
Total Equity		14,097,744	12,424,555	14,083,035	12,427,158
Total Equity and Liabilities		**25,683,890**	**22,430,518**	**25,660,545**	**22,432,234**

The financial statements on pages 27 to 94 were approved by the Board of Directors and authorised for issue on 26/2/2020 and signed on its behalf by:

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

The accompanying notes and significant accounting policies on pages 6 to 88 and other national disclosures on pages 89 to 94 form an integral part of these financial statements.

Auditors' report, pages 1 to 5

CERTIFIED BY:-
Director
Secretary

NEM INSURANCE PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Parent	
	Notes	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Gross premiums written	28	19,759,872	15,049,453	19,759,872	15,049,453
Increase in unearned premium	29(a)	(500,331)	(702,965)	(500,331)	(702,965)
Gross premium income	29	19,259,541	14,346,488	19,259,541	14,346,488
Reinsurance expenses	30	(6,642,001)	(3,652,694)	(6,642,001)	(3,652,694)
Net premium income		12,617,540	10,693,794	12,617,540	10,693,794
Fees and commission income	31	1,174,233	743,570	1,174,233	743,570
Net underwriting income		13,791,773	11,437,364	13,791,773	11,437,364
Claims expenses	32	(3,937,318)	(2,554,253)	(3,937,318)	(2,554,253)
Underwriting expenses	33	(5,505,758)	(4,259,870)	(5,505,758)	(4,259,870)
Underwriting profit		4,348,697	4,623,241	4,348,697	4,623,241
Investment income	34	878,186	952,783	878,186	952,783
Net Fair value gain/(loss)	35	170,963	(263,382)	170,963	(263,382)
Other income	36	72,340	212,667	27,575	173,099
Profit on disposal of properties, plant and equipment	38	872	3,818	872	3,818
Share of profit in Associate	9	21,413	21,251	21,413	21,251
Management expenses	37	(3,535,522)	(2,826,843)	(3,512,569)	(2,803,813)
Allowance for credit losses - Cash	3	(15,274)	(8,920)	(15,274)	(8,920)
Allowance for credit losses - Bonds	4.3(e)	(68)	(338)	(68)	(338)
Allowance for credit losses - Fixed deposits (Note	4.3(f)	(2,874)	(1,655)	(2,874)	(1,655)
Profit before *NITDA and taxation*		1,938,733	2,712,622	1,916,921	2,696,084
Information Technology Development Levy		(18,979)	(26,961)	(18,979)	(26,961)
Profit before taxation		1,919,754	2,685,661	1,897,942	2,669,123
Income taxes	19(b)	475,612	(648,957)	480,112	(648,487)
Profit for the year after tax		2,395,366	2,036,704	2,378,054	2,020,636
Other comprehensive income:					
Items within OCI that may be reclassified to the Profit or loss:					
Actuarial (loss)/gain-change in assumption	18	(5,949)	5,482	(5,949)	5,482
Actuarial loss - experience adjustment	18	(13,639)	(15,053)	(13,639)	(15,053)
(Loss)/gains on FVTOCI		(16,124)	123,978	(16,124)	123,978
Items within OCI that will not be reclassified to the Profit or loss:					
Gain on revaluation of land and buildings	26	-	1,094,475	-	1,094,475
Total other comprehensive (loss)/income for the year		(35,712)	1,208,882	(35,712)	1,208,882
Total comprehensive income for the year		2,359,654	3,245,586	2,342,342	3,229,518
Basic earnings per share (Kobo)		0.45	0.39	0.45	0.38
Diluted earnings per shares (Kobo)		0.45	0.39	0.45	0.38

The accompanying notes and significant accounting policies on pages 6 to 88 and other national disclosures on pages 89 to 94 form an integral part of these financial statements.

Auditors' report, pages 1 to 5

CERTIFIED BY:-
Director
Secretary

NEM INSURANCE PLC
Consolidated Statement of Changes in Equity
for the year ended 31 December 2019
Group

	Share capital	Share premium	Contingency reserve	Other reserve - Gratuity	FVOCI Reserve	Asset revaluation reserve	Retained earnings	Total equity
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance 1 January, 2019	2,640,251	272,551	3,606,052	131,043	(35,344)	1,094,475	4,715,527	12,424,555
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	2,395,366	2,395,366
Transfer to contingency reserve	-	-	592,796		-	-	(592,796)	-
Dividend paid during the year	-	-	-	-	-	-	(686,465)	(686,465)
Fair value loss on FVOCI	-	-	-	-	(16,124)	-	-	(16,124)
Changes in valuation of gratuity	-	-	-	(19,588)	-	-	-	(19,588)
Changes in valuation of land and building	-	-	-	-	-	-	-	-
Balance 31 December, 2019	2,640,251	272,551	4,198,848	111,455	(51,468)	1,094,475	5,831,632	14,097,744
Balance 1 January, 2018	2,640,251	272,551	3,154,568	140,614	(159,322)	-	3,658,357	9,707,019
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	2,036,704	2,036,704
Transfer to contingency reserve	-	-	451,484	-	-	-	(451,484)	-
Dividend paid during the year	-	-	-	-	-	-	(528,050)	(528,050)
Fair value gain on FVOCI	-	-	-	-	123,978	-	-	123,978
Changes in valuation of land and building	-	-	-	-	-	1,094,475	-	1,094,475
Changes in valuation of gratuity	-	-	-	(9,571)	-	-	-	(9,571)
Balance 31 December, 2018	2,640,251	272,551	3,606,052	131,043	(35,344)	1,094,475	4,715,527	12,424,555

The accompanying notes and significant accounting policies on pages 6 to 88 and other national disclosures on pages 89 to 94 form an integral part of these financial statements.

Auditors' report, pages 1 to 5

CERTIFIED:
Director
Secretary

NEM INSURANCE PLC
Statement of Changes in Equity
for the year ended 31 December 2019
Parent

	Share capital	Share premium	Contingency reserve	Other reserve - Gratuity	FVOCI Reserve	Asset revaluation reserve	Retained earnings	Total equity
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance 1 January, 2019	2,640,251	272,551	3,606,052	131,043	(35,344)	1,094,475	4,718,130	12,427,158
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	2,378,054	2,378,054
Transfer to contingency reserve	-	-	592,796	-	-	-	(592,796)	-
Dividend paid during the year	-	-	-		-	-	(686,465)	(686,465)
Fair value gain on FVOCI	-	-	-	-	(16,124)	-	-	(16,124)
Changes in valuation of gratuity	-	-	-	-	-	-	-	-
Changes in valuation of land and building	-	-	-	(19,588)	-	-	-	(19,588)
Balance 31 December, 2019	2,640,251	272,551	4,198,848	111,455	(51,468)	1,094,475	5,816,923	14,083,035
Balance 1 January, 2018	2,640,251	272,551	3,154,568	140,614	(159,322)	-	3,677,028	9,725,690
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	2,020,636	2,020,636
Transfer to contingency reserve	-	-	451,484	-	-	-	(451,484)	-
Dividend paid during the year	-	-	-	-	-	-	(528,050)	(528,050)
Fair value gain on FVOCI	-	-	-	-	123,978	-	-	123,978
Changes in valuation of land and building	-	-	-	-	-	1,094,475	-	1,094,475
Changes in valuation of gratuity	-	-	-	(9,571)	-	-	-	(9,571)
Balance 31 December, 2018	2,640,251	272,551	3,606,052	131,043	(35,344)	1,094,475	4,718,130	12,427,158

The accompanying notes and significant accounting policies on pages 6 to 87 and other national disclosures on pages 89 to 94 form an integral part of these financial statements.

Auditors' report, pages 1 to 5



NEM INSURANCE PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018	2019	20
Cash flows from Operating Activities:	Notes	N'000	N'000	N'000	N'0
Premium received from policy holders	5(a)	19,529,337	15,493,279	19,529,337	15,493,2
Deposit premium		272,636	302,760	272,636	302,7
Reinsurance Premium Paid		-5,294,731	-5,126,081	-5,294,731	-5,126,0
Fees and Commission Received	31	1,088,545	1,106,384	1,088,545	1,106,3
Direct Claims Paid	32	-7,374,491	-6,012,351	-7,374,491	-6,012,3
Claims paid on behalf of co-assurance companies	6.5	-1,144,841	-422,997	-1,144,841	-422,9
Claims Received from Reinsurers	32(d)	1,936,513	2,440,410	1,936,513	2,440,4
Claims Received from co-assurance companies	32(c)	1,875,018	582,228	1,875,018	582,2
Commission Paid	33(b)	-3,107,891	-2,458,366	-3,107,891	-2,458,3
Maintenance Expenses Paid	33(c)	-2,552,350	-1,869,874	-2,552,350	-1,869,8
Cash paid to and on behalf of Employees	37(a)	-1,591,840	-1,503,672	-1,581,730	-1,492,3
Other Operating Expenses paid		-1,168,450	-1,205,001	-1,181,352	-1,258,9
Company Income Tax Paid	19(a)	-156,622	-155,542	-156,084	-155,5
Net cash inflow from operating activities		2,310,833	1,171,177	2,308,579	1,128,5
Cash flows from Investing Activities:					
Purchase of FVTPL	4(a)	-128,844	-172,054	-128,844	-172,0
Proceeds from Short term placement above 90 days	4.3(d)	784,755	2,184,272	784,755	2,184,2
Investment in short term placement above 90 days	4.3(d)	-1,659,926	-	-1,659,926	
Proceeds from Redemption of Amortised cost	4.3(a)	24,487	69,101	24,487	69,1
Proceeds on disposal FVTPL	4(b)	101,882	203,984	101,882	203,9
Purchase of financial assets at amortised cost	4.3(a)	-50,000	-81,483	-50,000	-81,4
Investment Income received	34	878,186	945,914	878,186	945,9
Acquisition of Investment properties	11	-6,272	-	-6,272	
Acquisition of property, plant and equipment	14	-164,640	-429,388	-164,638	-429,3
Deposit for shares in subsidiary	8(c)ii)	-	-	16,690	25,0
Proceeds from disposal on PPE	38	872	4,744	872	4,7
Net cash (outflow)/inflow from investing activities		**-219,500**	**2,725,090**	**-202,808**	**2,750,0**
Cash flows from financing activities					
Dividends paid to equity holders of the parent	24	-686,465	-528,050	-686,465	-528,0
Net cash outflow from financing activities		**-686,465**	**-528,050**	**-686,465**	**-528,0**
Total cash inflow		1,404,868	3,368,217	1,419,306	3,350,5
Cash and cash equivalents at 1 January		6,697,017	3,328,800	6,675,924	3,325,3
Cash and cash equivalents at 31 December		8,101,885	6,697,017	8,095,230	6,675,9
Represented by:					
Cash and cash equivalents at 31 December	3	8,101,885	6,697,017	8,095,230	6,675,9



3. Cash and Cash Equivalents

	Group		Parent	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Cash - petty cash	677	583	663	572
Balances with Local banks	875,267	615,634	868,626	594,552
Domiciliary accounts with local banks	284,269	413,759	284,269	413,759
Placement with banks	6,007,984	5,376,433	6,007,984	5,376,433
Placement with other institutions	957,882	299,528	957,882	299,528
	8,126,079	6,705,937	8,119,424	6,684,844
Allowance for credit losses (Note 3(c))	(24,194)	(8,920)	(24,194)	(8,920)
Total cash and cash equivalents	8,101,885	6,697,017	8,095,230	6,675,924
Current	8,101,885	6,697,017	8,095,230	6,675,924
Non-current	-	-	-	-

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

(a) Attributable to policyholders

	N'000	N'000	N'000	N'000
Balances with Local Banks	875,944	616,217	869,289	595,124
Domiciliary Accounts with local banks	284,269	413,759	284,269	413,759
Placement with Banks	6,007,984	5,376,433	6,007,984	5,376,433
	7,168,197	6,406,409	7,161,542	6,385,316

(b) Attributable to shareholders

	N'000	N'000	N'000	N'000
Balances with local banks	-	-	-	-
Placement with other institutions	957,882	299,528	957,882	299,528
Cash and cash equivalents	8,126,079	6,705,937	8,119,424	6,684,844

(c) Impairment allowance for cash & cash equivalents

	N'000	N'000	N'000	N'000
ECL allowance as at 1 January 2019 under IFRS 9	8,920	2,966	8,920	2,966
Reclassification from financial assets at amortised cost	-	4,161	-	4,161
Additions during the year (Note 37(c))	15,274	1,793	15,274	1,793
Balance at the end of the year	24,194	8,920	24,194	8,920

4. Financial Assets

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

	N'000	N'000	N'000	N'000
Fair value through profit or loss (Note 4.1)	2,485,564	1,108,206	2,485,564	1,108,206
Fair value through other comprehensive income (Note 4.2)	70,028	1,260,729	70,028	1,260,729
Financial asset at amortised cost (Note 4.3)	2,130,855	1,235,106	2,130,855	1,235,106
	4,686,447	3,604,041	4,686,447	3,604,041
Current	87,477	1,260,729	87,477	1,260,729
Non- current	4,598,956	2,343,312	4,598,956	2,343,312
	4,686,433	3,604,041	4,686,433	3,604,041



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

	Group		Parent	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Balance at the beginning of the year	1,108,206	1,347,462	1,108,206	1,347,462
Purchases	128,844	172,054	128,844	172,054
Reclassification from FVOCI (Note 4.2(c))	1,174,577	-	1,174,577	-
Fair value gains/(loss) (Note 35)	170,782	(269,778)	170,782	(269,778)
Disposal	(96,845)	(141,532)	(96,845)	(141,532)
Balance at the end of the year	2,485,564	1,108,206	2,485,564	1,108,206
Attributable to policyholders	2,485,564	1,108,206	2,485,564	1,108,206
Attributable to shareholders	-	-	-	-

(b) **Gain on disposal**

	N'000	N'000	N'000	N'000
Fair value at the beginning of the year	96,845	141,531	96,845	141,531
Sales proceed	(101,882)	(203,984)	(101,882)	(203,984)
Gain on disposal (Note 36)	(5,037)	(62,453)	(5,037)	(62,453)

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

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

4.2 **Fair value through other comprehensive income**

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

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

Equity investments at FVOCI comprise the following individual investments:

	Group		Parent	
Equity securities	2019	2018	2019	2018
Fair value	N'000	N'000	N'000	N'000
CSCS	27,370	28,559	27,370	28,559
WAMCO	42,658	57,593	42,658	57,593
MTN	-	1,174,577	-	1,174,577
	70,028	1,260,729	70,028	1,260,729

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

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	Group		Parent	
	2019	2018	2019	2018
(b) Equity instrument measured at fair value through other comprehensive income				
	N'000	N'000	N'000	N'000
Balance at the beginning of the year	1,260,729	1,136,751	1,260,729	1,136,751
Fair value (loss)/gains (Note 25)	(16,124)	123,978	(16,124)	123,978
Reclassification to FVTPL (Note 4.2(c))	(1,174,577)	-	(1,174,577)	-
Disposal during the year	-	-	-	-
Balance at the end of the year	70,028	1,260,729	70,028	1,260,729
Attributable to policy holders	-	-	-	-
Attributable to shareholders	70,028	1,260,729	70,028	1,260,729

(c) The Company's change in business model during the year necessitated the reclassification of MTN shares from FVOCI to FVTPL and will henceforth be held for trading

4.3 Financial assets at amortised cost	N'000	N'000	N'000	N'000
Bonds (Note 4.3(a))	225,384	200,277	225,384	200,277
Fixed deposits and Treasury bills (Note 4.3(d))	1,905,471	1,034,829	1,905,471	1,034,829
	2,130,855	1,235,106	2,130,855	1,235,106

(a) Bonds	N'000	N'000	N'000	N'000
Balance at the beginning of the year	200,277	181,364	200,277	181,364
Purchases during the year	50,000	81,483	50,000	81,483
Accrued interest capitalised (Note 34)	-	6,869	-	6,869
	250,277	269,716	250,277	269,716
Disposal during the year	(24,487)	(69,101)	(24,487)	(69,101)
Allowance for credit losses (Note 4.3(e))	(406)	(338)	(406)	(338)
Balance at the end of the year	225,384	200,277	225,384	200,277

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(b) Breakdown of the bonds	Maturity date	2019 Coupon Rate	Frequency	Parent 2019 N'000	Parent 2018 N'000
Access Bank Eurobond	October 2021	10.50%	Half yearly	46,984	51,849
Ondo State Government	February 2020	15.50%	Half yearly	1,166	1,582
Osun State Government	October 2020	14.75%	Half yearly	4,280	6,911
Niger State Government	November 2020	14.00%	Half yearly	12,003	17,288
FIDSON Bond	October 2023	15.50%	Half yearly	6,222	13,078
UBA Bond	December 2021	16.45%	Half yearly	24,933	27,018
Sterling Bond	September 2023	16.25%	Half yearly	29,933	30,901
Wema Bond	October 2023	18.50%	Half yearly	49,894	51,650
Ondo State Government	December 2026	13.00%	Half yearly	49,969	-
				225,384	200,277

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

	Group		Parent	
(d) Fixed deposits and Treasury bills	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Balance at the beginning of the year	1,034,829	3,220,756	1,034,829	3,220,756
Liquidation during the year	(784,755)	(2,184,272)	(784,755)	(2,184,272)
Addition during the year	1,659,926	-	1,659,926	-
Allowance for credit losses (Note 4.3(f))	(4,529)	(1,655)	(4,529)	(1,655)
Balance at the end of the year	1,905,471	1,034,829	1,905,471	1,034,829
Attributable to policyholders	-	-	-	-
Attributable to shareholders	2,130,855	1,235,106	2,130,855	1,235,106

(e) Impairment allowance on Bond:	N'000	N'000	N'000	N'000
ECL allowance as at 1 January 2019	338	-	338	-
Additions during the year	68	338	68	338
Balance at the end of the year (Note 4.3(a))	406	338	406	338

(f) Impairment allowance on Fixed deposits and Treasury bills:	N'000	N'000	N'000	N'000
ECL allowance as at 1 January 2019	1,655	-	1,655	-
Additions during the year	2,874	1,655	2,874	1,655
Balance at the end of the year (Note 4.3(d))	4,529	1,655	4,529	1,655



5 Trade Receivables	Group		Parent	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Premium Receivable (Note 5(a))	207,484	279,709	207,484	279,709
Receivable from reinsurer	-	-	-	-
	207,484	279,709	207,484	279,709
(a) Premium Receivable	**N'000**	N'000	**N'000**	N'000
Balance at the beginning of the year	279,709	723,535	279,709	723,535
Gross premium written during the year (Note 29)	19,759,872	15,049,453	19,759,872	15,049,453
Premium received in the year	(19,832,097)	(15,493,279)	(19,832,097)	(15,493,279)
Balance at the end of the year	207,484	279,709	207,484	279,709
Current	207,484	279,709	207,484	279,709
Non-current	-	-	-	-
(b) Analysis of Trade Receivables	**N'000**	**N'000**	**N'000**	**N'000**
Amount due from reinsurance Companies	-	-	-	-
Amount due from Insurance Brokers	207,484	279,709	207,484	279,709

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

Age of Trade Receivables	**N'000**	**N'000**	**N'000**	**N'000**
Within 30 days	207,484	279,709	207,484	279,709
Above 30 days	-	-	-	-
	207,484	279,709	207,484	279,709

(d) Trade receivables are receivables from insurance contracts as at the year end from brokers and these have been collected subsequent to the year ended 31 December 2019.

6 Reinsurance Assets	N'000	N'000	N'000	N'000
Reinsurance share of UPR (Note 6.1)	1,082,294	2,420,417	1,082,294	2,420,417
Reinsurance share of IBNR (Note 6.2)	973,497	334,016	973,497	334,016
Reinsurance share of Outstanding Claim (Note 6.3)	1,579,148	955,927	1,579,148	955,927
	3,634,939	3,710,360	3,634,939	3,710,360
Reinsurance share of Claims paid (Note 6.4)	1,063,775	870,367	1,063,775	870,367
Co assurance receivables (Note 6.5)	726,851	38,815	726,851	38,815
Reinsurance receivables (Note 6.6)	100,328	190,048	100,328	190,048
	5,525,893	4,809,590	5,525,893	4,809,590
Current	1,909,473	2,983,296	1,909,473	2,983,296
Non-current	3,616,420	1,826,294	3,616,420	1,826,294
6.1 Prepaid Reinsurance expense	**N'000**	**N'000**	**N'000**	**N'000**
Reinsurance share of UPR (Note 6.1(a))	1,082,294	902,427	1,082,294	902,427
Prepaid reinsurance premium (Note (6.1(b))	-	1,517,990	-	1,517,990
	1,082,294	2,420,417	1,082,294	2,420,417
(a) Reinsurance share of UPR	**N'000**	**N'000**	**N'000**	**N'000**
Balance at the beginning of the year	902,427	834,130	902,427	834,130
Movement during the year (Note 30)	179,867	68,297	179,867	68,297
Balance at the end of year	1,082,294	902,427	1,082,294	902,427

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	Group		Parent	
	2019	2018	2019	2018
(b) Balance at the end of the year	N'000	N'000	N'000	N'000
Balance at the beginning of the year	1,517,990	112,900	1,517,990	112,900
Changes during the year (Note 30)	(1,517,990)	1,405,090	(1,517,990)	1,405,090
	-	1,517,990	-	1,517,990

i Prepaid reinsurance premium of N1,082,294,000 : (2018: 2,420,417,000) was as result of time apportionment on reinsurance outward ceded out amounting to N5,303,878,000 : (2018: 5,126,081,000).

(c) Prepaid reinsurance premium	N'000	N'000	N'000	N'000
Balance at the beginning of the year	1,517,990	112,900	1,517,990	112,900
Premium ceded during the year (Note 30)	5,303,878	5,126,081	5,303,878	5,126,081
Balance at the end of the year (Note 6.1(b))	-	(1,517,990)	-	(1,517,990)
Amortised Reinsurance	6,821,868	3,720,991	6,821,868	3,720,991
Movement in UPR during the year (Note 30)	(179,867)	(68,297)	(179,867)	(68,297)
Reinsurance Expenses (Note 30)	6,642,001	3,652,694	6,642,001	3,652,694

6.2 Reinsurance share of IBNR	N'000	N'000	N'000	N'000
Balance at the beginning of the year	334,016	323,698	334,016	323,698
Movement during the year (Note 32(d))	639,481	10,318	639,481	10,318
Balance at the end of year (Note 6)	973,497	334,016	973,497	334,016

6.3 Reinsurance share of Outstanding Claim	N'000	N'000	N'000	N'000
Balance at the beginning of the year	955,927	729,310	955,927	729,310
Movement during the year (Note 32(d))	623,221	226,617	623,221	226,617
Balance at the end of year (Note 6)	1,579,148	955,927	1,579,148	955,927

6.4 Reinsurance share of Claims paid	N'000	N'000	N'000	N'000
Balance at the beginning of the year	870,367	382,421	870,367	382,421
Movement during the year (Note 32(d))	193,408	487,946	193,408	487,946
Balance at the end of year (Note 6)	1,063,775	870,367	1,063,775	870,367

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

6.5 Co assurance receivables	N'000	N'000	N'000	N'000
Balance at the beginning of the year	38,815	-	38,815	-
Claims paid on behalf of Co-assurance Companies	1,144,841	422,997	1,144,841	422,997
Claims recovered from co-assurance companies (Note 32(c))	(456,805)	(384,182)	(456,805)	(384,182)
Balance at the end of year (Note 6)	726,851	38,815	726,851	38,815

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

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

7 Deferred acquisition cost	N'000	N'000	N'000	N'000
Balance at the beginning of the year	655,614	587,244	655,614	587,244
Commission paid during the year (Note 33(a))	3,107,891	2,458,366	3,107,891	2,458,366
Amortised acquisition cost during the year (Note 33(a))	(2,953,408)	(2,389,996)	(2,953,408)	(2,389,996)
Balance at the end of the year	810,097	655,614	810,097	655,614



8 Other receivables and prepayments	Group 2019	Group 2018	Parent 2019	Parent 2018
Prepayments (Note 8(a))	66,608	83,111	66,608	83,111
Interest receivable (Note 8(b))	109,430	114,271	109,430	114,271
Withholding Tax Receivable	109,075	76,316	109,075	76,316
Other receivables (Note 8(c))	309,748	205,936	253,626	194,773
Stock brokers' current accounts (Note 8(d))	88,514	230,225	88,514	230,225
	683,375	709,859	627,253	698,696

(a) Prepayments	N'000	N'000	N'000	N'000
Balance at the beginning of the year	83,111	9,559	83,111	9,559
Payment during the year	11,221	103,817	11,221	103,817
Amortisation during the year (Note 37(b))	(27,724)	(30,265)	(27,724)	(30,265)
Balance at the end of the year	66,608	83,111	66,608	83,111

(i) Breakdown of prepayments	N'000	N'000	N'000	N'000
Prepaid Commission	53,240	65,810	53,240	65,810
Rent and rates	13,368	17,301	13,368	17,301
	66,608	83,111	66,608	83,111

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

(b) Interest receivable	N'000	N'000	N'000	N'000
Balance at the beginning of the year	114,271	86,197	114,271	86,197
Movement during the year	(4,841)	28,074	(4,841)	28,074
Balance at the end of the year	109,430	114,271	109,430	114,271

(i) Interest receivable represents accrued interest on various placements as at the reporting period.

(c) Other Receivables	N'000	N'000	N'000	N'000
Staff loans and advances (Note 8(c)(i))	63,545	22,826	63,545	22,826
Others	246,203	183,110	5,891	4,447
Deposit for shares in NEM Asset Management Ltd (Note 8(c)(ii))	-	-	184,190	167,500
	309,748	205,936	253,626	194,773

(i) Staff loans and advances	N'000	N'000	N'000	N'000
Balance at the beginning of the year	22,826	35,498	22,826	35,498
Additions during the year	69,584	13,911	69,584	13,911
Repayment during the year	(28,865)	(26,583)	(28,865)	(26,583)
Balance at the end of the year	63,545	22,826	63,545	22,826

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

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	-	-	167,500	142,500
Movement during the year	-	-	16,690	25,000
Balance at the end of the year	-	-	184,190	167,500

(d) Stock brokers' current accounts	N'000	N'000	N'000	N'000
Fundvine Capital and Securities Limited	85,314	85,314	85,314	85,314
Centrepoint Investment Limited	3,200	1,215	3,200	1,215
Apel Asset Limited	-	124,755	-	124,755
Qualinvest Capital Limited	-	18,941	-	18,941
	88,514	230,225	88,514	230,225

i Stock broker's current accounts comprise of amount due to NEM Insurance Plc after year end reconciliation with brokers. During the year, brokers traded on behalf of the Company and N5 million was recognised as Gain on equity disposed (Note (4.1(b).

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

9 Investment in Associate	N'000	N'000	N'000	N'000
Balance at the beginning of the year	413,752	392,501	413,752	392,501
Addition during the year	-	-	-	-
Share of Profit during the year	21,413	21,251	21,413	21,251
Balance at the end of the year	435,165	413,752	435,165	413,752

	Group		Parent	
	2019	2018	2019	2018
10 Investment in subsidiary	N'000	N'000	N'000	N'000
Balance at the beginning of the year	-	-	50,000	50,000
Addition during the year	-	-	-	-
Balance at the end of the year	-	-	50,000	50,000

(a) NEM Insurance Plc acquired 100% interest in NEM Asset Management in 2016. The principal activity of NEM Asset Management is asset leasing and LPO financing. The Assets and Liabilities of the new Subsidiary (NEM Asset Management) are consolidated in these Financial Statements. During the year, the subsidiary made a Profit after tax of N17 million (2018: N16 million).

11 Investment Properties	N'000	N'000	N'000	N'000
Balance at the beginning of the year	682,951	676,555	682,951	676,555
Reclassification (Note 14)	899,874	-	899,874	-
Addition during the year	6,272	-	6,272	-
Revaluation gain (Note 35)	181	6,396	181	6,396
Balance at the end of the year	1,589,278	682,951	1,589,278	682,951

(a) Carrying amount of investment properties	Status of Title	Balance at the begining of the year	Additions	Fair value changes	Carrying amount
		N'000	N'000	N'000	N'000
Oniru-Block Xv1, Plot 11, Aremo Adesegun Oniru Crecent, Off Onigefon Road, Oniru, Lagos	Not Perfected	228,251	-	4,539	232,790
Ebute-Metta- 22a, Borno Way, Ebute-Metta Lagos	Perfected	399,496	6,272	(5,037)	400,731
Zaria- Plot No 34, Liverpool Street, Off River Road, GRA Extension Zaria, Kaduna State	Perfected	55,204	-	553	55,757
Block Viib Plot 4 Oniru Chieftaincy Family Private Estate Victoria Island, Lagos	Not Perfected	-	899,874	126	900,000
		682,951	906,146	181	1,589,278

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The Company's investment properties are allocated as follows:				
Attributable to policyholders	-	-	-	-
Attributable to shareholders	1,589,278	682,951	1,589,278	682,951

(b) Investment properties are held at fair value which has been determined based on valuations performed by independent valuation experts, Diya Fatimilehin & Co. (Estate Surveyors & Valuers) ; Plot 237B, Muri Okunola Street, Victoria Island , Lagos; The Valuers Fatimilehin Adegboyega and Diya Maurise Kolawole are registered with Financial reporting Council of Nigeria with registration Numbers FRC/2013/NIESV/00000000754 and FRC/2013/NIESV/00000002773 respectively.

(c) The valuers are the industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between knowledgeable, willing buyers and knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with standards issued by International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the statement of comprehensive income.

(d) This is an investment in land and building held primarily for generating income or capital appreciation and occupied substantially for use in the operations of the Company. This is carried in the statement of financial position at their market value.

(e) In the year, there is revaluation surplus on investment properties of N181,000.

	Group		Parent	
	2019	2018	2019	2018
12 **Statutory deposit**	N'000	N'000	N'000	N'000
Statutory deposit	320,000	320,000	320,000	320,000

This represents the amount deposited with the Central Bank of Nigeria as at 31 December, 2019: (2018: N 320m) which was in accordance with section 9(1) and section 10 (3) of Insurance Act CAP I17 LFN 2004. Statutory deposits are measured at cost.

13 Intangible asset				
Cost	N'000	N'000	N'000	N'000
At January 1,	79,051	79,051	61,596	61,596
Addition	-	-	-	-
At December 31	79,051	79,051	61,596	61,596
Amortisation				
At January 1,	72,646	60,054	59,554	51,326
Amortisation during the year	5,180	5,181	817	817
Adjustment	-	7,411	-	7,411
At December 31	77,826	72,646	60,371	59,554
Carrying Amount	1,225	6,405	1,225	2,042

(a) The only intangible asset of the Company was a software named "IES' used in posting the business transactions of the Company.

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	Group		Parent	
	2019	2018	2019	2018

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

	N'000	N'000	N'000	N'000
Profit before income tax	1,938,733	2,712,622	1,916,921	2,696,084
Tax calculated at the corporate tax rate	581,620	813,787	575,076	808,825
Effect of:				
Non-deductible expenses	-	(233,041)	-	(228,148)
Effect of Education tax levy	-	42,051	37,673	41,649
Effect of Capital allowance on income tax	-	(291,656)	-	(291,656)
Effect of Balancing and Investment Allowance	-	(2,385)	-	(2,385)
Effect of Deferred tax	(41,246)	276,138	(41,246)	276,138
Tax exempt income	-	44,063	-	44,064
Total income tax expense in income statement	540,374	648,957	571,503	648,487
Effective tax rate (%)	27.87	23.92	29.81	24.05

(d) **Information Technology Levy**

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

20 Deferred Taxation

i **Deferred tax Assets**

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	(92,773)	(92,773)	(83,306)	(83,306)
Charge for the year	(198,430)	-	(198,430)	-
Balance at the end of the year	(291,203)	(92,773)	(281,736)	(83,306)

ii **Deferred tax Liabilities**

	N'000	N'000	N'000	N'000
Balance at the beginning of the year	397,746	-	397,746	-
Charge for the year	(41,246)	276,138	(41,246)	276,138
Revaluation surplus (Note 26)	-	121,608	-	121,608
Balance at the end of the year	356,500	397,746	356,500	397,746

As a result of accelerated rates of capital allowances, the carrying amount of the Company's property, plant and equipment at the statement of financial position date exceeded their corresponding tax written down value by N.....(2018: N642,773,939). There was a deferred tax liability of N.....(2018:121,608,000) on revaluation surplus which is 10% capital gains tax of the balance in the revaluation surplus account. Deferred tax liabilities arising during the year amounting to N.....(2018:N314,440,000) have been recognised in the Audited Financial Statements

21 Share Capital

	N'000	N'000	N'000	N'000
Authorised Share Capital				
8,400,000,000 ordinary shares of 50k each	4,200,000	4,200,000	4,200,000	4,200,000
(a) **Ordinary shares issued and fully paid**	N'000	N'000	N'000	N'000
5,280,502,913 ordinary shares of 50k each	2,640,251	2,640,251	2,640,251	2,640,251

22 Share Premium

	N'000	N'000	N'000	N'000
Share Premium	272,551	272,551	272,551	272,551

Premium from the issue of shares are reported in share premium

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	Group		Parent	
23 Statutory contingency reserve	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Balance at the beginning of the year	3,606,052	3,154,568	3,606,052	3,154,568
Transfer from revenue reserve (Note 24)	592,796	451,484	592,796	451,484
Balance at the end of the year	4,198,848	3,606,052	4,198,848	3,606,052

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

During the current year, this was calculated based on 3% of the gross premium.

24 Retained earnings	N'000	N'000	N'000	N'000
Balance at the beginning of the year	4,715,527	3,658,357	4,718,130	3,677,028
Profit for the year	2,395,366	2,036,704	2,378,054	2,020,636
Transfer to contingency reserve (Note 23)	(592,796)	(451,484)	(592,796)	(451,484)
Dividend paid	(686,465)	(528,050)	(686,465)	(528,050)
Balance at the end of the year	5,831,632	4,715,527	5,816,923	4,718,130

25 FVOCI reserve	N'000	N'000	N'000	N'000
Balance at the beginning of the year	(35,344)	(159,322)	(35,344)	(159,322)
Additions during the year (Note4.2(b)	(16,124)	123,978	(16,124)	123,978
Balance at the end of the year	(51,468)	(35,344)	(51,468)	(35,344)

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

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

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

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

27 Other Reserves - gratuity	N'000	N'000	N'000	N'000
Balance at the beginning of the year	131,043	140,614	131,043	140,614
Loss during the year	(19,588)	(9,571)	(19,588)	(9,571)
Balance at the end of the year	111,455	131,043	111,455	131,043

(a) This comprise of the cumulative actuarial gain on change in assumptions and experience adjustment.

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	Group		Parent	
28 Gross Premium written	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Direct premium (Note 28(a))	19,510,665	14,809,858	19,510,665	14,809,858
Inward reinsurance (Note 28(a))	249,207	239,595	249,207	239,595
	19,759,872	15,049,453	19,759,872	15,049,453

Gross premium written increased when compared with previous year majorly because of the new businesses won during the year due to aggressive marketing embarked upon by the Company.

(a) **Gross Premium written**	N'000	N'000	N'000	N'000
Fire	4,695,644	3,437,146	4,695,644	3,437,146
Oil and Gas	2,928,191	2,479,973	2,928,191	2,479,973
General accident	3,992,349	2,636,886	3,992,349	2,636,886
Marine	2,151,309	1,516,010	2,151,309	1,516,010
Motor	5,743,172	4,739,843	5,743,172	4,739,843
Direct premium (Note 28)	19,510,665	14,809,858	19,510,665	14,809,858
Inward reinsurance (Note 28)	249,207	239,595	249,207	239,595
	19,759,872	15,049,453	19,759,872	15,049,453

29 Gross premium income	N'000	N'000	N'000	N'000
Premium written during the year (Note 28)	19,759,872	15,049,453	19,759,872	15,049,453
Changes in unearned premium (Note 29(a))	(500,331)	(702,965)	(500,331)	(702,965)
	19,259,541	14,346,488	19,259,541	14,346,488

(a) **Movement in Unearned premium**	N'000	N'000	N'000	N'000
Unearned premium brought forward (Note 15.2)	4,146,236	3,443,271	4,146,236	3,443,271
Unearned premium carried forward (Note 15.2)	(4,646,567)	(4,146,236)	(4,646,567)	(4,146,236)
Increase in unearned premium	(500,331)	(702,965)	(500,331)	(702,965)

30 Reinsurance expense	N'000	N'000	N'000	N'000
Reinsurance premium (Cost) paid during the year (Note 30(a))	5,303,878	5,126,081	5,303,878	5,126,081
Change in Reinsurance Share of UPR (Note 6.1(a))	(179,867)	(68,297)	(179,867)	(68,297)
Change in Prepaid Reinsurance Premium (Note 6.1(b))	1,517,990	(1,405,090)	1,517,990	(1,405,090)
	6,642,001	3,652,694	6,642,001	3,652,694

(a) **Reinsurance expense**	N'000	N'000	N'000	N'000
Motor	27,193	18,196	27,193	18,196
Marine	864,723	693,660	864,723	693,660
Fire	1,832,133	2,088,035	1,832,133	2,088,035
General Accident	1,311,447	1,458,768	1,311,447	1,458,768
Oil & Gas	1,268,382	867,422	1,268,382	867,422
	5,303,878	5,126,081	5,303,878	5,126,081

(b) Reinsurance expenses of N5,303,878,000 was paid during the year, N3,462,377,000 was paid to the foreign insurers while N1,841,501,000 was paid to local insurers. In 2018 reinsurance expense stood at N5,126,081,000 (Foreign N2,706,689,000 - Local N2,419,392,000)

31 Fees and commission income	N'000	N'000	N'000	N'000
Deferred Commission as at 1 January (Note 17)	362,814	-	362,814	-
Fees and Commission Income received during the year (Note 31(b))	1,088,545	1,106,384	1,088,545	1,106,384
Fees and Commission Income earned during the year	(1,174,233)	(743,570)	(1,174,233)	(743,570)
Deferred Commission as at 31 December (Note 17)	277,126	362,814	277,126	362,814

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

	Group		Parent	
	2019	2018	2019	2018
(b) **Classes**	N'000	N'000	N'000	N'000
Motor	7,300	3,897	7,300	3,897
Marine	203,403	157,037	203,403	157,037
Fire	505,740	546,943	505,740	546,943
General Accident	356,127	355,689	356,127	355,689
Oil and Gas	15,975	42,818	15,975	42,818
	1,088,545	1,106,384	1,088,545	1,106,384

32 Claims Expenses	N'000	N'000	N'000	N'000
Gross Claims paid (Note 32(a))	7,374,491	6,012,351	7,374,491	6,012,351
Increase in outstanding claims (Note 15.1(a))	638,486	384,687	638,486	384,687
Changes in IBNR (Note 15.1(b))	735,177	(479,448)	735,177	(479,448)
Gross claims incurred during the year	8,748,154	5,917,590	8,748,154	5,917,590
Claims recovered (Note 32(c))	(1,418,213)	(198,046)	(1,418,213)	(198,046)
Recoverables from Reinsurance (Note 32(d))	(3,392,623)	(3,165,291)	(3,392,623)	(3,165,291)
Net Claims expenses	3,937,318	2,554,253	3,937,318	2,554,253

(a) **Claims Paid**				
Classes	N'000	N'000	N'000	N'000
Motor	2,757,281	2,471,399	2,757,281	2,471,399
Marine	1,273,321	590,010	1,273,321	590,010
Fire	1,795,778	1,170,851	1,795,778	1,170,851
General Accident	1,323,482	1,026,982	1,323,482	1,026,982
Oil and Gas	224,629	753,109	224,629	753,109
	7,374,491	6,012,351	7,374,491	6,012,351

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

(c) **Claims recovered**				
Classes	N'000	N'000	N'000	N'000
Motor	451,324	267,120	451,324	267,120
Marine	633,769	2,905	633,769	2,905
Fire	412,996	203,837	412,996	203,837
General Accident	132,629	99,814	132,629	99,814
Oil and Gas	244,300	8,552	244,300	8,552
	1,875,018	582,228	1,875,018	582,228
Claims recovered from co-assurance companies (Note 6.5)	(456,805)	(384,182)	(456,805)	(384,182)
	1,418,213	198,046	1,418,213	198,046

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

(d) **Reinsurance Recoverable**	N'000	N'000	N'000	N'000
Claims recovered from reinsurance	1,936,513	2,440,410	1,936,513	2,440,410
Changes in Reinsurance share of Outstanding Claims (Note 6.3)	623,221	226,617	623,221	226,617
Changes in Reinsurance share of IBNR (Note 6.2)	639,481	10,318	639,481	10,318
Change in Reinsurance share of Claims paid not yet recovered	193,408	487,946	193,408	487,946
	3,392,623	3,165,291	3,392,623	3,165,291

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	Group		Parent	
33 Underwriting Expenses	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Commission expense (Note 33(a))	2,953,408	2,389,996	2,953,408	2,389,996
Maintenance expense (Note 33(c))	2,552,350	1,869,874	2,552,350	1,869,874
	5,505,758	4,259,870	5,505,758	4,259,870
(a) Commission expense	N'000	N'000	N'000	N'000
Commission paid during the year (Note 33(b))	3,107,891	2,458,366	3,107,891	2,458,366
Changes in deferred acquisition cost	(154,483)	(68,370)	(154,483)	(68,370)
	2,953,408	2,389,996	2,953,408	2,389,996
(b) Commission expense				
The analysis of commission expenses by business class is as follows:	N'000	N'000	N'000	N'000
Motor	724,996	604,635	724,996	604,635
Marine	397,591	300,791	397,591	300,791
Fire	1,030,192	763,665	1,030,192	763,665
General Accident	801,695	532,227	801,695	532,227
Oil & Gas	153,417	257,048	153,417	257,048
	3,107,891	2,458,366	3,107,891	2,458,366
(c) Maintenance expense	N'000	N'000	N'000	N'000
Wages and salaries - Technical Staff	233,689	156,488	233,689	156,488
Stamp duty	4,333	14,547	4,333	14,547
Entertainment & hotel expenses	66,318	65,163	66,318	65,163
NIID Expenses	7,335	3,920	7,335	3,920
Printing and Stationery expenses	43,676	48,475	43,676	48,475
Transport & Travelling Expenses	711,043	583,274	711,043	583,274
Professional Fees	488,240	313,561	488,240	313,561
Marketing Float Expenses	15,711	14,664	15,711	14,664
Business development expenses	359,516	332,909	359,516	332,909
Tracking device	254,327	225,208	254,327	225,208
Insurance levy	351,557	105,764	351,557	105,764
Industrial Training Fund	5,549	5,901	5,549	5,901
VAT Expenses	11,056	-	11,056	-
	2,552,350	1,869,874	2,552,350	1,869,874
(d) The analysis of Maintenance expenses by business class is as follows:	N'000	N'000	N'000	N'000
Motor	814,158	596,012	814,158	596,012
Marine	271,610	192,059	271,610	192,059
Fire	592,841	440,529	592,841	440,529
General Accident	504,047	330,902	504,047	330,902
Oil & Gas	369,694	310,372	369,694	310,372
	2,552,350	1,869,874	2,552,350	1,869,874

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

34 Investment Income	N'000	N'000	N'000	N'000
Dividend income	140,372	91,432	140,372	91,432
Interest from fixed deposit	670,026	777,932	670,026	777,932
Interest from Amortised cost financial assets	24,358	25,074	24,358	25,074
Interest from statutory deposit	43,430	51,476	43,430	51,476
	878,186	945,914	878,186	945,914
Amortised cost financial assets - Accrued interest (Note 4.3(a))	-	6,869	-	6,869
	878,186	952,783	878,186	952,783

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	Group		Parent	
	2019	2018	2019	2018
(a) Investment Income	N'000	N'000	N'000	N'000
Attributable to Policy holders	490,366	532,020	490,366	532,020
Attributable to Share holders	397,820	420,763	397,820	420,763
	888,186	952,783	888,186	952,783

35 Net Fair Value Gain/(Loss)				
Investment properties	N'000	N'000	N'000	N'000
Fair Value Gain (Note 11)	181	6,396	181	6,396
Fair Value through Profit or Loss:				
Quoted Equity Securities (4.1(a))	170,782	(269,778)	170,782	(269,778)
	170,963	(263,382)	170,963	(263,382)

36 Other Income	N'000	N'000	N'000	N'000
Sundry Income	6,599	17,962	146	14,516
Interest and Similar Income	40,002	36,122	-	-
Provision no longer required- Other payables (Note 36 (a))	-	34,443	-	34,443
Rental Income	20,702	51,772	22,392	51,772
Gain on equity disposed (Note (4.1(b))	5,037	62,453	5,037	62,453
Exchange (loss)/gain	-	9,915	-	9,915
	72,340	212,667	27,575	173,099

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

37 Management Expenses	N'000	N'000	N'000	N'000
Employee benefit expenses (Note 37(a))	1,603,286	1,515,473	1,593,176	1,504,200
Other Management Expenses (Note 37(b))	1,395,574	838,765	1,389,193	833,470
Directors expenses	104,400	88,000	104,400	88,000
AGM expenses	25,347	19,890	25,347	19,890
Auditors Remuneration (Note 39(a)and (b)	10,000	9,000	9,000	8,000
Depreciation (Note 14)	391,735	350,534	390,636	349,436
Amortisation (Note 13)	5,180	5,181	817	817
	3,535,522	2,826,843	3,512,569	2,803,813

(a) Employee benefit expenses	N'000	N'000	N'000	N'000
Salaries and Wages	989,885	840,133	981,048	829,899
Medical Expenses	49,474	39,034	49,359	38,812
Staff Training	204,389	176,145	204,273	175,995
Staff Welfare	295,145	397,140	294,471	396,473
Employers' Pension Contribution	52,947	51,220	52,579	51,220
	1,591,840	1,503,672	1,581,730	1,492,399
Gratuity (Note 18)	11,446	11,801	11,446	11,801
	1,603,286	1,515,473	1,593,176	1,504,200



	Group		Parent	
(b) Other Management Expenses	**2019**	**2018**	**2019**	**2018**
	N'000	**N'000**	**N'000**	**N'000**
Advertising	298,202	81,958	298,202	81,958
Business permit	3,554	2,395	3,554	2,385
Hotel Expenses	77,245	52,788	77,195	52,788
Postages & Telephone	10,960	10,520	10,932	10,484
Motor Running Expenses	22,428	20,725	22,390	20,609
Electricity Expenses	29,206	26,635	29,206	26,635
Fine & Penalty	850	5,000	850	5,000
Rent, rates and other expenses (Note 8(a))	27,724	30,265	27,724	30,265
Filing Fees	1,000	500	1,000	500
Donations	17,056	13,784	17,056	13,784
Generator Expenses	188,030	31,221	188,030	31,221
Dailies and Subscription	64,065	56,658	63,950	56,040
Bank charges	49,302	47,282	49,017	47,001
Computer Expenses	83,171	70,431	83,127	70,375
Office General Expenses	308,740	178,664	307,707	178,395
Other Tax Expenses	-	32,021	-	32,021
Repair & Maintenance	38,568	35,457	38,568	35,455
Motor Repair & Maintenance	45,324	33,776	44,833	33,526
ECOWAS Brown Card	2,603	5,128	2,603	5,128
Nigerian Insurers Association Levy	8,341	3,709	8,341	3,709
Insurance Expenses	80,604	78,777	80,604	78,777
Exchange loss	22,134	-	22,134	-
Other assets written off	1,217	7,410	-	7,410
Other Expenses	15,250	13,661	12,170	10,004
	1,395,574	838,765	1,389,193	833,470

(c) Expected credit loss expense	**N'000**	**N'000**	**N'000**	**N'000**
Allowance for credit losses - Cash (Note 3(c))	15,274	8,920	15,274	8,920
Allowance for credit losses - Fixed deposits and treasury bills (Note 4.3(d))	2,874	1,655	2,874	1,655
Allowance for credit losses - Bonds (Note 4.3(a))	68	338	68	338
	18,216	10,913	18,216	10,913

	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	15,274	-	-	15,274
Financial Assets measured at amortised costs	2,874	-	-	2,874
Financial Assets measured at amortised costs	68	-	-	68
	18,216	-	-	18,216

	Group		Parent	
38 Profit on disposal of Property, Plant and Equipmen	**2019**	**2018**	**2019**	**2018**
	N'000	**N'000**	**N'000**	**N'000**
Sale proceeds	872	4,744	872	4,744
Cost (Note 14(b))	84,883	(132,646)	84,883	(132,646)
Accumulated depreciation (Note 14(b))	(84,883)	131,720	(84,883)	131,720
	872	3,818	872	3,818

39 Supplementary profit and loss information	**N'000**	**N'000**	**N'000**	**N'000**
(a) Profit before taxation is arrived at after charging:				
Depreciation (Note 14)	391,735	350,534	390,636	349,436
Amortisation (Note 13)	5,180	5,181	817	817
Auditors' fees (Note 37)	10,000	9,000	9,000	8,000
Exchange loss realised (Note 36)	22,134	-	22,134	-
Directors' emoluments (Note 37)	104,400	88,000	104,400	88,000

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	Group		Parent	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
and after crediting:				
Profit on disposal of property, plant and equipment (Note 38)	872	3,818	872	3,818
Gain on investment properties (Note 35)	181	6,396	181	6,396
Exchange gain realised (Note 36)	-	9,915	-	9,915

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

(c) **Staff Costs**

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

	Number	Number	Number	Number
Managerial	15	15	14	14
Senior	180	164	179	163
Junior	21	23	21	23
	216	202	214	200

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

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

N	N	Number	Number	Number	Number
60,001	500,000	40	58	40	58
500,001	1,000,000	113	93	113	93
1,000,001	1,500,000	36	37	35	36
1,500,001	2,000,000	4	3	4	3
2,000,001	2,500,000	11	7	10	6
2,500,001	3,000,000	6	-	6	-
3,000,001	Above	6	4	6	4
		216	202	214	200

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

i Aggregate emoluments of the directors were:

	N'000	N'000	N'000	N'000
Fees				
Chairman	4,400	4,000	4,400	4,000
Other Directors	23,100	14,000	23,100	14,000
	27,500	18,000	27,500	18,000
Emoluments as Executives	76,900	70,000	76,900	70,000
	104,400	88,000	104,400	88,000

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

N	N	Number	Number	Number	Number
2,000,000	4,000,000	6	4	6	4
4,000,001	6,000,000	-	-	-	-
6,000,001	8,000,000	-	-	-	-
8,000,001	and Above	4	4	4	4
		10	8	10	8

The Highest paid Director earned N36,900,000 in 2019 (2018:N33,600,000)



	Group		Parent	
	2019	2018	2019	2018
40 Basic/Diluted earnings per ordinary share	N'000	N'000	N'000	N'000

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

Net profit attributable to ordinary shareholders for basic and diluted EPS	2,395,366	2,036,704	2,378,054	2,020,636
Weighted average number of ordinary shares for EPS	5,280,503	5,280,503	5,280,503	5,280,503
Basic Earnings Per Share (kobo)	0.45	0.39	0.45	0.38
Diluted Basic Earnings Per Share (kobo)	0.45	0.39	0.45	0.38

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

41 Related party disclosures

(a) *Parent*

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

(b) *Subsidiary*

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

	N'000	N'000	N'000	N'000
Due to NEM Assets Management Limited	-	-	-	3,362
Investment in Subsidiary	-	-	50,000	50,000
Investment in Associate	435,165	413,752	435,165	413,752

(c) *Transactions with key management personnel*

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

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

Fees:	N'000	N'000	N'000	N'000
Chairman	4,400	4,000	4,400	4,000
Other Directors	23,100	14,000	23,100	14,000
	27,500	18,000	27,500	18,000
Other Emoluments:				
Other Directors	76,900	70,000	76,900	70,000
	104,400	88,000	104,400	88,000
Short term Benefits (Management Team)				
Salaries and Allowances:	223,102	202,820	217,771	197,974
Post Employment Benefits (Management Team)				
Pension	19,977	18,161	19,465	17,695
Total Benefits to Key Personnel	347,479	308,981	341,636	303,669



42 42 Cash flow from Operating activities	Notes	2019 N'000	2018 N'000	Group 2019 N'000	Parent 2018 N'000
Operating profit before tax		1,923,980	2,685,661	1,902,168	2,669,123
Adjustment for non-operating items:					
Depreciation - Property, plant & equipment (Note 14)		391,735	350,534	390,636	349,436
Amortisation - Intangible assets (Note 13)		5,180	5,181	817	817
Adjustment on Intangible assets		-	7,411	-	7,411
Profit on disposal of property and equipment		-872	-3,818	-872	-3,818
Share of Profit in Associate	9	-21,413	-21,251	-21,413	-21,251
Fair value gain on investment properties	11	-181	-6,396	-181	-6,396
Fair value (gain)/loss on quoted investment	4	-170,782	269,778	-170,782	269,778
Gain on FVTPL		-5,037	-62,453	-5,037	-62,453
Information Technology Development Levy		19,022	26,961	19,022	26,961
Allowance for credit losses		18.216	1.993	18.216	1.993
Service & Interest cost on retirement benefit	37(a)	11,446	11,801	11,446	11,801
Investment Income	34	-878,186	-952,783	-878,186	-952,783
Cash flow changes before changes in working capital		1,293,108	2,312,619	1,265,834	2,290,619
Changes in operating assets and liabilities					
Decrease in Trade receivables		72,225	443,826	72,225	443,826
Increase in Reinsurance assets		-720,572	-2,427,131	-720,572	-2,427,131
Increase in Deferred acquisition cost		-154,483	-68,370	-154,483	-68,370
Decrease/(increase) in Other receivables and prepayments		26,484	-450,343	54,753	-447,442
Increase in Insurance contract liabilities		1,860,713	608,204	1,860,713	608,204
Increase in Trade payables		-20,977	245,329	-20,977	245,329
Increase in Other payables		138,852	697,371	135,065	673,837
Net cash inflow from operating activities		2,495,350	1,361,505	2,492,558	1,318,872
Gratuity benefit to employees (Note 18)		-27,895	-34,786	-27,895	-34,786
Tax paid		-156,622	-155,542	-156,084	-155,542
		2,310,833	1,171,177	2,308,579	1,128,544

43 Capital Commitments

There were no material capital commitments at 31 December 2019 (2018 Nil).

44 Contingent liabilities

There were no material contingent liabilities at 31 December 2019 (2018 Nil)

45 Comparative Figures

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

Contingencies and commitments

(a) Legal Proceedings

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

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Director
Secretary

(b) **Regulations**

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

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

47 Contravention of laws and regulations

The company contravened certain laws and regulations during the year ended 31 December 2019. Details of the contraventions and the appropriate penalties are as follows:

SECTION	DESCRIPTION OF PENALTY	Number of times	Year of Contravention	Amount of Penalty
National Insurance Commission	Engaging the services of unprofessional loss adjuster.	1	2019	600,000
National Insurance Commission	Late submission of post placement report	1	2019	250,000
				850,000

48 Events after the reporting period

There were no events after the reporting year which could have a material effect on the financial position of the Company as at 31 December 2019 and profit attributable to equity holders.

49 Segment reporting

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

CERTIFIED BY:-

Director

Secretary

Segments Report - Underwriting Result per class of business

Group	MOTOR N'000	MARINE N'000	FIRE N'000	GENERAL ACCIDENT N'000	OIL & GAS N'000	2019 N'000	2018 N'000
Direct Business Premium	5,743,172	2,151,309	4,695,644	3,992,349	2,928,191	**19,510,665**	14,809,857
Reinsurance Inward	-	18,257	162,652	64,442	3,856	**249,207**	239,596
Gross Premium written	5,743,172	2,169,566	4,858,296	4,056,791	2,932,047	**19,759,872**	**15,049,453**
Increase in Unexpired Risk	(352,932)	12,245	(111,963)	(302,904)	255,223	**(500,331)**	(702,965)
Gross Premium Earned	5,390,240	2,181,811	4,746,333	3,753,887	3,187,270	**19,259,541**	**14,346,488**
Reinsurance Cost	(28,217)	(1,216,530)	(2,393,772)	(1,490,752)	(1,512,730)	**(6,642,001)**	**(3,652,694)**
Net Premium Earned	5,362,023	965,281	2,352,561	2,263,135	1,674,540	**12,617,540**	**10,693,794**
Commission Received	7,421	167,219	661,567	314,533	23,494	**1,174,234**	743,570
	5,369,444	1,132,500	3,014,128	2,577,668	1,698,034	**13,791,774**	**11,437,364**
Direct Claim Paid	(2,757,281)	(1,273,321)	(1,795,778)	(1,323,482)	(224,629)	**(7,374,491)**	(6,012,351)
Increase in Outstanding Claims & IBNR	(339,569)	(3,259)	(279,069)	(234,341)	(517,425)	**(1,373,663)**	94,761
Gross Claim Incurred	(3,096,850)	(1,276,580)	(2,074,847)	(1,557,823)	(742,054)	**(8,748,154)**	**(5,917,590)**
Claim recoveries	251,324	767,951	162,996	132,629	103,313	**1,418,213**	198,046
Reinsurance Recoveries	68,348	939,977	840,912	925,149	618,236	**3,392,622**	3,165,291
Net Claim Expense	(2,777,178)	431,348	(1,070,939)	(500,045)	(20,505)	**(3,937,319)**	**(2,554,253)**
Acquisition Cost	(703,785)	(389,321)	(1,001,596)	(694,556)	(164,150)	**(2,953,408)**	(2,389,996)
Underwriting Expenses	(814,158)	(271,610)	(592,841)	(504,047)	(369,694)	**(2,552,350)**	(1,869,874)
Total Deduction	(4,295,121)	(229,583)	(2,665,376)	(1,698,648)	(554,349)	**(9,443,077)**	**(6,814,123)**
Underwriting Profit	**1,074,323**	**902,917**	**348,752**	**879,020**	**1,143,685**	**4,348,697**	**4,623,241**

CERTIFIED BY:-
Director

50 Claim Development Table
Extracts from EY Nigeria Limited Valuation Report

50.1 Data Reconciliation

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

(a) Claims Data

Class of Business	Gross Claims Paid Data	Gross Claims Paid Account	Precentage Difference
	N'000	N'000	
General Accident	1,323,482	1,323,482	0%
Fire	1,795,778	1,795,778	0%
Marine	1,273,320	1,273,320	0%
Motor	2,757,281	2,757,281	0%
Oil and Gas	224,629	224,629	0%
Total	7,374,490	7,374,490	0%

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

(b) Premium Data

Class of Business	Gross Premium Written Data	Gross Premium Written Account	Precentage Difference
	N'000	N'000	
General Accident	4,019,277	4,056,791	-1%
Fire	4,858,296	4,858,296	0%
Marine	2,169,566	2,169,566	0%
Motor	5,780,686	5,743,172	1%
Oil and Gas	2,932,047	2,932,047	0%
Total	19,759,872	19,759,872	0%

(c) Comments on Claims Data

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

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

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Director
Secretary

(d) Business Trend

We illustrate in the table below that the overall Gross Written Premium slightly increased by 31% between the calendar years 2018 and 2019 with increases in all sectors.

Class of Business	Gross Premium Written Data 2019 N'000	Gross Premium Written Data 2018 N'000	Precentage Difference
General Accident	4,019,277	2,663,228	51%
Fire	4,858,296	3,545,546	37%
Marine	2,169,566	1,545,763	40%
Motor	5,780,686	4,796,933	21%
Oil and Gas	2,932,047	2,497,983	17%
Total	19,759,872	15,049,453	31%

50.2 Valuation Methodology

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

(a) Premium Reserves

i Our reserves consist of Unearned Premium Reserve ("UPR"), Unexpired Risk Reserve ("URR") and Additional Unexpired Risk Reserve ("AURR"), which are all described in section 3.

ii We used the 365th (time apportionment) method each policy's unexpired insurance period UP as the exact number of days of insurance cover available after the valuation date and estimate the UPR as the premium *(UP)/ policy duration.

iii Each policy's URR= UP* Assumed Loss Ratio. Typically, the Unearned Premium Reserve is expected to cover the unexpired risk. Where the unexpired risk exceeds the unearned premium we have held, an additional reserve called Additional Unexpired Risk Reserve (AURR) as described in section 3.

(b) Claims Reserves

The claim reserves comprise of:

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

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

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

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

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



50.3 Valuation Results

(a) Inflation Adjusted Chain Ladder Method - Result table

Discounted Inflation Adjusted Basic Chain Ladder Method - Discounted

Class of Business	Gross Outstanding Claims N'000	Estimated Reinsurance Recoveries N'000	Net Outstanding Claims N'000
General Accident	1,312,325	(741,723)	570,602
Fire	1,165,041	(772,187)	392,854
Marine	280,323	(236,912)	43,411
Motor	823,247	(234,179)	589,068
Oil and Gas*	773,363	(567,645)	205,718
Total	**4,354,299**	**(2,552,646)**	**1,801,653**
Accounts (Outstanding Claims)	2,615,469	(1,579,149)	1,036,320
Difference	1,738,830	(973,497)	765,333

* Estimated using Expected loss ratio method and discounted

(b) Incurred But Not Reported (IBNR) Table

Class of Business	Outstanding Claim Reserves N'000	Outstanding Reported Claim Reserves N'000	Gross IBNR N'000
General Accident	1,312,325	879,515	432,810
Fire	1,165,042	674,734	490,308
Marine	280,323	132,379	147,944
Motor	823,247	499,190	324,057
Oil and Gas	773,362	429,651	343,711
Total	4,354,299	2,615,469	1,738,830

(c) Reinsurance IBNR table

Class of Business	Total Outstanding Reinsurance Recoveries N'000	Outstanding Reported Reinsurance Recoveries N'000	Reinsurance IBNR N'000
General Accident	741,723	553,775	187,948
Fire	772,187	452,513	319,674
Marine	236,912	98,490	138,422
Motor	234,179	203,791	30,388
Oil and Gas	567,645	270,580	297,065
Total	2,552,646	1,579,149	973,497

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

Class of Business	Gross UPR	Reinsurance UPR	Net UPR
	N'000	N'000	N'000
General Accident	1,123,090	(320,391)	802,699
Fire	1,084,850	(437,273)	647,577
Marine	372,492	(196,369)	176,123
Motor	1,742,367	(6,223)	1,736,144
Oil and Gas	323,768	(122,038)	201,730
Total	4,646,567	(1,082,294)	3,564,273

(e) Additional Unexpired Risk Reserve (AURR)

We derived our expense ratio as the average of the management expense ratio for the last three years using the information provided by NEM Insurance Plc. The average expense ratio was calculated to be about 25%.

Class of Business	Claims Ratio	Combined Ratio
General Accident	34%	59%
Fire	23%	48%
Marine	21%	47%
Motor	43%	69%
Oil and Gas	33%	59%

50.4 Conclusion

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

i - anticipates that total claim payments may be exposed to future inflationary pressures
ii - recognises that reserves should represent the present value of future claim payments

Technical Reserves

We are reporting Gross Reserves of N9 billion and Reinsurance Assets of N3.64 billion as shown in the table below. Our estimates meet the Liability Adequacy Test.

Reserves	Gross	Reinsurance Assets	Net
	N'000	N'000	N'000
Claims	4,354,299	(2,552,646)	1,801,653
UPR	4,646,567	(1,082,294)	3,564,273
Total	9,000,866	(3,634,940)	5,365,926

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Director
Secretary

51 Financial Risk Management Policy

Management of financial and insurance risk

NEM Insurance Plc issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Company manages them.

(a) Insurance risk

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

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

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

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

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

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

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



Underwriting Risk Appetite

- The following statements amongst others shall underpin NEM's underwriting risk appetite:
- We do not underwrite risks we do not understand;
- We are cautious in underwriting unquantifiable risks;
- We are extremely cautious in underwriting risk observed to poorly managed at proposal state e.g. those with low safety standards, shoddy construction or businesses with excessively high risk profile;
- We carefully evaluate businesses or opportunities that could create systemic risk exposures i.e. incidents of multiple claims occurring from one event e.g. natural catastrophe risks, and risks dependent on the macroeconomic environment);
- We consider all applicable regulatory guidelines while carrying out our underwriting activities;
- We established and adhere to internal standards for co-insurance, reinsurance transactions;
- We exercise extreme caution when underwriting discrete (one-off) risks, particularly where we do not have the requisite experience or know-how;
- Where the broker has inadequate knowledge of the trade of the client or the class of business, we exercise caution in taking on such risks into our books;
- We exercise extreme prudence and caution when dealing with clients with financial difficulties or poor payment records; and with transient clients who change insurers regularly; and
- We ensure compliance with NAICOM's guideline on KYC for consistency.

Underwriting Strategy

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

Products and Services

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



Fire/Extraneous Perils Policy

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

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

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

Consequential Loss Policy

This type of policy, often referred to as "business interruption insurance" is designed to indemnify the insured against loss of productive capacity or future earning power which may occur as a result of loss or damage to the premises and property insured under the Fire/Extraneous Perils in 1 above. This policy is normally taken out in conjunction with the Fire Policy so that when the latter pays for the material damage to property insured under it, this will pick up the intangible loss that will flow from the primary loss of the Fire perils. The items usually covered under this policy are as follows:

a)Gross Profit
b)Salary and Wages
c)Auditor's fees

The sum insured to be indicated against the items of Gross Profit should represent the difference in turnover and the total of standing and variable charges. The sum insured on Salary and Wages will be that which is required to maintain some key staff pending resumption of business while the sum insured on Auditor's Fees will represent charges that any firm of accountants will make in preparing papers for insurance claim.

Burglary/Housebreaking Policy

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

Fidelity Guarantee Policy

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



Public Liability Policy

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

Money Policy

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

Goods in Transit Policy

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

Group Personal Accident Policy

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

Motor Insurance Policy

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

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

Marine Policies

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



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

Aviation Policy

This policy provides comprehensive cover against loss or damage to insured aircraft while operating anywhere in the world. Cover also extends to include the operator's legal liability to Third Parties for death, bodily injury and property damage. Liability to passengers is also covered up to a certain limit selected. In order to ensure full protection for our clients, we reinsure as much as 90% of this type of risk in the London Aviation Market through one of our overseas associates. The essence of this arrangement is to obviate the problem of absorption in the Nigerian Market which has limited capacity for Aviation Insurance and also to afford our clients the opportunity of having a dollar/sterling based insurance policy.

Machinery Breakdown Policy

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

Electronic Equipment Policy

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

Energy Risks

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

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



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

Approach to Management of Underwriting Risks

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

Where the broker has inadequate knowledge of the trade of the client or the class of business and the client not willing to disclose such information, the Company shall exercise caution in taking on such risks.

The Company shall exercise extreme prudence and caution when dealing with clients with financial difficulties or poor payment records; and with transient clients who change insurers regularly; and The Company shall ensure compliance with the National Insurance Commission's guidelines on "Know Your Customer" (KYC) requirement to get enough information about the transaction.

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

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

Risk Acceptance Rules

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

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

Marine Insurance Risks

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



Aviation Risks

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

Approaches to Risk Mitigation

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

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

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

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

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

e) **Reinsurance Treaty Cover**
We have arranged very adequate reinsurance treaties to enable us accommodate risks with high necessary support in the event of large claims. Our treaties are arranged by UAIB RE and placed with a consortium of reputable reinsurance companies.

The types of re-insurance on NEM Treaty are:
1) Quota share
2) Surplus
3) Excess of loss



1) **Quota share**

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

2) **Surplus**

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

3) **Excess of Loss**

This arrangement protects the ceding Company against a loss where the ceding company's claims liability exceeds its retention.

Concentration of insurance risk

The Company monitors concentrations of insurance risk by product and sector. An analysis of concentrations of insurance risk at 31 December 2019 and 2018 for Gross Premiums written is set out below:

(a) By product

	2019	2018
	N'000	N'000
Motor business	5,743,172	4,796,933
Fire & Property	4,858,296	3,545,545
Marine & Aviation	2,169,566	1,545,763
General Accident	4,056,791	2,663,229
Energy business	2,932,047	2,497,983
	19,759,872	15,049,453

(b) By sector

	N'000	N'000
Energy	2,349,607	1,819,965
Financial Services	5,643,623	4,267,814
IT/Telecoms & Other Corp.	4,700,508	3,602,835
Manufacturing	5,069,370	3,914,231
Retail	1,996,764	1,444,608
	19,759,872	15,049,453

52 Financial risk management

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



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

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

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

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

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

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

(a) **Risk Management Strategy**

The Company adopts the following strategy for managing risks:

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

Short-term insurance contracts

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



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

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

31 December 2019 (N'000)

Assets	Carrying amount	Fixed rate	Floating rate
Cash and cash equivalents	8,095,230	-	-
Trade receivables	207,484	-	-
Reinsurance Assets	5,525,893	-	-
Amortised Cost Assets	2,130,855	2,130,855	-
	15,959,462	**2,130,855**	**-**
Liabilities			
Non-life insurance liability	9,000,865	-	-
Other liabilities	1,680,523	-	-
Bank Overdraft	-		-
Debt security in issue	-	-	-
	10,681,388	**-**	**-**

31 December 2018 (N'000)

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

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

(c) *Sensitivity analysis - equity risk*

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

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

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As at 31 December 2019, the market value of quoted securities held by the Company is N 2.485 billion (2018: 1.108 billion). If the all share index of the NSE moves by 100 basis points at 31 December 2019, the effect on prc or loss would have been N ..... million (N 11.08 million).

The Company held a number of investments in unquoted securities with a market value of N 1.3billion of wh investment in MTN Nigeria Communications Plc (formerly MTN Nigeria Communication Limited) was the significa holding. This investment was valued N 1.174 billion (cost N 1.15 billion) as at 31 December 2018 and in 2(reclassified to FVTPL. MTN Nigeria Communications Plc is a public quoted company whose principal activity is t provision of mobile telecommunications service using the Global System for Mobile Communications (GS platform.

Credit Risk

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

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

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

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

NEM is exposed to the following categories of credit risk;

Direct Default Risk - risk that NEM will not receive the cash flows or assets to which it is entitled because broke clients and other debtors which NEM has a bilateral contract default on their obligations.

Concentration Risk - is the exposure to losses due to excessive concentration of business activities to individ counterparties, groups of individual counterparties or related entities, counterparties in specific geographi locations, industry sectors, specific products, etc

Counterparty Risk - the risk that a counterparty is not able or willing to meet its financial obligations to t Company as they fall due.

(a) **Credit Risk Principles**

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

- Individuals who create the credit risk and those who manage the risk clearly understand the nature of the risk;
- The Company's credit risk exposure is within the limits as approved by the Board;
- Credit decisions are clear and explicit and in line with the business strategy and objectives as approved by t Board;



- Credit risk exposures shall be within the defined limits to ensure there is no excessive concentration and tl credit control procedures for managing large exposures and related counterparties are adhered to;



- Appropriate classification of credit risk through periodic evaluation of the collectability of risk assets; and
- Adequate loan loss provisioning to ensure that provisions or allowances are made to absorb anticipated losses.
- The expected payoffs more than compensate for the credit risks taken by the Company;
- Credit risk taking decisions are explicit and clear;
- There shall be clear delegated authorization limits for transactions;
- Sufficient capital as a buffer is available to take credit risk;

The Company's credit risk appetite shall be in line with its strategic objectives, available resources and t provisions of NAICOM Operational Guidelines. In setting this appetite/tolerance limits, NEM takes ir consideration its corporate solvency level, risk capital and liquidity level , credit ratings, level of investmen reinsurance and coinsurance arrangements, and nature and categories of its clients. In setting the credit limit few conditions were put into consideration and these actually assisted in the selection of the brokers that ma this list. From the records available for this purpose, the conditions used as yardstick are as follows:

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

From the above conditions, the few Insurance Brokers identified have been categorized into three (3) grou namely A, B and C. Maximum exposure to credit risk before collateral held or other credit enhancements The tal below provides information regarding the credit risk exposure of the Company in relation with comparat exposure::

	Maximum exposure	
Maximum exposure to credit risk before collateral held or other credit enhancements:	**2019**	**201**
	N'000	**N'0(**
Cash and cash equivalents	8,095,230	6,675,9
Trade receivables	207,484	279,7(
Debt measured at amortised cost	2,130,855	1,235,1(
Loans and other receivables	627,253	698,6
Total assets bearing credit risk	11,060,822	8,889,4

Age analysis for past due and impaired	**Cash and cash equivalents**	**Trade receivables**	**Loans and other**	**Amortised cost**	**Tot**
	N'000	**N'000**	**N'000**	**N'000**	**N'0(**
31 December 2019	8,095,230	207,484	627,253	2,130,855	11,060,8
Neither past due nor impaired	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Impaired	-	-	-	-	-
Net	8,095,230	207,484	627,253	2,130,855	11,060,8

Business Risk Management

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

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Reputational Risk Management

NEM Insurance Plc norms and values set a tone for acceptable behaviours required for all staff members, a provide structure and guidance for non-quantifiable decision making, thereby assisting in the management of t group's reputation.

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

The Group has laid great emphasis on effective management of its exposure to credit risk especially premi related debts. The Group defines credit risk as the risk of counterparty's failure to meet its contracti obligations. Credit risk arises from insurance cover granted to parties with payment instruments or payments pl issued by stating or implying the terms of contractual agreement. Credit risk exposure to direct business is low the Company requires debtors to provide payment plans before inception of insurance policies. The Compan exposure to credit risk arising from brokerage business is relatively moderate and the risk is managed by t Group's internal rating model for brokers. Our credit risk internal rating model is guided by several weight parameters which determine the categorization of brokers the Group transacts businesses with.

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

Management of credit risk due to outstanding premium
Credit Rating

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

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

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

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

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

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

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

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

In measuring credit risk, the Group considers three models:

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

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

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

Impairment Model

Premium debtors, which technically falls under receivables is recognized at a fair value and subsequen measured at amortised cost, less provision for impaired receivables. Under IFRS, an asset is impaired if t carrying amount is greater than the recoverable amount. The Group adopts simplified provision matrix calculating expected losses on premium receivables as a practical expedient in line with IFRS 9. The provis matrix is based on the Group's historical default rates over the expected life of the trade receivables which adjusted for forward-looking estimates

Credit quality

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

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

Operational Risk Management

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

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

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

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

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

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

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

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

Liquidity Risk Management

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

Expected Credit Loss Impairment Model for financial assets

The Group's allowance for credit losses calculations are outputs of models with a number of underly assumptions regarding the choice of variable inputs and their interdependencies. The expected credit l impairment model reflects the present value of all cash shortfalls related to default events either over t following twelve months or over the expected life of a financial instrument depending on credit deterioration fr inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which consid multiple scenarios based on reasonable and supportable forecasts.

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

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



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

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

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the cre quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected arise over the life of the asset (life time expected credit loss), unless there has been no significant increase credit risk since origination. Examples of financial assets with low credit risk (no significant increase in credit ri include: Risk free and gilt edged debt investment securities that are determined to have low credit risk at t reporting date; and Other financial instruments (other than lease receivables) on which credit risk has r increased significantly since their initial recognition.

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

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

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

Details of these statistical parameters/inputs are as follows:
• PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A defa may only happen at a certain time over the remaining estimated life, if the facility has not been previou derecognized and is still in the portfolio.

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

2. Lifetime PDs - This is the estimated probability of default occurring over the remaining life of the financ instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to t maximum period of exposure required by IFRS 9.

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



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

Cost/Valuation	Building under Construction	Land	Building	Machinery & equipt	Motor Vehicles	Furniture & fittings	Computer Equipment	Total
Cost	N'000	N'000	N'000	N'000	N'000	N'000		N'000
At 1 January 2018	839,874	123,000	1,393,629	144,141	493,829	419,240	365,258	3,778,971
Additions	60,000	-	-	8,160	334,718	2,588	23,922	429,388
Disposals	-	-	-	-16,403	-104,012	-4,243	-7,987	-132,645
Reclassification	-	-	-10,000	10,000	-	-2,757	2,757	-
Revaluation Surplus	-	284,900	813,471	-	-	-	-	1,098,371
At 31 December 2018	899,874	407,900	2,197,100	145,898	724,535	414,828	383,950	5,174,085
At 1 January 2019	899,874	407,900	2,197,100	145,898	724,535	414,828	383,950	5,174,085
Additions	-	10,000	-	3,354	92,331	10,386	48,569	164,640
Disposals	-	-	-	-10,293	-65,927	-2,953	-5,710	-84,883
Reclassification (Note 14(a)ii) and Note 11)	-899,874	-	-	-	-	-	-	-899,874
Revaluation Surplus	-	-	-	-	-	-	-	-
At 31 December 2019	-	417,900	2,197,100	138,959	750,939	422,261	426,809	4,353,968
Accumulated depreciation								
At 1 January 2018	-	-	90,439	92,935	269,447	250,430	210,925	914,176
Charge for the year	-	-	27,873	27,178	138,390	83,518	73,575	350,534
Disposals	-	-	-	-16,403	-103,087	-4,243	-7,987	-131,720
Reclassification			-600	600	-	-1,655	1,655	-
Revaluation Surplus			-117,712	-	-	-	-	-117,712
At 31 December 2018	-	-	-	104,310	304,750	328,050	278,168	1,015,278
At 1 January 2019	-	-	-	104,310	304,750	328,050	278,168	1,015,278
Charge for the year	-	-	43,942	27,745	150,235	84,434	85,379	391,735
Disposals	-	-	-	-10,293	-65,927	-2,953	-5,710	-84,883
Revaluation Surplus	-	-	-	-	-	-	-	-
At 31 December 2019	-	-	43,942	121,762	389,058	409,531	357,837	1,322,130
Carrying amounts at:								
31-Dec-19	-	417,900	2,153,158	17,197	361,881	12,730	68,972	3,031,838
31-Dec-18	899,874	407,900	2,197,100	41,588	419,785	86,778	105,782	4,158,807

31 December 2018	899,874	407,900	2,197,100	41,588	419,785	86,778	105,782	4,158,807

(i) Building under Construction represents amount spent on Oniru building which has been reclassified to Investment property.

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

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

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

(v) The Group had no capital commitments as at the statement of financial position date (2018: Nil). As at the reporting date land is being

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

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(b) Property, plant and

As at 31 December 2018	Building under Construction	Land	Building	Machinery & equipt	Motor Vehicles	Furniture & fittings	Computer Equipment	Total
Cost/Valuation	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2018	839,874	123,000	1,393,629	144,140	489,229	419,154	364,454	3,773,480
Additions	60,000	-	-	8,160	334,718	2,588	23,922	429,388
Disposals	-	-	-	(16,403)	(104,012)	(4,243)	(7,987)	(132,645)
	-	-	(10,000)	10,000	-	(2,757)	2,757	-
	-	284,900	813,471	-	-	-	-	1,098,371
At 31 December 2018	899,874	407,900	2,197,100	145,897	719,935	414,742	383,146	5,168,594
At 1 January 2019	899,874	407,900	2,197,100	145,897	719,935	414,742	383,146	5,168,594
Additions	-	10,000	-	3,353	92,330	10,386	48,569	164,638
Disposals	-	-	-	(10,293)	(65,927)	(2,953)	(5,710)	(84,883)
Reclassification (Note 1	(899,874)	-	-	-	-	-	-	(899,874)
Revaluation Surplus	-	-	-	-	-	-	-	-
At 31 December 2019	-	417,900	2,197,100	138,957	746,338	422,175	426,005	4,348,475
Accumulated depreciation								
At 1 January 2018	-	-	90,439	92,935	267,608	250,395	210,604	911,981
Charge for the year	-	-	27,873	27,178	137,470	83,500	73,415	349,436
Disposals	-	-	-	(16,403)	(103,087)	(4,243)	(7,987)	(131,720)
Reclassification			(600)	600	-	(1,655)	1,655	-
Revaluation Surplus			(117,712)	-	-	-	-	(117,712)
At 31 December 2018	-	-	-	104,310	301,991	327,997	277,687	1,011,985
At 1 January 2019	-	-	-	104,310	301,991	327,997	277,687	1,011,985
Charge for the year	-	-	43,942	27,745	149,315	84,434	85,200	390,636
Disposals	-	-	-	(10,293)	(65,927)	(2,953)	(5,710)	(84,883)
Revaluation Surplus	-	-	-	-	-	-	-	-
At 31 December 2019	-	-	43,942	121,762	385,379	409,478	357,177	1,317,738
Carrying amounts at:								
31 December 2019	-	417,900	2,153,158	17,195	360,959	12,697	68,828	3,030,737
31 December 2018	899,874	407,900	2,197,100	41,587	417,944	86,745	105,459	4,156,609

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At 31 December 2019	Carrying amount N'000	No stated maturity	0 - 90 days	91 - 180 days	181 - 365 days	1 - 2 years	> 2 year
Financial assets							
Cash & bank balances	1,153,558	-	1,153,558	-	-	-	
Short Term Deposits	6,965,866	-	2,264,490	-	-	-	
Trade receivables	207,484	-	207,484	-	-	-	
Other Receivables	627,253	-	285,113	88,514	253,626	-	-
Amortised Cost Assets	2,130,855	-	-	1,905,471	-	-	225,38
Equity securities							
Financial Assets -FVTPL	2,485,564	2,485,564	-	-	-	-	
Financial Assets -FVOCI	70,028	70,028	-	-	-	-	
	13,640,608	2,555,592	3,910,645	1,993,985	253,626	-	225,38
Insurance liabilities							
Insurance Contract liability	9,000,865	-	9,000,865	-	-	-	
Reinsurance Assets	(5,525,893)	-	(5,525,893)	-	-	-	
	3,474,972	-	3,474,972	-	-	-	

At 31 December 2018	Carrying amount N'000	No stated maturity	0 - 90 days	91 - 180 days	181 - 365 days	1 - 2 years	> 2 year
Financial assets							
Cash & bank balances	1,008,883	-	1,008,883	-	-	-	
Short Term Deposits	5,675,961	-	2,264,490	-	-	-	
Trade receivables	279,709	-	279,709	-	-	-	
Other Receivables	698,696	-	273,698	230,225	194,773	-	
Amortised Cost Assets	1,235,106	-	-	1,034,829	-	-	200,27
Equity securities							
Financial Assets -FVTPL	1,108,206	1,108,206	-	-	-	-	
Financial Assets -FVOCI	1,260,729	1,260,729	-	-	-	-	
	11,267,290	2,368,935	3,826,780	1,265,054	194,773	-	200,27
Insurance liabilities							
Insurance Contract liability	7,126,871	-	7,126,871	-	-	-	
Reinsurance Assets	(4,809,590)	-	(4,809,590)	-	-	-	
	2,317,281	-	2,317,281	-	-	-	



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

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

31 December 2019 (N'000)

Assets	Carrying amount	Fixed rate	Floating rate
Cash and cash equivalents	8,095,230	-	-
Trade receivables	207,484	-	-
Reinsurance Assets	5,525,893	-	-
Amortised Cost Assets	2,130,855	2,130,855	-
	15,959,462	**2,130,855**	**-**
Liabilities			
Non-life insurance liability	9,000,865	-	-
Other liabilities	1,680,523	-	-
Bank Overdraft	-		-
Debt security in issue	-	-	-
	10,681,388	**-**	**-**

31 December 2018 (N'000)

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

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

(c) *Sensitivity analysis - equity risk*

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

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

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As at 31 December 2019, the market value of quoted securities held by the Company is N 2.485 billion (2018: 1.108 billion). If the all share index of the NSE moves by 100 basis points at 31 December 2019, the effect on prc or loss would have been N ..... million (N 11.08 million).

The Company held a number of investments in unquoted securities with a market value of N 1.3billion of wh investment in MTN Nigeria Communications Plc (formerly MTN Nigeria Communication Limited) was the signific holding. This investment was valued N 1.174 billion (cost N 1.15 billion) as at 31 December 2018 and in 2(reclassified to FVTPL. MTN Nigeria Communications Plc is a public quoted company whose principal activity is t provision of mobile telecommunications service using the Global System for Mobile Communications (GS platform.

Credit Risk

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

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

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

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

NEM is exposed to the following categories of credit risk;

Direct Default Risk - risk that NEM will not receive the cash flows or assets to which it is entitled because broke clients and other debtors which NEM has a bilateral contract default on their obligations.

Concentration Risk - is the exposure to losses due to excessive concentration of business activities to individ counterparties, groups of individual counterparties or related entities, counterparties in specific geographi locations, industry sectors, specific products, etc

Counterparty Risk - the risk that a counterparty is not able or willing to meet its financial obligations to t Company as they fall due.

(a) **Credit Risk Principles**

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

- Individuals who create the credit risk and those who manage the risk clearly understand the nature of the risk;
- The Company's credit risk exposure is within the limits as approved by the Board;
- Credit decisions are clear and explicit and in line with the business strategy and objectives as approved by t Board;



- Credit risk exposures shall be within the defined limits to ensure there is no excessive concentration and th credit control procedures for managing large exposures and related counterparties are adhered to;

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- Appropriate classification of credit risk through periodic evaluation of the collectability of risk assets; and
- Adequate loan loss provisioning to ensure that provisions or allowances are made to absorb anticipated losses.
- The expected payoffs more than compensate for the credit risks taken by the Company;
- Credit risk taking decisions are explicit and clear;
- There shall be clear delegated authorization limits for transactions;
- Sufficient capital as a buffer is available to take credit risk;

The Company's credit risk appetite shall be in line with its strategic objectives, available resources and t provisions of NAICOM Operational Guidelines. In setting this appetite/tolerance limits, NEM takes ir consideration its corporate solvency level, risk capital and liquidity level , credit ratings, level of investmen reinsurance and coinsurance arrangements, and nature and categories of its clients. In setting the credit limit few conditions were put into consideration and these actually assisted in the selection of the brokers that ma this list. From the records available for this purpose, the conditions used as yardstick are as follows:

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

From the above conditions, the few Insurance Brokers identified have been categorized into three (3) grou namely A, B and C. Maximum exposure to credit risk before collateral held or other credit enhancements The tal below provides information regarding the credit risk exposure of the Company in relation with comparat exposure::

	Maximum exposure	
Maximum exposure to credit risk before collateral held or other credit enhancements:	**2019**	**20**
	N'000	**N'0(**
Cash and cash equivalents	8,095,230	6,675,9
Trade receivables	207,484	279,7(
Debt measured at amortised cost	2,130,855	1,235,1(
Loans and other receivables	627,253	698,6(
Total assets bearing credit risk	11,060,822	8,889,4

Age analysis for past due and impaired	**Cash and cash equivalents**	**Trade receivables**	**Loans and other**	**Amortised cost**	**Tot**
	N'000	**N'000**	**N'000**	**N'000**	**N'0(**
31 December 2019	8,095,230	207,484	627,253	2,130,855	11,060,8
Neither past due nor impaired	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Impaired	-	-	-	-	-
Net	8,095,230	207,484	627,253	2,130,855	11,060,8

Business Risk Management

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

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Reputational Risk Management

NEM Insurance Plc norms and values set a tone for acceptable behaviours required for all staff members, a provide structure and guidance for non-quantifiable decision making, thereby assisting in the management of t group's reputation.

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

The Group has laid great emphasis on effective management of its exposure to credit risk especially premi related debts. The Group defines credit risk as the risk of counterparty's failure to meet its contract obligations. Credit risk arises from insurance cover granted to parties with payment instruments or payments pl issued by stating or implying the terms of contractual agreement. Credit risk exposure to direct business is low the Company requires debtors to provide payment plans before inception of insurance policies. The Compan exposure to credit risk arising from brokerage business is relatively moderate and the risk is managed by t Group's internal rating model for brokers. Our credit risk internal rating model is guided by several weight parameters which determine the categorization of brokers the Group transacts businesses with.

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

Management of credit risk due to outstanding premium
Credit Rating

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

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

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

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

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

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



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

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

In measuring credit risk, the Group considers three models:

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

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

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

Impairment Model

Premium debtors, which technically falls under receivables is recognized at a fair value and subsequen measured at amortised cost, less provision for impaired receivables. Under IFRS, an asset is impaired if t carrying amount is greater than the recoverable amount. The Group adopts simplified provision matrix calculating expected losses on premium receivables as a practical expedient in line with IFRS 9. The provis matrix is based on the Group's historical default rates over the expected life of the trade receivables which adjusted for forward-looking estimates

Credit quality

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

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

Operational Risk Management

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

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

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

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



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

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

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

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

Liquidity Risk Management

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

Expected Credit Loss Impairment Model for financial assets

The Group's allowance for credit losses calculations are outputs of models with a number of underly assumptions regarding the choice of variable inputs and their interdependencies. The expected credit l impairment model reflects the present value of all cash shortfalls related to default events either over t following twelve months or over the expected life of a financial instrument depending on credit deterioration fr inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which consid multiple scenarios based on reasonable and supportable forecasts.

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

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



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

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

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the cre quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected arise over the life of the asset (life time expected credit loss), unless there has been no significant increase credit risk since origination. Examples of financial assets with low credit risk (no significant increase in credit ri include: Risk free and gilt edged debt investment securities that are determined to have low credit risk at t reporting date; and Other financial instruments (other than lease receivables) on which credit risk has r increased significantly since their initial recognition.

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

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

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

Details of these statistical parameters/inputs are as follows:
• PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A defa may only happen at a certain time over the remaining estimated life, if the facility has not been previou derecognized and is still in the portfolio.

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

2. Lifetime PDs - This is the estimated probability of default occurring over the remaining life of the financ instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to t maximum period of exposure required by IFRS 9.

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



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

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

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

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

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

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

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

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

Assessment of significant increase in credit risk (SICR)

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

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

CERTIFIED BY:-
Director
Secretary

i **Quantitative elements**

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

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the ti of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations)

ii **Qualitative elements**

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

iii **Backstop indicators**

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

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financ assets carried at FVOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events t have a detrimental impact on the estimated future cashflows of the financial asset have occurred.

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

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

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

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

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

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

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

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



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

Presentation of allowance for ECL in the statement of financial position

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

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

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

Inputs, assumptions and techniques used for estimating impairment

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

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

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

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

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

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



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



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

Modified financial assets

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

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

Liquidity Risk

Liquidity risk is the inability of a Group to meet obligations on a timely basis. It is also the inability of a Group to take advantage of business opportunities and sustain the growth target in its business strategy due to liquidity constraints or difficulty in obtaining funding at a reasonable cost. Our liquidity risk exposure is strongly related to our credit and investment risk profile. The Group is exposed to daily calls on its available cash resources from claims to be paid.

At 31 December 2019, management does not believe the current maturity profile of the Group lends itself to any material liquidity risk, taking into account the level of cash and deposits and the nature of its securities portfolio at year end, as well as the reinsurance structure of the Group's insurance portfolio. The Group's bank deposits and trading securities are able to be released at short notice when and if required. The possible payments of significant insurance claims are secured by the reinsurance contracts' clause that allows a cash call from the reinsurers for the losses exceeding a certain amount based on line of business.

Sources of Liquidity Risk

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

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

Liquidity Risk Management Strategy

The Group's strategy for managing liquidity risks are as follows:

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

Liquidity Risk Appetite/Tolerance

Our liquidity risk appetite is defined using the following parameters:

- Liquidity gap limits;
- Scenario and Sensitivity Analysis



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

(b) **Financial instruments measured at fair value**

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

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

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

At 31 December 2019 (N'000)	Level 1	Level 2	Level 3
Financial assets			
Financial Assets -FVTPL	2,485,564	-	-
Financial Assets -FVOCI	-	70,028	-
Amortised Cost Assets	2,130,855	-	-
	4,616,419	70,028	-

At 31 December 2018 (N'000)	Level 1	Level 2	Level 3
Financial assets			
Financial Assets -FVTPL	1,108,206	-	-
Financial Assets -FVOCI	-	1,260,729	-
Amortised Cost Assets	1,235,106	-	-
	2,343,312	1,260,729	-

(c) ***Fair valuation methods and assumptions***

(i) **Cash and bank balances**

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

(ii) **Equity securities**

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

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Director
Secretary

(iii) **Debt securities**

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

(iv) **Other assets**

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

53 Capital management Policy

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

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

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

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

(a) **Minimum Capital Requirement**

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

(b) **Solvency Status**

The Company met the criteria for solvency margin as stated in section 24(1) of the Insurance Act, CAP I17, LFN 2004, the solvency margin maintained is N8,805,069,000.

(c) **Capital Adequacy Test**

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

	2019	
	N'000	N'000
Shareholders' fund as per Statement of Financial Position		14,083,035
Less:		
Intangible Assets	(1,225)	
Deferred tax liability	(356,500)	
Due from related parties	-	
		(357,725)
Capital base		13,725,310

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



(d) DETERMINATION OF SOLVENCY MARGIN	Admissible	Inadmissible	2019 N'000	2018 N'000
Cash and cash equivalents	7,137,348	957,882	8,095,230	6,376,396
Financial assets				
-FVTPL	2,485,564	-	2,485,564	1,108,206
-Amortised Cost	1,953,883	176,972	2,130,855	1,053,216
-FVOCI	70,028	-	70,028	1,260,729
Trade receivables	207,484	-	207,484	279,709
Reinsurance assets	5,525,893	-	5,525,893	4,809,590
Deferred acquisition costs	810,097	-	810,097	655,614
Investment in Subsidiary	50,000	-	50,000	50,000
Staff loans and advances	6,103	-	6,103	6,103
Investment in Properties	-	1,589,278	1,589,278	454,700
Property, plant and equipment	1,459,679	1,571,058	3,030,737	1,197,035
Statutory deposit	320,000	-	320,000	320,000
Admissable assets	20,026,079	4,295,190	24,321,269	17,571,298
LIABILITIES				
Insurance contract liabilities	9,000,865		9,000,865	7,126,871
Trade payables	298,046		298,046	319,023
Provisions and other payables	1,382,477		1,382,477	1,247,412
Retirement benefits obligations	81,635		81,635	78,496
Current income tax liabilities	457,987		457,987	835,528
Admissible liabilities	11,221,010	-	11,221,010	9,607,330
Solvency margin	8,805,069			7,963,968
Minimum share capital	3,000,000			3,000,000
Surplus in solvency margin	5,805,069			4,963,968
Percentage of solvency	66%			62%

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

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Secretary

- The market's assessment of creditworthiness as reflected in the bond yields.
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NEM INSURANCE PLC AND ITS SUBSIDIARY COMPANY

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated and separate financial statements of NEM Insurance Plc ("the Company") and its Subsidiary (together "the group), which comprise, the consolidated and separate statements of financial position as at 31 December 2019, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity, and consolidated and separate statements of cash flows for the year then ended; and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the consolidated and separate financial statements give a true and fair view of the financial position of the Company and its Subsidiary as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria, Act No 6, 2011, the Companies and Allied Matters Act, CAP C20, LFN 2004, Insurance Act CAP I17, LFN 2004 and the Prudential Guidelines issued by National Insurance Commission.

Basis for Opinion

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

Key Audit Matters

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

(i) **Revenue recognition**

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

Response

- We have tested the design and implementation of key controls over revenue recognition, focusing on the flow of information from the underwriting systems to the financial reporting ledger. In addition, we performed substantive analytical procedures on gross and unearned premium balances.
- We performed other substantive procedures to confirm completeness of revenue by:
selecting some debit notes from hard copy files and traced to soft copy listing of premium and obtained a serially generated debit notes and investigated missing and duplicated debit notes.



To the members of NEM Insurance Plc

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

- We have reviewed the scope and planning of the audit for the year ended 31 December 2019 and we confirm that they were adequate;
- The Company's and its Subsidiary's reporting and accounting policies as well as internal control systems conform to legal requirements and agreed ethical practices; and
- We are satisfied with the departmental responses to the External Auditors' findings on management matters for the year ended 31 December 2019

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

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

Date: 26-02-2020

Members of the Audit Committee

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

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

CERTIFIED
Director
Secretary

CERTIFICATION PURSUANT TO SECTION 60(2) OF INVESTMENT AND SECURITIES ACT NO. 29 OF 2007

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended 31 December 2019 that:

- We have reviewed the report;

- To the best of our knowledge, the report does not contain:
  - Any untrue statement of a material fact, or
  - Omit to state a material fact, which would make the statements, misleading in the light of circumstances under which such statements were made;
- To the best of our knowledge, the financial statement and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Company as of, and for the periods presented in the report.

- We:
  - Are responsible for establishing and maintaining internal controls.
  - Have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiary is made known to such officers by others within those entries particularly during the period in which the periodic reports are being prepared;
  - Have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
  - Have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;
- We have disclosed to the auditors of the Company and audit committee:
  - All significant deficiency in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarise and report financial data and have identified for the Company's auditors any material weakness in internal controls, and
  - Any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;

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

Mr. Tope Smart (GMD/CEO)
FRC/2013/CIIN/00000001331

26/2/2020

Mr. Tope Smart (GMD)
FRC/2013/CIIN/00000001331

Miss. Stella Omoraro (CFO)
FRC/2013/ICAN/00000001238

26/2/2020

Miss Stella Omoraro CFO
FRC/2013/ICAN/00000001238

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Director
Secretary

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

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

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

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

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

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

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

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

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- The criteria do no align with the point in time when the asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable
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- There is no unwarranted volatility in loss allowance from transfers between 12-month ECL and Lifetime ECL measurement.

Modified financial assets

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

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

Liquidity Risk

Liquidity risk is the inability of a Group to meet obligations on a timely basis. It is also the inability of a Group to take advantage of business opportunities and sustain the growth target in its business strategy due to liquidity constraints or difficulty in obtaining funding at a reasonable cost. Our liquidity risk exposure is strongly related to our credit and investment risk profile. The Group is exposed to daily calls on its available cash resources from claims to be paid.

At 31 December 2019, management does not believe the current maturity profile of the Group lends itself to any material liquidity risk, taking into account the level of cash and deposits and the nature of its securities portfolio at year end, as well as the reinsurance structure of the Group's insurance portfolio. The Group's bank deposits and trading securities are able to be released at short notice when and if required. The possible payments of significant insurance claims are secured by the reinsurance contracts' clause that allows a cash call from the reinsurers for the losses exceeding a certain amount based on line of business.

Sources of Liquidity Risk

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

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

Liquidity Risk Management Strategy

The Group's strategy for managing liquidity risks are as follows:

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

Liquidity Risk Appetite/Tolerance

Our liquidity risk appetite is defined using the following parameters:

- Liquidity gap limits;
- Scenario and Sensitivity Analysis

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

(b) **Financial instruments measured at fair value**

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

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

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

At 31 December 2019 (N'000)	Level 1	Level 2	Level 3
Financial assets			
Financial Assets -FVTPL	2,485,564	-	-
Financial Assets -FVOCI	-	70,028	-
Amortised Cost Assets	2,130,855	-	-
	4,616,419	70,028	-

At 31 December 2018 (N'000)	Level 1	Level 2	Level 3
Financial assets			
Financial Assets -FVTPL	1,108,206	-	-
Financial Assets -FVOCI	-	1,260,729	-
Amortised Cost Assets	1,235,106	-	-
	2,343,312	1,260,729	-

(c) ***Fair valuation methods and assumptions***

(i) **Cash and bank balances**

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

(ii) **Equity securities**

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

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(iii) **Debt securities**

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

(iv) **Other assets**

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

53 Capital management Policy

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

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

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

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

(a) **Minimum Capital Requirement**

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

(b) **Solvency Status**

The Company met the criteria for solvency margin as stated in section 24(1) of the Insurance Act, CAP I17, LFN 2004, the solvency margin maintained is N8,805,069,000.

(c) **Capital Adequacy Test**

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

	2019	
	N'000	N'000
Shareholders' fund as per Statement of Financial Position		14,083,035
Less:		
Intangible Assets	(1,225)	
Deferred tax liability	(356,500)	
Due from related parties	-	
		(357,725)
Capital base		13,725,310

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

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(d) DETERMINATION OF SOLVENCY MARGIN	Admissible	Inadmissible	2019 N'000	2018 N'000
Cash and cash equivalents	7,137,348	957,882	8,095,230	6,376,396
Financial assets				
-FVTPL	2,485,564	-	2,485,564	1,108,206
-Amortised Cost	1,953,883	176,972	2,130,855	1,053,216
-FVOCI	70,028	-	70,028	1,260,729
Trade receivables	207,484	-	207,484	279,709
Reinsurance assets	5,525,893	-	5,525,893	4,809,590
Deferred acquisition costs	810,097	-	810,097	655,614
Investment in Subsidiary	50,000	-	50,000	50,000
Staff loans and advances	6,103	-	6,103	6,103
Investment in Properties	-	1,589,278	1,589,278	454,700
Property, plant and equipment	1,459,679	1,571,058	3,030,737	1,197,035
Statutory deposit	320,000	-	320,000	320,000
Admissable assets	20,026,079	4,295,190	24,321,269	17,571,298
LIABILITIES				
Insurance contract liabilities	9,000,865		9,000,865	7,126,871
Trade payables	298,046		298,046	319,023
Provisions and other payables	1,382,477		1,382,477	1,247,412
Retirement benefits obligations	81,635		81,635	78,496
Current income tax liabilities	457,987		457,987	835,528
Admissible liabilities	11,221,010	-	11,221,010	9,607,330
Solvency margin	8,805,069			7,963,968
Minimum share capital	3,000,000			3,000,000
Surplus in solvency margin	5,805,069			4,963,968
Percentage of solvency	66%			62%

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

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Asset and Liability Management

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

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

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

Assets	Insurance funds	Shareholders' funds	Total
	N'000	N'000	N'000
Cash and cash equivalents	7,137,348	957,882	8,095,230
Financial assets			
-FVTPL	2,485,564	-	2,485,564
-FVOCI	-	70,028	70,028
- At amortised cost	-	2,130,855	2,130,855
Trade receivables	-	207,484	207,484
Reinsurance assets	3,634,939	1,890,954	5,525,893
Deferred acquisition costs		810,097	810,097
Other receivables and prepayment	-	627,253	627,253
Investment in Associate	-	435,165	435,165
Investment in Subsidiary	-	50,000	50,000
Investment properties	-	1,589,278	1,589,278
Statutory deposit	-	320,000	320,000
Intangible assets	-	1,225	1,225
Property, plant and equipment	-	3,030,737	3,030,737
Deferred tax assets	-	281,736	281,736
Total assets	13,257,851	12,402,694	25,660,545
Liabilities:			
Insurance contract liabilities	9,000,865	-	9,000,865
Trade payables	-	298,046	298,046
Other payables	-	1,382,477	1,382,477
Retirement benefit obligations	-	81,635	81,635
Income tax liability	-	457,987	457,987
Deferred tax liabilities	-	356,500	356,500
Total liabilities	9,000,865	2,576,645	11,577,510
Gap	4,256,986	9,826,049	14,083,035

The main objectives of the Company when managing capital are:

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

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

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	2019 N'000	%	2018 N'000	%
Gross Premium Income:				
Local	19,259,541		14,346,488	
Foreign	-		-	
Other Income:				
Local	2,125,631		1,912,838	
Foreign	21,413		21,251	
	21,406,585		16,280,577	
Bought in Services:				
Local	(16,207,369)		(10,744,194)	
Foreign	-		-	
Value Added	5,199,216	100	5,536,383	100
Applied as follows:				
Employees				
Salaries and other employees benefits	1,603,286	30	1,515,473	27
Provider of Capital				
Dividend to Shareholders	686,465	13	528,050	10
Government				
Taxation	(475,612)	(1)	648,957	12
Retention and Expansion				
Depreciation and Amortisation Charges	396,915	7	355,715	6
Contingency reserves	592,796	11	451,484	8
Retained profits for the year	2,395,366	40	2,036,704	37
Value Added	5,199,216	100	5,536,383	100

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

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	2019 N'000	%	2018 N'000	%
Gross Premium Income:				
Local	19,259,541		14,346,488	
Foreign	-		-	
Other Income:				
Local	2,080,866		1,873,270	
Foreign	21,413		21,251	
	21,361,820		16,241,009	
Bought in Services:				
Local	(16,199,988)		(10,737,899)	
Foreign	-		-	
Value Added	5,161,832	100	5,503,110	100
Applied as follows:				
Employees				
Salaries and other employees benefits	1,593,176	30	1,504,200	27
Provider of Capital				
Dividend to Shareholders	686,465	13	528,050	10
Government				
Taxation	(480,112)	(1)	648,487	12
Retention and Expansion				
Depreciation and Amortisation Charges	391,453	7	350,253	6
Contingency reserves	592,796	11	451,484	8
Retained profits for the year	2,378,054	40	2,020,636	37
Value Added	5,161,832	100	5,503,110	100

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



Assets	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Cash and Cash Equivalents	8,101,885	6,697,017	3,328,800	3,471,854	3,387,674
Financial assets					
- At fair value through profit or loss	2,485,564	1,108,206	1,347,462	820,809	654,054
- At fair value through other comprehensive income	70,028	1,260,729	-	-	-
- At amortised cost	2,130,855	1,235,106	-	-	-
-Available for Sale	-	-	4,388,095	2,992,467	2,857,226
-Held-to-Maturity	-	-	181,364	192,707	181,777
Trade Receivable	207,484	279,709	723,535	668,040	531,497
Reinsurance Assets	5,525,893	4,809,590	2,382,459	1,725,098	690,838
Deferred Acquisition Cost	810,097	655,614	587,244	488,195	498,862
Investment in Associate	435,165	413,752	392,501	264,824	
Investment Properties	1,589,278	682,951	676,555	442,558	388,371
Intangible Assets	1,225	6,405	18,997	20,747	13,083
Property, plant and equipment	3,031,838	4,158,807	2,864,795	2,819,986	2,694,001
Other Receivables and Prepayment	683,375	709,859	259,516	198,439	227,373
Statutory Deposit	320,000	320,000	320,000	320,000	343,489
Deferred tax asset	291,203	92,773	92,773	66,687	16,066
Total Assets	25,683,890	22,430,518	17,564,096	14,492,411	12,484,311
Liabilities					
Insurance Contract Liabilities	9,000,865	7,126,871	6,518,667	6,017,381	5,482,960
Trade Payables	298,046	319,023	73,694	65,315	33,415
Other Payables	1,386,681	1,247,829	550,458	497,272	502,760
Income Tax Liabilities	462,419	835,998	591,760	426,473	156,858
Deferred Tax Liability	356,500	397,746	-	-	-
Retirement Benefit Obligations	81,635	78,496	91,910	84,824	108,956
Total liabilities	11,586,146	10,005,963	7,826,489	7,091,265	6,284,949
Net Assets	14,097,744	12,424,555	9,737,607	7,401,146	6,199,362
Equity					
Share Capital	2,640,251	2,640,251	2,640,251	2,640,251	2,640,251
Share Premium	272,551	272,551	272,551	272,551	272,551
Other Reserves-gratuity	111,455	131,043	140,614	166,499	162,035
FVOCI reserve	(51,468)	(35,344)	-	-	-
Available for sale reserve	-	-	(128,734)	(138,249)	173,368
Asset revaluation reserve	1,094,475	1,094,475	-	-	-
Contingency Reserve	4,198,848	3,606,052	3,154,568	2,599,514	2,322,895
Retained Earnings	5,831,632	4,715,527	3,658,357	1,860,580	628,262
Shareholders' Fund	14,097,744	12,424,555	9,737,607	7,401,146	6,199,362



	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Gross Premium Written	19,759,872	15,049,453	13,416,270	10,757,674	10,895,711
Gross premium income	19,259,541	14,346,488	13,031,779	10,628,183	10,718,314
Net Premium income	12,617,540	10,693,794	9,801,951	8,512,467	8,556,954
Other Revenue	2,318,007	1,934,089	2,244,226	1,614,096	1,300,427
Total Revenue	14,935,547	12,627,883	12,046,177	10,126,563	9,857,381
Claims expense	(3,937,318)	(2,554,253)	(1,783,574)	(2,669,780)	(3,959,103)
Impairment	-	-	-	-	(40,000)
Other Expenses	(9,078,475)	(7,387,969)	(7,167,712)	(5,311,011)	(5,259,441)
Total Benefits, Claims and Other	(13,015,793)	(9,942,222)	(8,951,286)	(7,980,791)	(9,258,544)
Profit Before Tax	1,919,754	2,685,661	3,094,891	2,145,772	598,837
Income tax	475,612	(648,957)	(319,499)	(327,974)	114,864
Profit For the Year	2,395,366	2,036,704	2,775,392	1,817,798	713,701
Other Comprehensive (loss)/Income for the year	(35,712)	1,208,882	(25,885)	(307,153)	(81,277)
Total Comprehensive Income for the year	2,359,654	3,245,586	2,749,507	1,510,645	632,424
Basic EPS (Kobo)	0.45	0.39	0.53	0.34	0.14
Diluted Basic EPS (Kobo)	0.45	0.39	0.53	0.34	0.14



	2019	2018	2017	2016	2015
Assets	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	8,095,230	6,675,924	3,325,340	3,464,575	3,355,044
Financial Assets					
- At fair value through profit or loss	2,485,564	1,108,206	1,347,462	820,809	654,054
- At fair value through other comprehensive income	70,028	1,260,729	-	-	-
- At amortised cost	2,130,855	1,235,106	-	-	-
-Available for Sale	-	-	4,388,095	2,992,467	2,560,909
-Held-to-Maturity	-	-	181,364	192,707	181,777
Trade Receivable	207,484	279,709	723,535	668,040	531,497
Reinsurance Assets	5,525,893	4,809,590	2,382,459	1,725,098	690,838
Deferred Acquisition Cost	810,097	655,614	587,244	488,195	443,678
Investment in Associate	435,165	413,752	392,501	264,825	-
Investment in Subsidiary	50,000	50,000	50,000	142,500	193,308
Investment Properties	1,589,278	682,951	676,555	442,558	388,371
Intangible Assets	1,225	2,042	10,270	7,656	12,157
Property, plant and equipment	3,030,737	4,156,609	2,861,499	2,815,591	2,637,457
Other Receivables and Prepayments	627,253	698,696	276,254	129,741	102,512
Statutory Deposit	320,000	320,000	320,000	320,000	320,000
Deferred tax asset	281,736	83,306	83,306	57,220	16,066
Total Assets	25,660,545	22,432,234	17,605,884	14,531,982	12,087,668
Liabilities					
Insurance Contract Liabilities	9,000,865	7,126,871	6,518,667	6,017,381	5,161,722
Trade Payables	298,046	319,023	73,694	65,315	-
Other Payables	1,382,477	1,247,412	573,576	506,023	455,308
Income Tax Liabilities	457,987	835,528	591,760	426,473	154,348
Deferred Tax Liability	356,500	397,746	-	-	-
Retirement Benefit Obligations	81,635	78,496	91,910	84,824	108,956
Bank Overdraft	-	-	-	-	-
Total liabilities	11,577,510	10,005,076	7,849,607	7,100,016	5,880,334
Net Assets	14,083,035	12,427,158	9,756,277	7,431,966	6,207,334
Equity					
Share Capital	2,640,251	2,640,251	2,640,251	2,640,251	2,640,251
Share Premium	272,551	272,551	272,551	272,551	272,551
Other Reserves-gratuity	111,455	131,043	140,614	166,499	162,035
FVOCI reserve	(51,468)	(35,344)	-	-	-
Available for sale reserve	-	-	(128,734)	(138,249)	173,368
Asset revaluation reserve	1,094,475	1,094,475	-	-	-
Contingency Reserve	4,198,848	3,606,052	3,154,568	2,599,514	2,276,784
Retained Earnings	5,816,923	4,718,130	3,677,027	1,891,400	682,345
Shareholders' Fund	14,083,035	12,427,158	9,756,277	7,431,966	6,207,334



INCOME STATEMENT	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Gross Premium Written	19,759,872	15,049,453	13,416,270	10,757,674	10,346,291
Gross premium income	19,259,541	14,346,488	13,031,779	10,628,183	10,239,449
Net Premium income	12,617,540	10,693,794	9,801,951	8,512,467	8,145,555
Other Revenue	2,273,242	1,894,521	2,214,417	1,551,928	1,206,680
Total Revenue	14,890,782	12,588,315	12,016,368	10,064,395	9,352,235
Claims expense	(3,937,318)	(2,554,253)	(1,783,574)	(2,669,780)	(3,799,062)
Impairment	-	-	-	-	(40,000)
Other Expenses	(9,055,522)	(7,364,939)	(7,150,172)	(5,208,556)	(4,953,809)
Total Benefits, Claims and Other	(12,992,840)	(9,919,192)	(8,933,746)	(7,878,336)	(8,792,871)
Profit Before Tax	1,897,942	2,669,123	3,082,622	2,186,059	559,364
Income tax	480,112	(648,487)	(319,499)	(337,441)	126,097
Profit For the Year	2,378,054	2,020,636	2,763,123	1,848,618	685,461
Other Comprehensive (loss)/Income for the year	(35,712)	1,208,882	(25,885)	(307,153)	(81,277)
Total Comprehensive Income for the year	2,342,342	3,229,518	2,737,238	1,541,465	604,184
Basic EPS (Kobo)	0.45	0.38	0.52	0.35	0.13
Diluted Basic EPS (Kobo)	0.45	0.38	0.52	0.35	0.13

