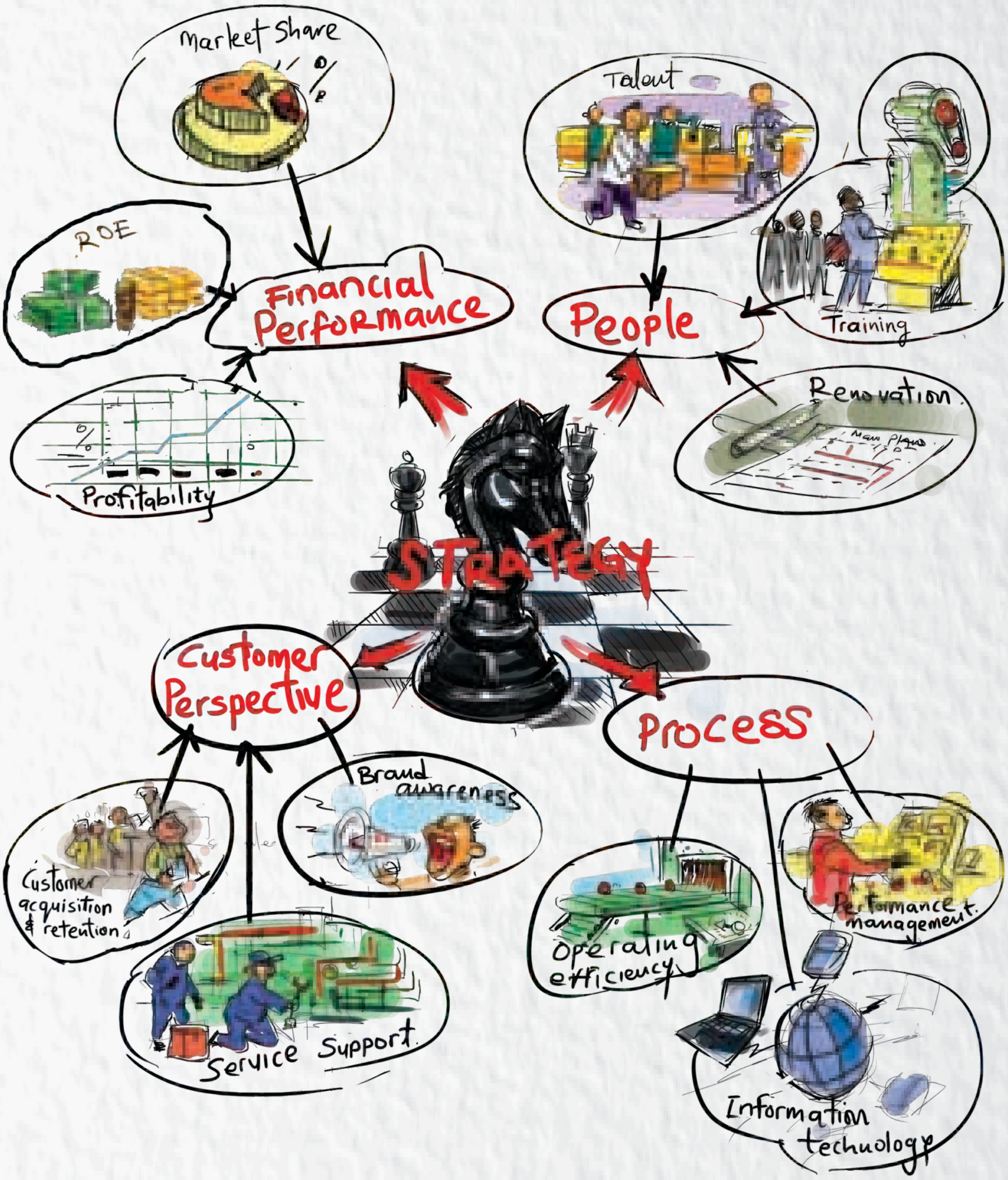
# Thriving For All Times

2016 Annual Report & Accounts



# Thriving for All Times

"Resilience is all about being able
to overcome the unexpected.
The goal of resilience is to thrive."
-Jamais Cascio

# Contents

We are a leading underwriter with close attention to relationships. The pivotal point at AIICO is "the customer" and the company has enjoyed a steady growth in its commitment to providing integrated insurance and financial services to its numerous customers.

## OVERVIEW



## BUSINESS REVIEW



## CORPORATE GOVERNANCE



## FINANCIAL STATEMENTS



## OTHER NATIONAL DISCLOSURES

# COMPANY PROFILE

Established in 1963, AIICO Insurance Plc (NSE Ticker: "AIICO") is an Insurance, Pensions Management, Health Maintenance and Asset Management Group in Nigeria with market-leading position in its key business lines:

1. Insurance
2. Pension Management
3. Health Maintenance Organization
4. Asset Management

AIICO commenced operations in Nigeria in 1963 as an Agency of American Life Insurance Company ("ALICO") - a subsidiary of American International Group (AIG) at that time.

The company was incorporated, registered and licensed in Nigeria as American Life Insurance Company Limited as a wholly owned subsidiary of ALICO/AIG in 1970 to offer Life and Pension products and Insurance services. It was later renamed American International Insurance Company Limited (AIICO) upon the acquisition of a 60% stake by the Federal Government of Nigeria, and later listed on the Nigerian Stock Exchange in 1990, after which shareholders divested.

Following the consolidation of the insurance industry in 2007, the company acquired NFI Insurance Plc. and Lamda Insurance Company Limited (both cumulatively accounting for less than 30% of AIICO's pre-acquisition gross premiums). The company subsequently recertified as both General Insurance and Life Assurance Company, taking advantage of its legacy, brand, franchise and strong retail distribution network to grow a leading General Insurance business.

To take advantage of the opportunities presented by the Pension Reform Act of 2004, AIICO Pension Managers Limited (APML) was incorporated in February 2005 and licensed in April 2006 as a Pension Fund Administrator (PFA) by the National Pension Commission (PenCom), and commenced operations in May 2006. AIICO also owns valuable financial and strategic assets including a controlling stake in AIICO Multishield Limited and a 19% stake in Healthcare International Limited, both Health Maintenance Organizations (HMOs), and AIICO Capital Limited, an asset management wholly-owned subsidiary.

A depiction of the corporate structure is shown below:

## CORPORATE STRUCTURE


1. Life and general insurance are strategic business units/divisions within AIICO
2. AIICO Pension Managers Limited - a ca.79.5% owned subsidiary of AIICO
3. AIICO Capital - a 100% owned subsidiary of AIICO providing asset management services for AIICO and 3rd parties
4. AIICO owns ca.80.88% of AIICO Multishield Limited -a Health Maintenance Organisation operating in Nigeria

# NOTICE OF ANNUAL GENERAL MEETING

**Notice is hereby given** that the **47th Annual General Meeting** of AIICO Insurance Plc. will be held at **Orchid Hotels Plot 3 Dreamworld Africana Way Lekki, Lagos** on Thursday 18th May, 2017 at 10.00 am to transact the following businesses:

## Ordinary Business

1. To lay before the meeting the Report of the Directors, the Financial Statements for the year ended 31st December 2016, and the Reports of the Auditors and the Statutory Audit Committee thereon.

2. To declare a Dividend.

3. To elect/re-elect Directors.

4. To approve Directors' Remuneration.

5. To reappoint KPMG Professional Services as the Auditors to the Company from the end of the Annual General Meeting until the end of the next year's Annual General Meeting and to authorize the directors to fix the remuneration of the Auditors.

6. To elect/re-elect shareholders as members of the Statutory Audit Committee

## Special Business

1. That in compliance with Article 5.07 (iv) of the National Insurance Commission (NAICOM) Code of Good Corporate Governance for the Insurance Industry in Nigeria, the Directors are hereby authorized to appoint an external consultant to conduct the Annual Board Performance Appraisal for the financial year ending December 31, 2017.

### NOTES:

### 1. Proxy

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his or her place. A proxy needs not be a member of the Company. A form of proxy is attached at the last page of this report.

If the proxy form is to be valid for the purpose of this meeting, it must be completed, detached and deposited at the Office of the Registrar, United Securities Limited, 9 Amodu Ojikutu Street, Off Bishop Oluwole Street, Victoria Island, P.M.B. 12753, Lagos, not later than 48 hours before the time for holding the meeting.

### 2. Closure of Register of Members

In compliance with the provisions of Section 89 of the Companies and Allied Matters Act, 2004, the Register of Members and Shares Transfer Books will be closed from the 8th - 11th May 2017 [both days inclusive].

### 3. Dividend Warrant

If the dividend recommended by the Directors is approved by the Shareholders at the Annual General Meeting, dividend warrant and E-dividends will be posted on the Friday 19th May, 2017 to Shareholders, whose names appear on the Company's Share Register at the close of business on the 12th May, 2017

### 4. Appointment of Members of the Statutory Audit Committee

Pursuant to and in accordance with Section 359 (5) of the Companies and Allied Matters Act 2004, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting. To comply with the requirements of the Code of Corporate Governance, Nominations shall have proof of Nominee's financial literacy attached.

### 5. Unclaimed Dividend Warrants and Share Certificates

Some dividend warrants and share certificates remain unclaimed or are yet to be presented for payment or returned to the Company for revalidation. A list of such members is circulated with the Annual Report and Financial Statements. Members affected are advised to write to or call at the office of the Company's Registrar, United Securities Ltd., 9 Amodu Ojikutu Street, Off Bishop Oluwole Street, Victoria Island, P.M.B. 12753, Lagos.

### 6. Biography Details of Directors

Biography details of Director standing election/re-election are contained in the Annual Report and Account.

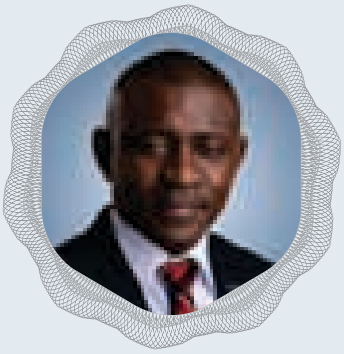
### 7. Website

A copy of this Notice and other information relating to the meeting can be found at www.aiicoplc.com

### 8. Right of Security Holders to Ask Questions

Securities' holders have a right to ask questions not only at the Meeting but also in writing prior to the Meeting, and such questions must be submitted to the Company on or before close of business on Monday May 15, 2017.

**By Order of the Board**



**Donald KANU**
Dated this 10th day of April, 2017
Company Secretary/Legal Adviser
AIICO Insurance Plc
AIICO Plaza,
PC 12, Churchgate Street
(formerly, Afribank Street,)
Victoria Island,
Lagos.

# CORPORATE INFORMATION

| | | |
|---|---|---|
| **Directors** | Mr. Bukola Oluwadiya<br>Mr. Edwin Igbiti<br>Mr. Babatunde Fajemirokun<br>Mr. Ademola Adebise<br>Mr. S.D.A. Sobanjo<br>Mr. Sonnie Ayere<br>Mr. Samaila Dalhat Zubairu<br>Mr. Kundan Sainani | Chairman<br>MD/CEO<br>Executive Director<br>Non-Executive Director<br>Non-Executive Director<br>Non-Executive Director<br>Non-Executive Director - Independent<br>Non-Executive Director - Independent |
| **Company Secretary** | Mr. Donald Kanu<br>AIICO Insurance Plc<br>AIICO Plaza<br>Plot PC 12, Churchgate Street<br>Victoria Island, Lagos | |
| **Registered Office** | AIICO Plaza<br>Plot PC 12, Churchgate Street<br>Victoria Island, Lagos | |
| **Rc.No** | 7340 | |
| **Corporate Head Office** | Plot PC 12,<br>Churchgate Street,<br>Victoria Island, Lagos<br>Tel: 01 279 2930<br>0700 AIIContact (0700 2442 6682 28)<br>Website: www.aiicoplc.com<br>E-mail: aiicontact@aiicoplc.com | |
| **Registrars** | United Securities Limited<br>10, Amodu Ojikutu Street<br>Off, Bishop Oluwole Street,<br>Victoria Island,<br>Lagos | |
| **Auditors** | KPMG Professional Services<br>KPMG Tower<br>Bishop Aboyade Cole Street<br>Victoria Island<br>P.M.B 40014, Falomo<br>Ikoyi, Lagos<br>Website: www.kpmg.com/ng | |
| **Major Bankers** | City Bank Nigeria Limited<br>First Bank of Nigeria Limited<br>Guaranty Trust Bank Plc<br>Union Bank of Nigeria Plc | United Bank for Africa (UBA) Plc<br>Zenith Bank Plc |
| **Actuary** | HR Nigeria Limited<br>FRC/NAS/00000000738 | **Estate Valuer**: Niyi Fatokun & Co.<br>(Chartered Surveyors & Valuers)<br>FRC/2013/NIESV/70000000/1217 |
| **Reinsurers** | African Reinsurance Corporation<br>Continental Reinsurance Plc<br>Swiss Reinsurance<br>WAICA Reinsurance<br>Nigerian Reinsurance<br>Trust Reinsurance<br>Zep Reinsurance<br>Arig Reinsurance<br>Aveni Reinsurance<br>NCA Reinsurance | **Regulatory Authority**: National Insurance Commission |

## CORPORATE INFORMATION

**Head Office**
AIICO Plaza
Plot PC 12, Churchgate Street,
Victoria Island, Lagos.
Telephone: 01 2792930
Customer Care:
0700 AIIContact (0700 2442 6682 28)
Email: aiicontact@aiicoplc.com
Facebook: facebook.com/AIICOTribe

### BRANCH NETWORK

**Aba**
7 Factory Road,
Aba, Abia State.
Tel: 08055314351

**Abeokuta**
46 Tinubu Street,
Ita Eko, Abeokuta,
Ogun State.
Tel: 08174613820,
08032557071

**Abuja**
Prime Plaza: Plot 1012,
Ademola Adetokunbo Crescent,
Opposite Rockview Hotel,
Wuse II, Wuse, FCT Abuja.
Tel: 09 2902010,
08176684107,
08176684115

**Akure**
Tisco House, 3rd Floor
Opposite Mr. Biggs Outlet, Ado- Owo Road,
Akure, Ondo State.
Tel: 0806442259,
08177323757

**Amuwo**
Plot 203 Festac Link Road,
Amuwo Odofin, Lagos State.
Tel: 012931892,
08085840886

**Benin**
28 Sokponba Road,
Benin City, Edo State.
Tel: 08051163395,
08134051972,
07027002609

**Calabar**
Henss House
24/26 Murtala Mohammed Way, Calabar,
Cross Rivers State.
Tel :08032194197,
08075318777

**Enugu**
55/59 Chime Avenue,
Gbujas Plaza, New Haven,
Enugu State.
Tel :08036660737,
09020241513,
07038143357

**Ibadan**
12 Moshood Abiola Way,
beside FCMB Bank, Challenge Area,
Ibadan, Oyo State.
Tel : 08032318925,
08028344263

**Ikeja**
AIICO House,
Plot 2 Oba Akran Avenue,
Opposite Dunlop, Ikeja,
Lagos State.
Tel:014602097-8,
014602218,
014602343,
08099930082

**Ilorin**
1 New Yidi Road,
Gomola Building,
Ilorin, Kwara State.
Tel: 08174613826,
08083134860,
08037997249

**Ilupeju**
AIICO House,
36-38 Ilupeju Industrial Avenue,
Ilupeju, Lagos State.
Tel: 08160466239,
08033158714,
08033343036,
08023048695

**Isolo**
203-205 Oshodi/Apapa Expressway,
Isolo, Lagos State.
Tel: 08057176063,
08023054803,
08036803169,
08023090069

**Jos**
4 Beach Road,
Jos, Plateau State
Tel: 08153695455,
08083134860
08057356726

**Kaduna**
Yaman Phone House,
1 Constitution Road,
Opposite MTD, Kaduna,
Kaduna State.
Tel: 08033386968

**Kano**
8, Post Office Road,
Kano, Kano State.
Tel: 08078107938

**Lokoja**
Suite 32, Second Floor,
Lokongoma Plaza,
Along Okene-Kaba Rd,
Lokongoma, Lokoja, Kogi State.
Tel: 08023279920,
07031003095

**Onitsha**
Noclink Plaza, 41 New Market Road,
Opposite UBA Bank,
Onitsha, Anambra State.
Tel: 07086064999,
08033750361

**Owerri**
46 Wetheral Road,
Owerri, Imo State.
Tel: 08056033269,
07066032065

**Port Harcourt**
11 Ezimgbu Link Road
(Mummy B Road), off Stadium Road,
GRA Phase IV, Port Harcourt,
Rivers State.
Tel: 08035490546,
09094489393

**Warri**
60, Effurun/Sapele Road,
Effurun, Warri, Delta State.
Tel: 08187497490

### RETAIL OUTLETS

**AIICO EXPRESS, Abuja**
No. 46 Lobito Crescent,
Wuse 2, Abuja.
Tel: 0809 993 0117
0812 912 3143

**AIICO EXPRESS, Churchgate**
Opposite Churchgate Towers,
Victoria Island, Lagos.
Tel: 0812 912 3143
0708 795 5065

**AIICO EXPRESS, Falomo**
No. 8 Post Office, Bourdillon Road,
Ikoyi, Lagos.
Tel: 0812 912 3143
0809 993 0126

**AIICO EXPRESS, Lekki**
Ikate Community,
Opposite Manor House,
Ikate, Lekki, Lagos.
Tel: 0812 912 3143
0701 318 4117

**AIICO EXPRESS, Park N Shop,**
**Victoria Island**
Guru Plaza,
47B Adeola Odeku Street,
Victoria Island, Lagos.
Tel: 0812 912 3143
0812 912 3138

## BRAND PLATFORM

# FINANCIAL POSITION
CONSOLIDATED RESULTS AT A GLANCE

| **Profit or loss and other comprehensive income** *In thousands of naira* | 2016 | 2015 | Changes | % |
|---|---|---|---|---|
| Gross premium written | 27,064,365 | 32,918,820 | (5,854,455) | (18) |
| Gross premium income | 30,029,334 | 10,410,650 | 19,618,684 | 188 |
| Net premium income | 26,687,570 | 6,748,488 | 19,939,082 | 295 |
| Claim expenses (net) | (13,096,190) | (10,667,702) | (2,428,488) | (23) |
| Profit before taxation | 11,835,236 | 1,799,294 | 10,035,942 | 558 |
| Profit after taxation | 10,238,411 | 1,195,606 | 9,042,805 | 756 |
| Other comprehensive loss, net of tax | (10,893,465) | (3,156,986) | (7,736,479) | (245) |
| **Total comprehensive loss for the year** | **(655,054)** | **(1,961,380)** | **1,306,326** | **67** |
| Basic earnings per share (kobo) | 147 | 18 | 129 | 717 |
| Diluted earnings per share (kobo) | 105 | 14 | 91 | 650 |

| *Financial Position* *In thousands of naira* | 2016 | 2015 | Changes | % |
|---|---|---|---|---|
| Cash and cash equivalents | 7,491,178 | 8,451,795 | (960,617) | (11) |
| Financial assets | 56,556,261 | 58,269,318 | (1,713,057) | (3) |
| Trade receivable | 411,969 | 296,514 | 115,455 | 39 |
| Reinsurance assets | 2,816,503 | 2,479,069 | 337,434 | 14 |
| Deferred acquisition cost | 285,232 | 264,842 | 20,390 | 8 |
| Other receivables and prepayments | 324,457 | 447,467 | (123,010) | (27) |
| Deferred tax asset | 1,088,677 | 1,775,779 | (687,102) | (39) |
| Investment property | 990,000 | 1,115,000 | (125,000) | (11) |
| Goodwill and other intangible assets | 1,092,031 | 1,142,720 | (50,689) | (4) |
| Property and equipment | 5,915,891 | 5,353,657 | 562,234 | 11 |
| Statutory deposit | 530,000 | 530,000 | - | - |
| **Total assets** | **77,502,199** | **80,126,161** | **(2,623,961)** | **(3)** |
| Insurance contract liabilities | 49,987,894 | 55,548,154 | (5,560,260) | 10 |
| Investment contract liabilities | 10,061,636 | 8,295,046 | 1,766,590 | (21) |
| Trade payables | 1,599,841 | 1,547,548 | 52,293 | (3) |
| Other payables and accruals | 1,787,068 | 2,489,333 | (702,265) | 28 |
| Fixed income liabilities | 2,531,870 | 165,838 | 2,366,032 | (1427) |
| Current tax payable | 623,761 | 592,961 | 30,800 | (5) |
| Deferred tax liability | 270,408 | 269,133 | 1,275 | (0) |
| Finance lease obligation | 7,368 | 49,854 | (42,486) | 85 |
| Long term borrowing | 1,785,650 | 1,134,840 | 650,810 | (57) |
| Derivative liabilities | 143,725 | 319,274 | (175,549) | 55 |
| **Total liabilities** | **68,799,221** | **70,411,981** | **(1,437,210)** | **2** |
| Issued share capital | 3,465,102 | 3,465,102 | - | - |
| Share premium | 2,824,389 | 2,824,389 | (0) | (0.00) |
| Revaluation reserves | 1,221,707 | 1,221,707 | - | - |
| Available-for-sale reserve | (14,065,457) | (2,723,536) | (11,341,921) | (416) |
| Currency reserves | 596,977 | 148,521 | 448,456 | 302 |
| Statutory reserve | 96,688 | 55,240 | 41,448 | 75 |
| Contingency reserve | 4,703,531 | 3,482,076 | 1,221,455 | 35 |
| Retained earnings | 9,498,054 | 898,089 | 8,599,965 | 958 |
| **Shareholders' funds** | **8,340,991** | **9,371,588** | **(1,030,597)** | **(11)** |
| Non - Controlling Interest | **361,967** | **342,592** | | |
| **Total equity** | **8,702,978** | **9,714,180** | **(1,011,202)** | **(10)** |
| **Total equity and liabilities** | **77,502,199** | **80,126,161** | **(2,623,961)** | **(3)** |

# BUSINESS REVIEW


Bukola Oluwadiya


## COMMITMENT TO OUR STRATEGY IN CHALLENGING TIMES

## DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

**It is my great pleasure to welcome you to the 47th Annual General Meeting of our Company. It is also my first opportunity to address you as Chairman of the Board. It is an honour and a privilege to do so.**

In order to appropriately address the Company's performance in 2016, I believe that some context is needed. We all know how challenging the business environment has been over the last two years. In 2016, the country recorded negative growth, officially going into recession in the second quarter. In the meantime, inflation soared into double digits for the first time since 2012-13. Various macroeconomic indicators also fluctuated in 2016, in many cases, for the worse - some of these had a direct impact on the insurance industry and our performance.

On the bright side, we are in the fourth year of our 5-year transformation plan. If you will recall, this plan was centered on improving the three key pillars of our business: our financial position, our business model and our people. I am happy to report that we have made significant progress in executing our strategy and achieving our set goals. I will now explore this in some detail and outline the company's expectations for the year to come.

### AIICO INSURANCE PLC - 2016 OVERVIEW

### Performance

The Group delivered good underlying performance despite the severe macroeconomic headwinds it faced in 2016. Underwriting profitability increased 326%, from a loss of N5.5 billion to a profit of N12.45 billion across the Group driven by slight underwriting improvements in the non-life business and release of Reserves in the life business. High interest rates reduce the value of our long term insurance contract liabilities and this is recorded as a release in our statement of profit and loss. As a result of our underwriting performance and increased investment income, after tax profits increased 756% to N10.2 billion in 2016. The movement in long-term liabilities Reserves is mirrored by the movements in asset values backing these liabilities. This essentially means that the reduction in reserves is offset by the reduction in asset values. The cumulative loss on fair value assets due to increased interest rates is reflected in the available for sale reserves, causing a 11% reduction in Shareholders' Funds. This has informed the Company's decision to retain a significant portion of the profits and its plan to inject more capital (Ordinary Shares or Equity) into the business to fund its growth plan and also achieve a resilient Balance Sheet to withstand market risks.

### Our Financial Position

One of the Company's goals in 2013 was to improve our financial position - this mainly centered on ensuring that assets were adequately matched to liabilities and addressing all legacy issues which would potentially result in unplanned liabilities in the future. I can say that the Company has done an excellent job delivering on this promise especially in our current high yield environment. Our life business is particularly sensitive to interest rate movements as seen in the movement in the available for sale Reserve balance - the available for sale reserve shows the changes in fair value of our bonds. This is as a result of the fact that long - term assets are highly sensitive to changes in interest rates and as yields rose, the value of the assets reduced. For life insurance companies with our asset mix, resilient capital is typically required to underwrite larger risks and to withstand

# CHAIRMAN's STATEMENT

> The company has taken significant strides forward in its bid to strengthen our business model; in fact, the last two years have shown that it is on the right track.

turbulence in the financial markets (market risks). Thus, as approved by Shareholders in 2015, we should be concluding the exercise to raise additional capital of up to NGN25billion within the first quarter of 2017.

### Our Business Model

The Company has taken significant strides forward in its bid to strengthen our business model - in fact, the last two years have shown that it is on the right track.
Our investments in increasing the capacity of our distribution channels in the retail and corporate spaces are yielding fruit; we have seen tangible results of the investments in our agency in 2016 with the increasing contribution of our traditional life products. To help with penetration, the company is also making efforts to improve customer perception of the brand. To this end, the new Contact Center, AIICONTACT was launched in August 2016 to improve quality of service. The Company has also started a radio program aimed at educating the public about the potential benefits of having insurance.

In addition to this, the company has invested in technology infrastructure and software aimed at improving operations and business decision-making. It has also improved assurance functions and instituted effective Risk management practices at every level to help safeguard and create shareholder value. The Managing Director, Mr. Edwin Igbiti will provide more details about progress made in this aspect in his Report.

### Our People

The Company's focus in 2016 was to entrench the focus on bottom line performance hence the change to a divisional structure rather than a functional one. Where our people are concerned, the Company focused on deepening the knowledge pool, increasing the capacity of our staff and encouraging them to look at the business holistically rather than as a sum of silos.

The company has also taken steps to improve employee welfare and was awarded (HR People Magazine Award for 2016 Work, Life & Harmony) in recognition of its efforts toward improving quality of life for our employees.

Finally, we must recognize Mr. Moruf Apampa (Head, Non-Life Business), who left AIICO to head Equity Assurance. For nine years, he gave everything to this Company and while we are sad to see him go, we are proud to have produced another CEO. It is a testament to the quality of people we have here.

### Corporate Responsibility, Governance and Board Changes

The Board is tasked with setting the tone from the top and ensuring that the structures in place encourage the right incentives for the Management and other members of staff which results in sustainable growth. It is with this in mind that the company has expanded its current Social and Environmental Management System (SEMS) to incorporate core sustainability principles into its operations. It is a measure of how seriously the Management takes its corporate responsibility to all stakeholders. We believe that corporate responsibility is more than just acting ethically - it is marked by operating in a way that improves the lives of all our stakeholders and by extension, the Company.

The Board is also tasked with enforcing good governance across the Group and part of this is leading by example. In 2016, Chief Dr. Oladele Fajemirokun retired as Chairman of the Board after many years as Chairman. Senator Tokunbo Ogunbanjo also retired as a Non-Executive Director following the company's implementation of extant Corporate Governance codes in the Insurance sector. In their place, three new Board members were appointed: I was appointed Chairman of the Board while Messrs. Ademola Adebise and Samaila Dalhat Zubairu were appointed as Non-Executive Directors. Mr. Adebise is the Deputy Managing Director at Wema bank and Mr. Zubairu is the Vice-Chairman at Africapital-Gem Development Partners. They both are exceptional professionals with vast experience in various sectors especially the financial services industry.

I will like to take this opportunity to thank our erstwhile Chairman and Board members for their selfless service to this Company over the years. They leave with our sincere gratitude and we wish them success in their future endeavours.

### 2017 Outlook

Economic conditions in the country are likely to remain challenging in 2017. Even though oil prices have risen, foreign exchange continues to be very scarce and analysts forecast GDP growth of about 1% this year. We expect industry conditions to be quite similar but I am very optimistic about the plans the Company has in place to cope with these challenges. Insurance, especially long term insurance is a long-term business and we look at the business with a long term prism. As the Chairman, my job is to provide guidance and leadership to other members of the Board in setting the tone to Management and communicating Shareholders' expectations of performance. The Management of the Company has emphasized operational efficiency and improved performance management across the Group in 2017 and we believe that this is appropriate given the progress made so far with our transformation plan. We are confident that the Company will achieve its objectives in 2017.

Once again, I thank you for the opportunity to serve you as the Chairman of the Board. I also wish to thank other members of the Board, the Management and every member of staff, without them, AIICO would not be the Company it is today. I look forward to working with them to drive the Company to greater heights.

Thank you very much for your time.

**Mr. Bukola Oluwadiya**
Chairman
FRC/2013/CISN/00000005132

# DIRECTORS' REPORT

The Directors present their annual report on the affairs of AIICO Insurance Plc ("The Company") and the subsidiary companies ("The Group"), together with the Group Audited Financial Statements and the Auditors' Report for the year ended December 31, 2016.

## Legal form and principal activity:

The Company was established in 1963 by the American Life Insurance Company and was incorporated as a limited liability Company on July 14, 1970. It was converted to a Public Liability Company in 1989 and quoted on the Nigerian Stock Exchange (NSE) with effect from December 3, 1990. The Company was registered by the Federal Government of Nigeria to provide Insurance services in Life Insurance Business, Non-Life Insurance Business, Deposit Administration and Financial Services to organizations and private individuals.

The Company is registered by the National Insurance Commission ("NAICOM"). It has three subsidiaries:

### AIICO Multishield Limited

Multishield Limited was incorporated in 1997 as a Health Management Organization. It commenced operations in the same year with prepaid health plans to cater for the health needs of individuals and corporate organizations. The Company became a full subsidiary of AIICO Insurance Plc on July 1, 2012.

### AIICO Pension Managers Limited

AIICO Pension Managers Limited (AIICO Pensions) provides pension administration services to private and public sector contributors. AIICO Pension is owned by consortium of five reputable companies namely: AIICO Insurance PLC, Oasis Insurance PLC, UNIC Insurance PLC, Wema Securities and Finance PLC and Magnartis Finance and Investment Limited.

The Company was incorporated as a Limited Liability Company on February 1, 2005 under the Companies and Allied Matters Act, 2004, and licensed as a Pension Fund Administrator by the National Pension Commission on April 13, 2006.

### AIICO Capital Limited

AIICO Capital Limited was registered and licensed by the Securities & Exchange Commission in 2012, to carry out portfolio/fund management services. AIICO Capital Limited commenced full operations in 2014 through the provision of bespoke wealth solutions for clients, by adopting a research based approach for every investment decision. AIICO Capital Limited offers portfolio management services, structured investments and mutual funds to suit the investment needs of corporate and individual clients.

## Operating results:

The following is a summary of the Group's operating results and transfers to reserves:

### Profit or loss and other comprehensive income

| In thousands of naira | 2016 | 2015 | Change | Change (%) |
|---|---|---|---|---|
| Gross premium written | 27,064,365 | 32,918,820 | (5,854,455) | (18) |
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| Profit before taxation | 11,835,236 | 1,799,294 | 10,035,942 | 558 |
| Profit after taxation | 10,238,411 | 1,195,606 | 9,042,805 | 756 |
| Other comprehensive loss, net of tax | (10,893,465) | (3,156,986) | (7,736,479) | (245) |
| Total comprehensive (loss)/income for the year | (655,054) | (1,961,380) | 1,306,326 | 67 |
| **Basic earnings per share (kobo)** | **147** | **18** | **129** | **717** |
| **Diluted earnings per share (kobo)** | **105** | **14** | **91** | **650** |

## Director's that served during the year and their shareholding

The direct and indirect interest of Directors in the Issued Share Capital of the Company as recorded in the Register of Directors' Shareholding and/or as notified by the Directors for the purposes of section 275 and 276 of the Companies and Allied Matters Act CAP C20 LFN 2004 and the listing requirements of the Nigerian Stock Exchange are disclosed as follows:

# DIRECTORS' REPORT

| Directors | Direct Holding | Indirect Holding | 31 December 2016 Total Holding | 31 December 2015 Total Holding |
|---|---|---|---|---|
| Mr Bukola Oluwadiya* | 272,800 | - | 272,800 | - |
| Mr. S. D. A Sobanjo | 37,284,985 | - | 37,284,985 | 37,284,985 |
| Mr. Edwin Igbiti | 1,380,202 | - | 1,380,202 | 65,844 |
| Mr. Babatunde Fajemirokun | 2,340,695 | - | 2,340,695 | 2,340,695 |
| Mr. Sonnie Ayere | - | - | - | - |
| Mr. Samaila Zubairu** | - | - | - | - |
| Mr. Kundan Sainani** | - | - | - | - |
| Mr. Ademola Adebise* | 21,030 | - | 21,030 | - |
| Chief (Dr.) Oladele Fajemirokun*** | 10,000 | 1,067,196,280 | 1,067,206,280 | 1,067,206,280 |
| Senator Tokunbo Ogunbanjo*** | 2,216,332 | 1,100,000 | 3,316,332 | 3,316,332 |

*Appointed with effect from 17 March 2016
**Independent director
***Resigned with effect from 17 March 2016
***DF Holdings:- Indirect Holdings for Chief (Dr) Oladele Fajemirokun
***The Chris Ogunbanjo Foundation:- Indirect Holdings for Senator Tokunbo Ogunbanjo

### Directors' interest in contracts

None of the Directors has notified the Company for the purpose of Section 277 of the Company and Allied Matters Act, CAP C20 LFN 2004 of any disclosable interest in contracts in which the Company was involved during the year ended December 31, 2016.

### Substantial interest in shares

According to the Register of Members at December 31, 2016, no shareholder held more than 5% of the issued share capital of the Company except as disclosed as follows:

| | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Number of Shares held | % | Number of Shares held | % |
| AIICO Bahamas Limited | 1,020,833,332 | 14.73 | 1,020,833,332 | 14.73 |
| DF Holdings Limited | 1,067,196,280 | 15.40 | 1,059,515,292 | 15.28 |
| | **2,088,029,612** | **30.13** | **2,080,348,624** | **30.01** |

### Shareholding Analysis

The shareholding pattern of AIICO Insurance PLC as at December 31, 2016 is as stated below:

**Holding pattern (range) as at 31 December 2016**

| | | No of Holders | % of Shareholders | No of shares | % of Shareholdings |
|---|---|---|---|---|---|
| 1 | 1,000 | 3,698 | 4.00 | 2,159,108 | 0.03% |
| 1,001 | 10,000 | 43,103 | 46.66 | 214,301,042 | 3.09% |
| 10,001 | 100,000 | 42,141 | 45.61 | 1,059,125,069 | 15.28% |
| 100,001 | 500,000 | 2,756 | 2.98 | 554,938,658 | 8.01% |
| 500,001 | 1,000,000 | 317 | 0.34 | 229,803,224 | 3.32% |
| 1,000,001 | 5,000,000 | 279 | 0.30 | 567,682,844 | 8.19% |
| 5,000,001 | 10,000,000 | 41 | 0.04 | 293,795,121 | 4.24% |
| 10,000,001 | 100,000,000 | 41 | 0.04 | 1,092,233,568 | 15.76% |
| 100,000,001 | 1,000,000,000 | 8 | 0.01 | 1,895,332,514 | 27.35% |
| 1,000,000,001 | 10,000,000,000 | 2 | 0.00 | 1,020,833,332 | 14.73% |
| | | **92,385** | **100** | **6,930,204,480** | **100.00%** |

**Holding pattern (range) as at 31 December 2015**

| | | No of Holders | % of Shareholders | No of shares | % of Shareholdings |
|---|---|---|---|---|---|
| 1 | 1,000 | 3,588 | 3.86 | 2,106,242 | 0.03% |
| 1,001 | 10,000 | 43,288 | 46.56 | 215,057,942 | 3.10% |
| 10,001 | 100,000 | 42,676 | 45.90 | 1,074,450,856 | 15.50% |
| 100,001 | 500,000 | 2,755 | 2.96 | 549,907,483 | 7.93% |
| 500,001 | 1,000,000 | 310 | 0.33 | 225,315,633 | 3.25% |
| 1,000,001 | 5,000,000 | 269 | 0.29 | 532,571,339 | 7.68% |
| 5,000,001 | 10,000,000 | 39 | 0.04 | 278,337,777 | 4.02% |
| 10,000,001 | 100,000,000 | 44 | 0.05 | 1,117,992,888 | 16.13% |
| 100,000,001 | 1,000,000,000 | 8 | 0.01 | 1,913,630,988 | 27.61% |
| 1,000,000,001 | 10,000,000,000 | 2 | 0.00 | 1,020,833,332 | 14.73% |
| | | **92,978** | **100** | **6,930,204,480** | **100.00%** |

# DIRECTORS' REPORT

## Company's Distributors

The Company's products are marketed by insurance brokers and agents throughout the country. The Company also employs the direct marketing method to source for insurance business.

## Post Balance Sheet Events

There has been no material change in the Group's financial position since 31st December, 2016 that would have affected the true and fair view of the Company's state of affairs as at that date.

## Property and Equipment

Investment in property and equipment during the year is limited to the amounts shown in (Note 16) the financial statements. In the opinion of the directors, the market value of property and equipment is not less than the value indicated in the financial statements.

## Acquisition of Own Shares

The Company did not purchase any of its own shares during the year.

## Employment and Employees:

**Employees' Health, Safety and Environment**
The Company strictly observes all health and safety regulations. The Company maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. Financial provision is also made for all employees in respect of transportation, housing, medical expenses and meals.

**Employment of Disabled Persons**
It is the policy of the Company that there is no discrimination in considering applications for employment including those of physically challenged persons. All employees whether physically challenged or not are given equal opportunities to develop their knowledge and to qualify for promotion in furtherance of their careers.

**Employees' Involvement and Training**
The Company is committed to keeping employees fully informed as much as possible regarding the Company's performance and progress. Views of employees are sought, where practicable, on matters which particularly affect them as employees. The Company runs an open door management policy. Management, professional and technical expertise are the Company's major assets and investment in developing such skills is continuous. The Company's expanding skills base is being brought about by a wide range of in-house and external training. Opportunities for career development within the Company have also been broadened. Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these schemes include staff retirement benefit, productivity bonus, promotion and salary review.

## Dividend

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a dividend of 2kobo per share. (2015: 0.05k) from the retained earnings account as at 31 December 2016. This is subject to approval by shareholders at the next Annual General Meeting.Payment of dividends is subject to withholding tax at a rate of 10% in the hand of recipients.

## Donations

Donations during the year ended 31 December, 2016 amounted to ₦2,100,000 (2015: ₦1,150,000) as follows:

| *In thousands of naira* | **Amount** |
|---|---|
| Bowtie Club Kidney Trust | 1,500,000 |
| Uniport Research Management Fund | 500,000 |
| Law Student Society | 100,000 |
| | **2,100,000** |

## Auditors

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY THE ORDER OF THE BOARD OF DIRECTORS

**Mr. Donald Kanu**
**Company Secretary**

FRC/2013/NBA/00000002884
Plot PC 12, Churchgate Street
Victoria Island
Lagos, Nigeria

Date: 14 March 2017

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE REPORT

The Board of AIICO Insurance PLC recognizes that it has the primary responsibility for ensuring good corporate governance. Accordingly the Company, through the Board, maintains corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices. The business of the Company is conducted with integrity which pays due regard to the legitimate interests of stakeholders.

The Board is accountable to the Shareholders and does this through pro-actively evaluating the socio-economic, environmental and ethical matters that may impact on stakeholder's interest. The Board also oversees the performance of Management in order to protect and enhance shareholder value and meet the Company's obligations to its employees and all other stakeholders.

To guarantee the highest level of legal and ethical requirements, internal control measures and processes have been put in place to ensure that Board, Management and staff conduct the affairs of the company in compliance with all legislations, regulations standards and codes that will positively impact on the performance of the Company.

## Roles & Responsibilities of the Board

The Board of Directors provides entrepreneurial leadership for the Company within a framework of prudent and effective controls, sets the Company's strategic direction, objectives, values and standards and ensure that the necessary financial, material and human resources are in place for the Company to meet its objectives and review Management performance and ensure that its obligations to shareholders and other stakeholders are understood and met. The Board Charter sets out the role, responsibilities, structure and processes of the Board of AIICO Insurance PLC. (AIICO)

## Roles and Responsibilities

The Group Board is the main decision making body at the Group level and it:

(a) Works as a team and meets on a regular basis.

(b) Considers and approves strategic direction of AIICO Group and corporate strategic initiatives.

(c) Approves expenditures over certain limits in respect of its principal businesses.

(d) Has overall responsibility for management of the business and the affairs of the Group, the establishment of Group strategy, capital raising and allocation.

(e) Monitors and oversees the Group's operations, ensures competent and prudent management, sound planning and proper procedures for the maintenance of adequate accounting policies and systems of internal control, and for compliance with statutory and regulatory obligations.

(f) Determines and reviews the Group's strategic direction including, as appropriate, the strategies for each of the principal business units.

(g) Determines the Group's key financial objectives including target rates of return on capital and assets.

(h) Considers emerging issues which may be material to the business and affairs of the Group.

(i) Keeps under review and maintains the Group's capital and liquidity positions.

(j) Reviews and approves proposals for the allocation of capital and other resources within the Group.

(k) Approves material acquisitions and disposals of assets and share acquisitions and disposals which are significant in terms of the business of the Group.

(l) Approves material joint ventures, strategic partnerships and alliances which are significant in terms of the business of the Group.

(m) Reviews and approves the Group's annual capital and revenue budgets (and any material changes thereto).

(n) Receives monthly Business and Financial Reports from the principal business units and consolidated reports for the Group and reviews actual performance in the light of the Group's strategy, objectives, corporate and business plans and budgets.

(o) Considers and approves the Group's procedures for reviewing and monitoring risk, and receives regular reports thereon.

(p) Approves the Group's annual targets and financial statements and monitoring financial performance against forecast and prior periods.

(q) Approves the Group's Annual Report and Accounts and its other published financial statements and other material and significant statements issued to shareholders or the Nigerian Stock Exchange.

(r) Determines dividend policy and the amount, nature and timing of dividends to be paid.

(s) Approves arrangements for Annual and Extraordinary General Meetings.

(t) Receives and considers high level reports on matters material to the Group, in particular:

(I) Relations with Regulatory Authorities;

(ii) Human Resources matters;

(iii) Information systems and Technology;

(iv) Insurance cover;

(v) Disaster recovery;

(vi) Litigation and claims;

(vii) Investor and public relations;

(viii) Environmental Policy; and

(ix) Socially Responsible Investment Policy

(u) Establishes and maintains appropriate accounting policies, implement and monitor the maintenance of adequate

# CORPORATE GOVERNANCE REPORT

accounting policies and other records and systems of planning and internal control.

(v) Considers and approves appointments to the Board, the Group Executive Management and approves remuneration arrangements for Executive Directors.

(w) Receives the minutes of and/or reports from the Boards of subsidiary companies and the Committees of the Group Board.

(x) Approves delegated authorities for expenditure and for lending, and for other risk exposures.

(y) Reviews and, as appropriate, agrees changes in the terms of reference of Committees established by the Board.

(z) Approves the appointment of Reporting Accountants.

## Board Composition

The Board of Directors is made up of eight (8) directors comprising the Managing Director, one Executive Director and six non-executive directors. Each of the directors being qualified and outstanding individuals in their various fields of endeavours are knowledgeable on Board and Corporate matters. The Board members are provided with full, timely and adequate information to enable them carry out their duties from a very well informed position.

There are clear separation of responsibilities between the Chairman, CEO, Board and Management thus ensuring non-interference of the Board in Management functions.

## Directors' Independence and Terms of Office

In line with the provisions of the Company's Articles of Association, a third of the directors or a number closest to a third, excluding non-executive directors and those appointed by the Board during the year, retire by rotation at each Annual general Meeting of the Company and being eligible, present themselves for re-election. Directors retiring are those longest in office since their last election or re-election.

Directors also make unfettered judgments and bring in views that are independent of Management and devoid of any business or other relationships that could interfere with their independent judgment.

## Directors' Orientation and Induction

New Directors are expected to give in their best as much as other directors on the Board. To assist them become effective, these new directors are given an orientation regarding the Group's business, Directors duties, code of conduct, policies and procedures applicable to Board and Board committees. A training plan has also been approved by the Board in relevant areas of the Company's core business.

## Directors' Access to Management and Right to seek Independent Professional Advice

Directors receive financial reports of the Company and may invite members of senior management at Board or Committee meetings. Access to senior Management is unhindered and is calculated to ensure adequate clarification and information flow leading up to Management decisions. All the Directors are free to seek independent professional advice in the course of their duties at the Company's expense. Directors also have access to the advice and services of the Company Secretary on rules and regulations applicable to the operations of the Board and in particular corporate governance.

## Security Trading Policy

AIICO Insurance Plc, has in place, in line with Rule 17.15 relating to Disclosure of Dealing in Issuers Shares, a Security Trading Policy which applies to all employees and Directors and same has been circulated to all employees that may possess any insider or material information about the Company. The Policy also has provisions for the enforceability of confidentiality breaches against external advisers. The policy is published on AIICO's website.

# CORPORATE GOVERNANCE REPORT

### Mr. Bukola Oluwadiya (B. Sc., MBA, FCA, FCS) (Chairman)

Mr. Oluwadiya has a well-rounded experience in both the Banking/Financial Services and the Oil & Gas Sectors respectively. His banking career started in Grindlays Merchant Bank of Nigeria Limited where he rose to the position of Assistant General Manager (Corporate Banking) before he was seconded to Sydney, Australia for two years to work for the Australia and New Zealand Banking Group (ANZ) – the parent company of Grindlays Bank Plc, London. On his return in January 1992, Mr. Oluwadiya was General Manager (Strategic Planning) of Grindlays Merchant Bank of Nigeria Limited (now Stanbic IBTC Bank).Presently, he is the Managing Director of Magnartis Finance & Investment Limited and sits on the Board as Chairman of Matrix Petrochem Limited; Worldwide Marine & Inspection Services Limited and AIICO Multishield Limited. He was, at some point, the Chairman of the Investment Strategy Committee of the Board of AIICO Pension Managers Limited.

### Mr. Edwin Friday Igbiti (MBA, FCII) (Managing Director)

Mr. Igbiti is a highly competent, ethical and widely respected business leader who has built a distinguished career in Insurance over the past 20 years. Over these decades, he has provided Insurance expertise and advisory to Government and many large corporations across several industries/sectors in Nigeria.

He is an expert in specialist areas including Underwriting of Property, Casualty, Oil & Gas and Special Risks. His Other competencies include Reinsurance, Claims and Operations Management amongst others.

During his distinguished career, he has won several personal and institutional awards and continues to receive accolades from reputable institutions both within and outside the Industry. He is a member of the Governing Council of the Chartered Insurance Institute of Nigeria (CIIN) and a Fellow of the institute. He is affiliated to many professional bodies including the Nigerian Institute of Management, Chartered (NIMC).

He holds an MBA from the University of Ado-Ekiti (2005), an Advanced Diploma in Management from the University of Lagos (1997), an Insurance Certificate from Chartered Insurance Institute, London and is an Alumnus of Howard University Business School, U.S.A.

### Mr. Babatunde Fajemirokun (BA. Hons. M.Sc., MBA, ACII) (Executive Director)

Mr. Fajemirokun is the Chief Operating Officer (COO) in AIICO Insurance Plc. He is a finance professional with in-depth sector experience in management consulting, insurance & asset management. He brings to the Board over a decade of deep expertise in strategy development and execution, financial risk management, financial management, technology and insurance operations management. He is responsible for AIICO's operations; the group function that plans, coordinates, and controls the resources needed to produce our products and serve our clients. He is equally responsible for helping AIICO and its business units to understand the competitive landscape and the markets they operate while developing sustainable plans for long-term growth and shareholder value creation.

Mr. Fajemirokun's service with the firm dates back to May, 2009 when he joined as Chief Information Officer (CIO). During this period, he executed value-enhancing projects, first by leading the transformation programme to automate and modernise operations and secondly to increase productivity (reduce cost per policy) in the selling of insurance products and services. He has served in several roles and overseen principal and operational functions during this time, giving him a deep understanding of the levers to improve and sustain profitability. Prior to AIICO, he worked in Accenture (Lagos) and then Capgemini Consulting (UK). In both companies, he provided consulting/advisory services to financial services and Government clients predominantly in mergers and acquisitions and then UK government transformation programmes.

He earned an MBA with a concentration in Finance from University of Chicago Booth School of Business, a Business Information Strategy Master's degree with distinction from University of Strathclyde and a Bachelor's degree in Business Economics from Glasgow, UK. He is a Chartered Insurer (ACII, UK), a Senior Member of the Chartered Insurance Institute of Nigeria and a member of the Institute of Directors.

### Mr. Ademola Adebise (B. Sc., MBA, FCA) (Non-Executive Director)

An alumnus of the prestigious Harvard Business School, Lagos Business School and University of Lagos, Ademola Adebise is the Deputy Managing Director at Wema Bank. Prior to joining Wema Bank Plc, he worked at Accenture, the global consulting firm, National Bank of Nigeria and Chartered Bank in various capacities spanning over 26 years.Ademola Adebise is a graduate of Computer Science. He also holds an MBA from Pan African University, Lagos Business School. A thorough-bred, resourceful and self-motivated personality, Ademola is a Fellow of the Institute of Chartered Accountants of Nigeria as well as an Associate of the Chartered Institute of Taxation & Computer Professionals (Registration Council of Nigeria).Ademola also serves on the Boards of AIICO Pension Funds Administrator and the Financial Institution Training Centre (FITC).

### Mr. Sobandele David Ayodele Sobanjo (B.Sc., MBA, FCII) (Non-Executive Director)

Mr. S.D.A Sobanjo was a past MD/CEO of AIICO Insurance PLC. Upon his retirement, he was elevated to the Board as a Non-Executive Director in 2013. He holds a Bachelors Degree in Actuarial Science from the University of Lagos (1977-1981). A Post Graduate Degree in Business Administration, specializing in General Management from his Alumni University ( 1995-1996), University of Lagos and an M.B.A, specializing in Marketing from the Enugu State University of Technology (ESUT) (1997-1999). He holds the ACII (General) London, FCII (Life) London, and the FCII (Nigeria) and is also a member of the Nigerian Institute of Management, Chartered. His career history showcases organisations like Union Bank of Nigeria PLC, SCIB Nigeria and Company, Glanville Einthoven Life and Pensions Insurance Brokers, High-Gate Insurance Brokers Limited, and AIICO Insurance. He left AIICO to join African Alliance Insurance Company Limited before returning to AIICO as Managing Director/CEO. He has varied experience spanning Pension Administration, Life Operations, General Insurance Administration, Product Development, Marketing and information Technology. He has attended several Management and Strategic Management Programmes within and outside Nigeria and has served as resource person for many seminars and conferences across Nigeria. Mr. Sobanjo has been a Director of AIICO Insurance PLC since January 1, 2006.

### Mr. Sonnie Ayere (B.Sc., M.Sc.) (Non-Executive Director)

Mr. Ayere is a motivated and goal oriented financial economist and investment banker with more than 17 continuous years of solid Corporate and Structured Finance, Banking and Asset Management experience working with HSBC, NatWest Bank, Sumitomo Mitsui Bank of Montreal Nesbitt Burns in London and the International Finance Corporation (The World Bank Group) in Washington and South Africa.

He was a Principal adviser on the IFC team that advised the Nigerian Government on the development of the domestic bond market. He was also a key member of the SEC market structure committee. He has been a key speaker in numerous prestigious functions and seminars across Africa on diverse aspects of African and international financial markets.

Mr. Ayere holds an MA (Hons.) in Financial Economics from the University of Dundee, Scotland in June 1993. He is an Alumni of Cass Business School London (MBA) – July 1996 and London Business School (June 1996). He is also FSA registered. He was conferred with an Honorary Doctorate Degree in Science (DSc.) from the European-American University in July 2009.

# CORPORATE GOVERNANCE REPORT

### Mr. Samaila Dalhat Zubairu
### (B.Sc.(Hons), FCA)
### (Non-Executive Director)

Mr. Zubairu is the Vice Chairman of Africapital-Gem Development Partners Limited, a project development firm focused on providing pragmatic infrastructure solutions to the significantly underserved Nigerian market. He is also a Director of West Africa Infrastructure Investment Managers – JV with Old Mutual to raise and manage the Nigerian Infrastructure Investment Fund. Over the last 26 years, Samaila has worked in various capacities-he was Chief Financial Officer at Dangote Cement Plc, as well as CFO for Obajana Cement Plc. At Obajana he was a key member of the team that spearheaded the development of Africa's largest green-field cement project. Prior to that, he was the Treasurer for the Dangote Group during its transformation from a trading company to an industrial conglomerate. Samaila also spent time at Liberty Bank Plc. where he was the Head of Investment Banking and subsequently Group Head of Risk Management. Prior to his post at Liberty Bank, he was the Head of Project Finance at FSB Bank (Fidelity Bank). Samaila is a Fellow of the Institute of Chartered Accountants of Nigeria and the Eisenhower Fellowships International Leader Exchange Philadelphia USA. He also holds a B.Sc Hons. Accounting from Ahmadu Bello University, Zaria.

### Mr. Kundan Sainani
### (B.COMM.,FCA)
### (Non -Executive Director)

Mr. Sainani brings to the Board over 20 years of experience spanning various industries within and outside Nigeria including Viva Methanol Limited and Lekki Deep Sea Port which are part of the Tolaram Group. He was until recently a Director in the Lagos Free Trade Zone. Kundan Sainani holds a Bachelor of Commerce degree from India and is also a Chartered Accountant.

### Board/Committees and Meetings

The Board functions through these committees, whose terms of reference are as hereinafter set forth:

### Establishment and Corporate Governance Committee

This Committee assists the Board to fulfil its Governance responsibilities as well as its responsibilities for the management of human resources to ensure that recruitment and remuneration policies and practices are designed to attract, retain and reward fairly and responsibly with a clear link to corporate and individual performances. Its terms of reference include;

- Receiving reviews and making recommendations to the Board on the terms of reference of the Board;

  The terms of reference of each Board Committee and the terms of reference of engagement of Directors;

- Making recommendations on the Board's composition and effectiveness;

- Advising on the Company's Code of Conduct and its application;

- Assessing the needs of the Board and Board Committees regularly in terms of the frequency of Board and Board Committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings;

- In consultation with the Chairman of the Board, assessing and planning for Board composition and succession, as well as considering the competencies and skills necessary for the Board, as a whole, the competencies and skills that the Board considers each existing Director to possess and the competencies and skills that each new nominee would bring to the Board.

The Committee also reviews and approves the terms of service upon appointment and any subsequent changes, including the total individual remuneration package for senior executives; ensures that individuals are not involved in setting their remuneration; determine contractual notice periods and termination commitments and approve any retention and termination arrangements for senior executives.

### Finance and General Purpose Committee

This Committee's responsibilities include considering and advising the Board on transactions, including the Company's finances, financial policies, financial controls and financial strategies; Giving consideration to, and recommending to, the Board the annual budget for revenue income and expenditure and any associated capital expenditure; reviewing the periodic management accounts of the Company and recommending to the Board, any in-year budget adjustments; reviewing the annual financial statements of the Company and recommending same to the Board for approval; monitoring the financial liquidity and solvency of the Company and ensuring that action is taken to maintain this at an acceptable level. The Committee also monitors the planning, implementation and progress against plan of approved major capital expenditure projects and major procurements within the Committee's approval limits as stated in the Expense Control and Procurement Policies of the Company; Considering the Financial Regulations periodically and approving any amendments that become necessary from time to time; Considering the annual review of the effectiveness of Internal Audit.

### Investment and Enterprise Risk Management Committee

This Committee ensures that sound policies, procedures and practices are in place for the enterprise-wide management of the Company's material risks and reports the results of the Committee's activities to the Company's Audit Committee of the Board of Directors. Management of the Company is responsible for satisfactorily mitigating material business risks. It does this by designing and implementing risk management practices, including providing ongoing guidance and support for the refinement of the overall risk management framework and ensuring best practices are incorporated, ensuring that management understands and accepts its responsibility for identifying, assessing and managing risk, ensuring that risk assessments are performed periodically and completely.

# CORPORATE GOVERNANCE REPORT

## Meetings of Committees

### Establishment & Corporate Governance Committee

| | Position | No of Meeting | Attendance |
|---|---|---|---|
| Mr. Kundan Sainani | Chairman | 4 | 4 |
| Mr. Sonnie Ayere | Member | 4 | 2 |
| Mr. Samaila Zubairu | Member | 4 | 2* |
| Mr. Babatunde Fajemirokun | Member | 4 | 4 |
| Mr. Edwin Igbiti | Member | 4 | 4 |

**These meetings were held on January 19, April 19, July 19, October 18, 2016**
***Limited attendance based on period of appointment**

### Finance & General Purpose Committee

| | Position | No of Meeting | Attendance |
|---|---|---|---|
| Mr. Sonnie Ayere | Chairman | 5 | 5 |
| Mr. Babatunde Fajemirokun | Member | 5 | 5 |
| Mr. S.D.A Sobanjo | Member | 5 | 4 |
| Mr. Edwin Igbiti | Member | 5 | 5 |
| Mr. Samaila Zubairu | Member | 5 | 3* |
| Mr. Ademola Adebise | Member | 5 | 2* |

**These meetings were held on January 19, March 15, April 19, July 22, October 20, 2016**
***Limited attendance based on period of appointment**

### Investment & Enterprise Risk Management Committee

| | Position | No of Meeting | Attendance |
|---|---|---|---|
| Mr. Sonnie Ayere | Chairman | 4 | 4 |
| Mr. Babatunde Fajemirokun | Member | 4 | 4 |
| Mr. Kundan Sainani | Member | 4 | 4 |
| Mr. Edwin Igbiti | Member | 4 | 4 |
| Mr. Ademola Adebise | Member | 4 | 2* |

**These meetings were held on January 19, April 19, July 19, October 20, 2016**
***Limited attendance based on period of appointment**

### Statutory Audit Committee

| | Position | No of meeting | Attendance |
|---|---|---|---|
| Mr. Samaila Zubairu | Independent Director/Chairman | 5 | 2* |
| Sir Edmund U. Njoku | Shareholder/Member | 5 | 5 |
| Mrs. Funke Augustine | Shareholder/Member | 5 | 5 |
| Chief Robert I. Igwe | Shareholder/Member | 5 | 5 |
| Mr. Sonnie Ayere | Member | 5 | 3** |
| Mr. S.D.A. Sobanjo | Member | 5 | 4 |
| Mr. Kundan Sainani | Member | 5 | 5 |

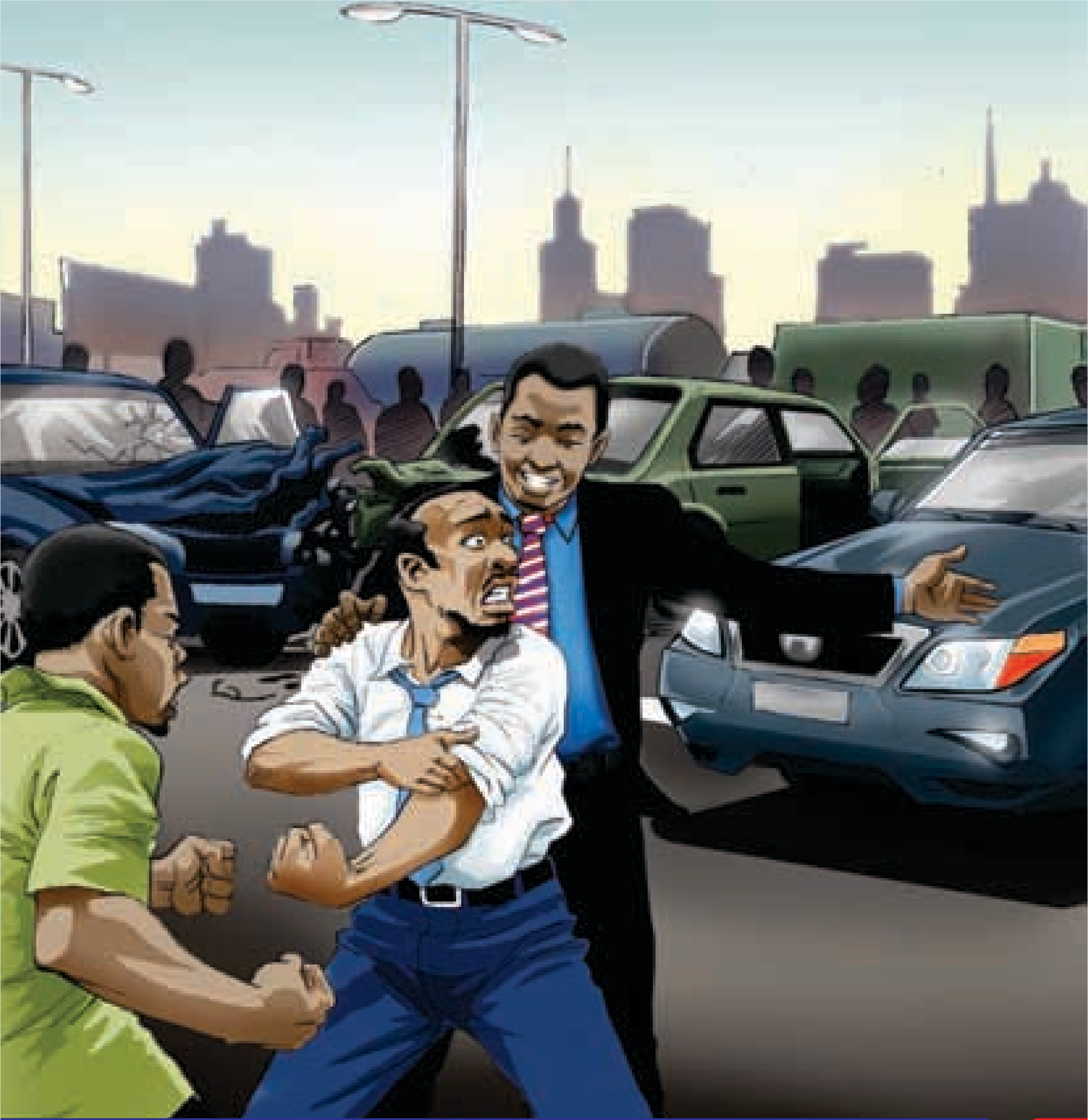
**These meetings were held on January 19, March 15, April 19, July 19, October 18, 2016**
***Limited attendance based on period of appointment**
****Seized to be a member of the committee**

### Nomination Committee

| | Position | No of meeting | Attendance |
|---|---|---|---|
| Mr. Sonnie Ayere | Chairman | 1 | 1 |
| Mr. Kundan Sainani | Member | 1 | 1 |
| Mr. Edwin Igbiti | Member | 1 | 1 |

****This meeting was held on February 28, 2016**

All the committees endeavoured to perform their duties competently during the year under review.



# BOARD OF DIRECTORS


1


2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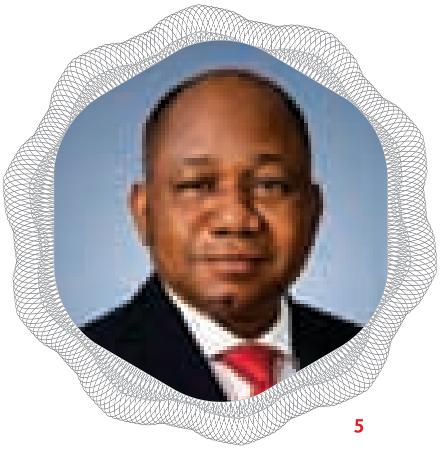
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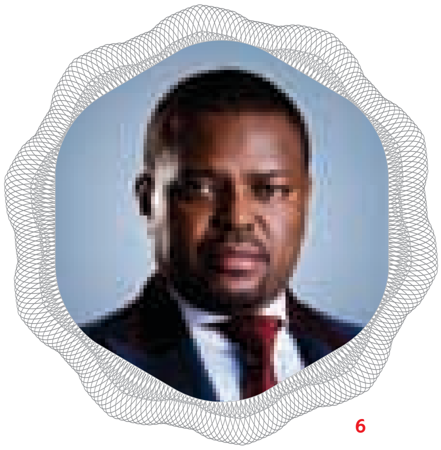
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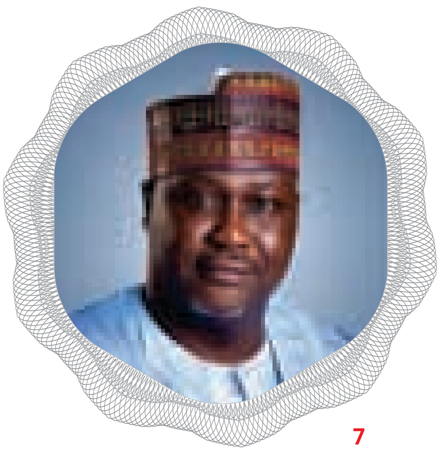
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**1. Bukola Oluwadiya**
(Chairman)

**2. Edwin Igbiti**
(MD/CEO)

**3. Babatunde Fajemirokun**
(Executive Director)

**4. Ademola Adebise**
(Non-Executive Director)

**5. S.D.A. Sobanjo**
(Non-Executive Director)

**6. Sonnie Ayere**
(Non-Executive Director)

**7. Samaila Dalhat Zubairu**
(Non-Executive Director - Independent)

**8. Kundan Sainani**
(Non-Executive Director - Independent)

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria and relevant National Insurance Commission (NAICOM) guidelines and circulars.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

**Signed on behalf of the Directors on 14 March 2017 by:**

**Mr. Edwin Igbiti**
**Group MD/CEO**
**FRC /2013/CIIN/00000005551**
**14 March 2017**

**Mr. Bukola Oluwadiya**
**Chairman**
**FRC/2013/CISN/0000005132**
**14 March 2017**

# CERTIFICATION PURSUANT TO SECTION 60 (2) OF INVESTMENT AND SECURITIES ACT NO. 29 0F 2007

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

We the undersigned, hereby certify the following with regards to our audited financial statements for the year ended December 31, 2016 that:

(I) We have reviewed the report and to the best of our knowledge, the report does not contain:

- Any untrue statement of a material fact, or
- Omission 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 statements and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Group as of, and for the years presented in the report.

(ii) "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 subsidiaries is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
- have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
- have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;

(iii) We have disclosed to the auditors of the Group and audit committee:
- all significant deficiencies in the design or operation of internal controls which would adversely affect the Group's ability to record, process, summarize and report financial data and have identified for the Group'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. Edwin Igbiti**
**Group MD/CEO**
**FRC /2013/CIIN/00000005551**

**Mr. Ayodele Bamidele**
**Group Financial Officer**
**FRC/2013/ICAN/0000004332**

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*Key Audit Matter*

A key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated and separate financial statements of the current year. This matter was 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 this matter.

This key audit matter below applies to both the audit of the consolidated and separate financial statements.

***Valuation of insurance contract liabilities***

The Group has significant insurance contract liabilities, the valuation of which involves high estimation uncertainties and significant judgment over uncertain future outcomes. The components of the insurance contract liabilities and the relevant areas of estimation uncertainty and significant judgment are as follows:

- The estimation of the ultimate settlement value of long term insurance contract liabilities involves economic assumptions such as investment returns, associated discount rates and demographic assumptions such as mortality rate.

- Provisions for reported claims are based on historical experience. However, the eventual liabilites may differ based on actual loss adjustment.

- The estimated liability for claims that have occurred but are yet to be reported in respect of non-life insurance contracts involves economic assumptions such as inflation rate and discount rates whose eventual outcome is uncertain.

The level of complexity involved in the estimation of these amounts, the assumptions and judgement thereon makes insurance contract liabilities a matter of high significance to our audit.

Procedure:

Our audit procedures included the following:

Evaluation of the appropriateness of the actuarial assumptions used by management's external actuary such as assumptions on projected investment returns and for future growth rates by comparing them to Company specific and industry data and market trends.

Assessment of the appropriateness of the mortality assumptions used in the valuation of the liabilities for long term insurance contracts by comparing them to Company and industry data on historical mortality experience and expectations of future mortality.

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KPMG Tower
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Victoria Island
PMB 40014, Falomo
Lagos

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234 (1) 271 8599
Internet www.kpmg.com/ng

# INDEPENDENT AUDITOR'S REPORT

To the Members of AIICO Insurance PLC

## Report on the Audit of the Consolidated and Separate Financial Statements

### *Opinion*

We have audited the consolidated and separate financial statements of AIICO Insurance PLC ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2016, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 53 to 136.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company and its subsidiaries as at 31 December 2016, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Guidelines and Circulars.

### *Basis for Opinion*

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

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Used our actuarial specialist to challenge the appropriateness of the actuarial assumptions and the Group's methodology for calculating the insurance liabilities.

Performed liability adequacy test by assessing the reasonableness of the projected cash flows and assumptions adopted, which included inflation rate, discount rate, chain ladder run-off period and expected loss ratio, taking into account available industry data and specific product features of the Company.

*Refer to page 63 (Group accounting policies), page 69 (critical accounting estimates and judgments), page 93 (insurance contract liabilities) and page 124 (insurance risk)*

***Information Other than the Financial Statements and Audit Report thereon***

The Directors are responsible for the other information. The other information comprises the Directors' report, Statement of Directors' responsibilities, Corporate governance report, Report of the Statutory Audit Committee, Financial highlights, Consolidated results at a glance, MD/CEO's report to shareholders, Chairman's Statement, Certification pursuant to Section 60(2) of Investment & Securities Act and Other national disclosures, but does not include the consolidated and separate financial statements and our audit report thereon, which we obtained prior to the date of this auditors' report and the Profile & Strategy, Board of Directors pictures, Management team profile, Corporate social responsibility, Notice of Annual General Meeting, Internal Control report, Complaints management policy, Enterprise Risk Management report (together "the outstanding reports"), which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in 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 this other information, we are required to report that fact. We have nothing to report in this regard.

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

*Responsibilities of the Directors for the Consolidated and Separate Financial Statements*

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Guidelines and Circulars, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and/or Company's internal control.

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- 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 Group and/or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated (and separate) 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 auditor's report. However, future events or conditions may cause the Group and/or Company 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 consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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## Report on Other Legal and Regulatory Requirements

*Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act Cap C. 20, Laws of the Federation of Nigeria, 2004*

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

*Penalties*

The Company paid penalties in respect of contravention of the requirements of certain sections of the National Insurance Commission of Nigeria's Operational Guidelines 2011 during the financial year. The details of these contraventions and penalties paid are disclosed in note 40 to the financial statements.

Signed

Kabir

Kabir O. Okunola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
20 March 2017
Lagos, Nigeria

# REPORT OF THE STATUTORY AUDIT COMMITTEE

## Report of the Statutory Audit Committee

To the members of **AIICO Insurance PLC**

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

- We have reviewed the scope and planning of the audit for the year ended December 31, 2016 and we confirm that they were adequate;
- The Company's reporting and accounting policies as well as internal control systems conform to legal requirements and agreed ethical practices; and
- We are satisfied with the departmental responses to the External Auditors' findings on management matters for the year ended December 31, 2016.

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

**SIGNED ON BEHALF OF THE COMMITTEE BY:**

**Mr. Samaila Zubairu**
**Chairman of the Statutory Audit Committee**
**FRC/2014/ICAN/00000007663**
**14 March 2017**

**MEMBERS OF THE STATUTORY AUDIT COMMITTEE ARE:**

| | | | |
|---|---|---|---|
| Mr. | Samaila Zubairu | (Independent Directors' Representative) | Chairman |
| Sir | Edmond. U. Njoku Mr. | (Shareholders' Representative) | Vice-Chairman |
| Mrs. | 'Funke Augustine | (Shareholders' Representative) | Member |
| Chief | Robert I. Igwe | (Shareholders' Representative) | Member |
| Mr. | Kundan Sainani | (Independent Directors' Representative) | Member |
| Mr. | S. D. A. Sobanjo | (Directors' Representative) | Member |

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

# INTERNAL CONTROL REPORT

## Introduction

The Board and Management of AIICO Insurance Plc. consider an effective Internal Control management system as fundamental to the successful operation of the business. The scope of internal control in the organization includes all controls incorporated in the strategic, governance and management processes, covering AIICO's entire range of activities and operations, and not just those directly related to financial operations and reporting. It also includes non-financial activities that relate to the achievement of the business objectives.

The Internal Control system in AIICO encompasses the control framework guided by systems, organizational structures, statutory requirements, international best practices, management philosophy, codes of conduct, policies, and standard operating procedures. It is designed to ensure essential business objectives are met. These objectives include but not limited to:

- Ensuring effective and efficient operations;
- Safeguarding AIICO's assets against losses and making adequate provision for liability;
- Ensuring the reliability of financial reporting and compliance with Generally Accepted Accounting Principles;
- Ensuring compliance with applicable laws and regulations, including internal policies;
- Ensuring systematic and orderly recording of transactions; and
- Providing reasonable assurance that undesired events are prevented and/or detected and corrected.

AIICO is committed to creating and maintaining a world-class internal control environment capable of sustaining its current leadership position in the industry. The internal control system is established to strengthen the adequacy and effectiveness of the internal operating environment of the company, thereby increasing its capability to proactively manage the impact of external (and internal) events and uncover possible flaws, gaps and deficiencies in processes and structures as well as provide information for informed decision. The internal control framework guide the internal control functions and roles in accordance with International best practices.

In order to ensure effective and efficient management of the organisation's resources as well as adherence to all extant regulatory laws and guidelines within the operating environment, every employee of AIICO performs an internal control role which may vary depending on their respective functions. Business Unit (BU) Managers play key roles in assuring that high standards of business processes and ethical practices are observed for the achievement of AIICO's corporate objectives.

## Internal Control Framework

Primarily, the internal control department ensures compliance with all extant laws and regulatory guidelines, implementation of the company's policies, standard operating procedures, prevention and correction of all systematic errors and omissions in the operations. It ensures far-reaching improvement and development through added value in process advancements regarding the achievement of the organisation's corporate objectives. Internal control as a process is developed and implemented to provide reasonable assurance regarding the achievement of objectives in the following areas:

- Operational objective - effectiveness and efficiency of operations;
- Information objective - reliability of reporting;
- Compliance objective - Compliance with all extant Laws, regulatory guidelines, and internal policies and procedures

For the achievement of the above stated objectives, the organization's internal control put emphasis on:

- A process consisting of on-going tasks and activities i.e. a continuing process rather than a periodic review. It is not merely about policy manuals, systems, and forms;
- Ability to provide reasonable assurance rather than absolute assurance;
- Achievement of the organization's objectives and operational improvement;
- Adaptability to the entity structure.

Reviewing the effectiveness of internal control is an essential responsibility of the Board, while its Management is accountable to the Board for designing, implementing, monitoring and reviewing the system of internal control.

## Pre-Requisites for Effective Internal Control System

The Internal Control framework is designed to engender the support and commitment of all stakeholders of AIICO Insurance Plc. to a controlled environment, thus creating an enabling platform that would ensure the growth and stability of the organization.

In order for AIICO's Management and other personnel to effectively achieve the organization's objectives, the following pre-requisites of the internal control system were set and continuously improved upon:

- Control Environment - sets the tone of the organization, which influences the control consciousness of its people. It is a platform that provides discipline and structure upon which all other components of internal control are built and driven. Control environment factors include the integrity, ethical values, and competence of the entity's people; management's philosophy and operating model. Authority and responsibility are assigned with due consideration for risk mitigation. The Board provides adequate attention, direction and corporate strategy for the organisation's growth.

- Risk Assessment - Every entity faces a variety of risks from external and internal sources that must be assessed and adequately mitigated. A prerequisite to risk assessment is the Board and Managements mandate - its commitment and understanding - of the organisation and its context. Risk assessment is the identification, analysis, evaluation, and treatment of prioritised risks that could impact the achievement of company's objectives and continuous monitoring and assessment of control measures in place. It forms a basis for determining how risks should be managed within the revolving and dynamic economic, industry, regulatory, and operating environment.

- The Board and Senior Management regularly assess the risks that AIICO is exposed to, including risks relating to financial reporting. This is completed through the Enterprise Risk Management department

# INTERNAL CONTROL REPORT

on a regular basis which includes assessing operational risk, underwriting risk, reserving and solvency risk, business and strategic risk, market and liquidity, credit risk, compliance risk, legal risk and reputational risks that could impact the achievement AIICO's objectives. Senior Management regularly considers whether the existing internal controls are effective in relation to the risks identified in the financial reporting process. Internal control and risk management are fundamental functions that enhance best practices and continuous improvement of organisation's operations.

- Controls Activity - a diverse range of policies and procedures which help to ensure management's directives are appropriately executed while managing risks to achieving company objectives. Control activities occurred throughout the organization, at all levels and in all functions. AIICO's control activities include the establishment of standard operating procedures for all functions within the company to guide the company operations such as bank and general reconciliation review, budgetary and reporting system review with the objective of identity variance, pre-disbursement review etc.

- Information and Communication - the organisation established effective processes and systems that identify, capture and report operational, financial and compliance-related information in a form and within a timeframe that aids staff in executing their responsibilities. All personnel received a clear message from top management and control responsibilities are taken seriously. Business units understood their roles in the internal control process, as well as how individual and business unit activities interrelated.

- Monitoring Activities - a process that assesses the adequacy and quality of the internal control system's performance over time. This is accomplished through on-going monitoring activities, separate evaluations, or a combination of the two. On-going monitoring occurs in the course of operations while separate evaluations depend on risk assessment and effectiveness of on-going monitoring within the organisation. Identified deficiencies in internal controls are reported to the appropriate level, either to the Executive Management or Board.

- Therefore, the Board acknowledged its responsibility for instituting internal control systems that provide reasonable assurance on safeguarding of assets and prevention of their unauthorized use or disposal, as well as maintenance of proper accounting records that give reasonable assurance on the reliability of financial information produced. There is periodic review of the organizations policies and standard operating procedures for continuous improvement.

## 2016 Internal Control Improvements

The Internal Control function undertook transactional monitoring. It maintained a close working relationship with all Business Units (BU) and reported on control lapses related to transactions appropriately. Also, close monitoring of implementation of proffered control measures were appropriately followed-up to provide assurance. Internal Control also protected business growth and sustainability by ensuring compliance to regulations or statutory requirements and reduction of waste and leakage.

Some internal control improvement measures achieved during the year are:

- ERM and Internal Control awareness training: The Company witnessed the first edition of its ERM and Internal Control Awareness & Training Week. It inculcated the organising philosophy and policy relating to control activities and emphasized the control roles we all (process owners) have as a first line of defence.

- Compliance assurance: Establishment of a compliance unit within the Internal Control function with prerequisite experience and to ensure adherence to statutory requirements from regulatory bodies such as NAICOM, Security and Exchange Commission, and other statutory laws like the Insurance Act among others.

- Monitoring and review Activities: Strengthened monitoring and reviewing activities of the company's transactions in line with company policy and procedures and ensured adherence to statutory requirements and international best practices. In this regard, reduced the exposure of the company to compliance risk and income leakages.

- Report Rendition: Preparation and presentation of monthly activities and exceptional reports to Senior Management on control failures, key exceptions and the actions taken or recommendation to address such failures. This is being tracked on a monthly basis to appraise how well recommendations are implemented.

# ENTERPRISE RISK MANAGEMENT REPORT

## Introduction

The Enterprise Risk Management (ERM) is best practice many organizations implement to reinforce their corporate governance; rating agencies also give due attention to the effective implementation of ERM in organisations. The organization, in the implementation of Enterprise Risk Management, adopted ISO 31000:2009 standard with emphasis on the relationship between the risk management principles, framework and processes. The organisation's risk management is structured to create and maintain values for stakeholders by ensuring it becomes an integral part of the company's processes and procedures. It addresses uncertainties considered in every decision-making process and is periodically reviewed for continuous improvement of the company's processes.

AIICO's ERM framework provides the foundations and arrangements that establish effective risk management throughout the organization at all levels. Information on risk derived from the risk management process is reported appropriately and used for decision making.

The Board is responsible for and committed to ensuring appropriate and effective risk management and control system is established across the organisation. It periodically reviews the system for continuous improvement.
The Board of Directors and Management, in carrying out its oversight ERM functions, have achieved the following:

- Reviewed the activities and effectiveness of the organisation's risk management and control system;
- Maintained the ISO 22301: 2012 (Business Continuity Management System) Certification following a continuous assessment visit by British Standard Institute to the organisation;
- Assessed the Asset and Liability Management and other Committee reports to guarantee adequacy and effectiveness of the risk management and control system;
- Set the Risk Appetite, and ensured compliance with the approved risk appetite and tolerance limits;
- Reviewed and approved the Operational Risk Management Manual and related documents for adequacy and continuous improvement;
- Approved the conduct of ERM training and awareness across all levels to enhance the organisation's risk management and control culture;

Monthly and Quarterly meetings were held by the Management and Board respectively to assess the adequacy and effectiveness of risk management processes as well as review of ERM core activities.

The ERM framework provides detailed responsibilities of the Board, its Committees and Management for managing the risks of the organisation.

Below are the responsibilities of the Board in the management of risk:

## Role of the Board of Directors

### General Risk Management and Control

- Approve and periodically review risk strategy and policies;
- Approve AIICO's risk appetite and monitor AIICO's risk profile against this appetite;
- Ensure Senior Management takes steps necessary to monitor and control risks;
- Ensure Senior Management maintains an appropriate system of internal control and reviews its effectiveness;
- Ensure the AIICO risk strategy reflects its tolerance for risk;
- Review and approve changes/amendments to the risk management framework;
- Review and approve risk management procedures and controls for new products and activities; and
- Receive risk reports periodically from Senior Management highlighting key risk areas, control failures and remedial action steps taken by Senior Management.

### Other Responsibilities of the Board in Relation to Enterprise Risk Management

- Define AIICO's overall risk appetite in relation to operational risk, business and strategic risk, underwriting risk, reserving and solvency risk, market and liquidity risk, credit risk, reputational risk, compliance risk, and legal risk.
- Approve AIICO's Risk Management Framework for:
  - Operational Risk
  - Underwriting Risk
  - Reserving and solvency Risk
  - Business and Strategic Risk
  - Market and Liquidity Risk
  - Credit Risk
  - Reputational Risk
  - Compliance Risk
  - Legal Risk
- Approve AIICO's overall strategic direction and risk tolerance in relation to operational risk, underwriting risk, reserving and solvency risk, business and strategic risk, market and liquidity risk, credit risk, reputational risk, compliance risk, and legal risk based on the recommendation of the Board Investment and Enterprise Risk Management Committee.
- Ensure that AIICO's overall risk exposure is maintained at prudent levels and consistent with the capital held.
- Ensure that detailed policies and procedures for various functions risk exposure (development, management and recovery) are in place.
- Ensure that Senior Management as well as individuals responsible for operational, underwriting, reserving and solvency, business and strategic, market and liquidity, credit, reputational, compliance, and legal risk management possess sound expertise and knowledge to accomplish the risk management functions.
- Ensure that AIICO's ERM Framework is subject to effective and comprehensive internal audit by independent, appropriately trained and competent personnel and/ or body.
- Ensure that the company's Senior Management has the required authority and ability to manage risks.
- Ensure that the company implements a sound methodology that facilitates the identification, measurement, monitoring and control of operational risk, underwriting risk, reserving and solvency risk, business and strategic risk, market and liquidity risks, credit risk, reputational risk, compliance risk and legal risk.
- Set appropriate guide lines to Management, including an explicit statement of a zero tolerance policy for all unethical behaviour, and breach of internal policies and procedures.

# ENTERPRISE RISK MANAGEMENT REPORT

- Ensure the company complies with all statutory responsibilities and regulatory guidelines.
- Review all exception reports by external parties such as regulators and auditors; ensure that appropriate sanctions are applied to offending officers; demand from Senior Management appropriate explanations for all exceptional items; ensure that Senior Management puts in place effective and remedial actions and reports on progress to the Board on an on-going basis.
- Ensure at all times that only fit and proper persons are appointed to Senior Management positions in the Company.
- Define clear guidelines with AIICO's code of conduct which all employees are expected to comply with.

### Role of Board Committees

The above responsibilities of the Board of Directors are discharged primarily through three committees of the Board, namely:

1. Board Investment and Enterprise Risk Management Committee
2. Board Audit Committee and
3. Establishment and Corporate Governance Committee

Without prejudice to the roles of these committees, the Board retains ultimate responsibility for the management of risks and control of the organisation. The committees meet at least once per quarter and present their reports to the Board.

## Risk Management Governance Framework

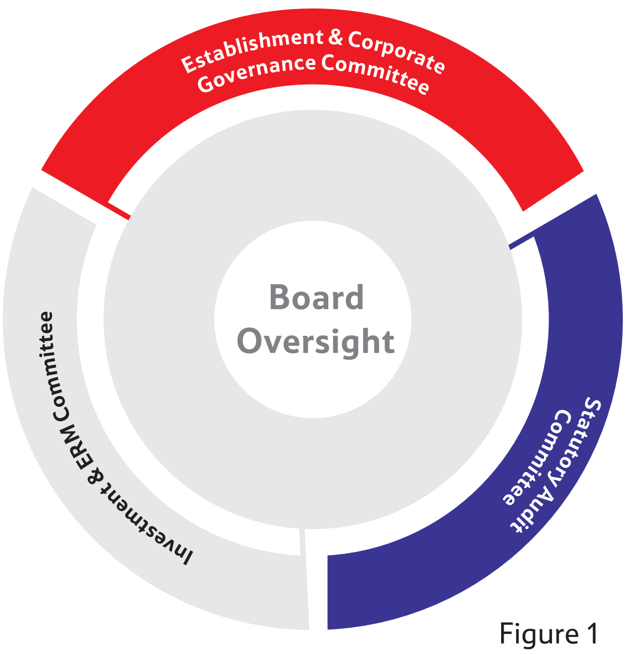



Figure 1

Figure 1, which is part of the ERM framework, shows the Risk Management Governance Framework in AIICO Insurance PLC.

### The Three Lines of Defence

The three lines of defence is embedded in the company's enterprise risk management structure. The company's risk management structure includes management's approach to risks inherent in the business and its appetite for these risk exposures. The company operates and sustains the 'three lines of defence model' to establish a risk management capability and promote risk culture across the group. Under this approach, AIICO on a continuous basis assesses and monitors its risk profile against the set standard that emphasises strict adherence to controls and best practices. The model provides the business with effective approach to clarifying key roles and functions and helps to ensure the effectiveness of the company's risk management initiatives.

**The first line of defence** is implemented by the unit or business function that performs daily operational activities, especially those that are at the company's front lines. They own and manage the businesses inherent risk exposures in accordance with approved risk appetites, mandates and limits by the Board and ensure full compliance with the framework, policies, and approval requirements among others.

# ENTERPRISE RISK MANAGEMENT REPORT

The company's line managers are responsible for ensuring a conducive risk and control environment as part of their day-to-day functions and operations. They implement risk management policies and create an awareness of risk factors that could lead to the company's corporate growth and are considerable for tactical decisions and actions. Employees in the first line of defence identify risk, implement controls and provide business initiative that are value adding and improves the risk management process.

**The second line of defence** is executed by risk management, control and compliance functions. This role provides oversights and reports to Executive Management over business processes and risks as well as ensures that business functions are implemented in accordance with established risk management framework, policies and standard operating procedures. They guide and provide direction for implementing and monitoring the company's overall risk management strategy.

The second line of defence reviews and assesses the risk-taking activities of the first line of defence and the actions being taken to manage and control risks, and report to the executive Management and Board appropriately

**The third line of defence** comprises the Internal Audit and other independent assurance providers that provide independent and objective assurance over risk management processes, controls and objectives, as established by the company. More importantly, this role evaluates the manner in which both the first and the second line of defence achieve their risk management, governance and control objectives and report to the Board accordingly.

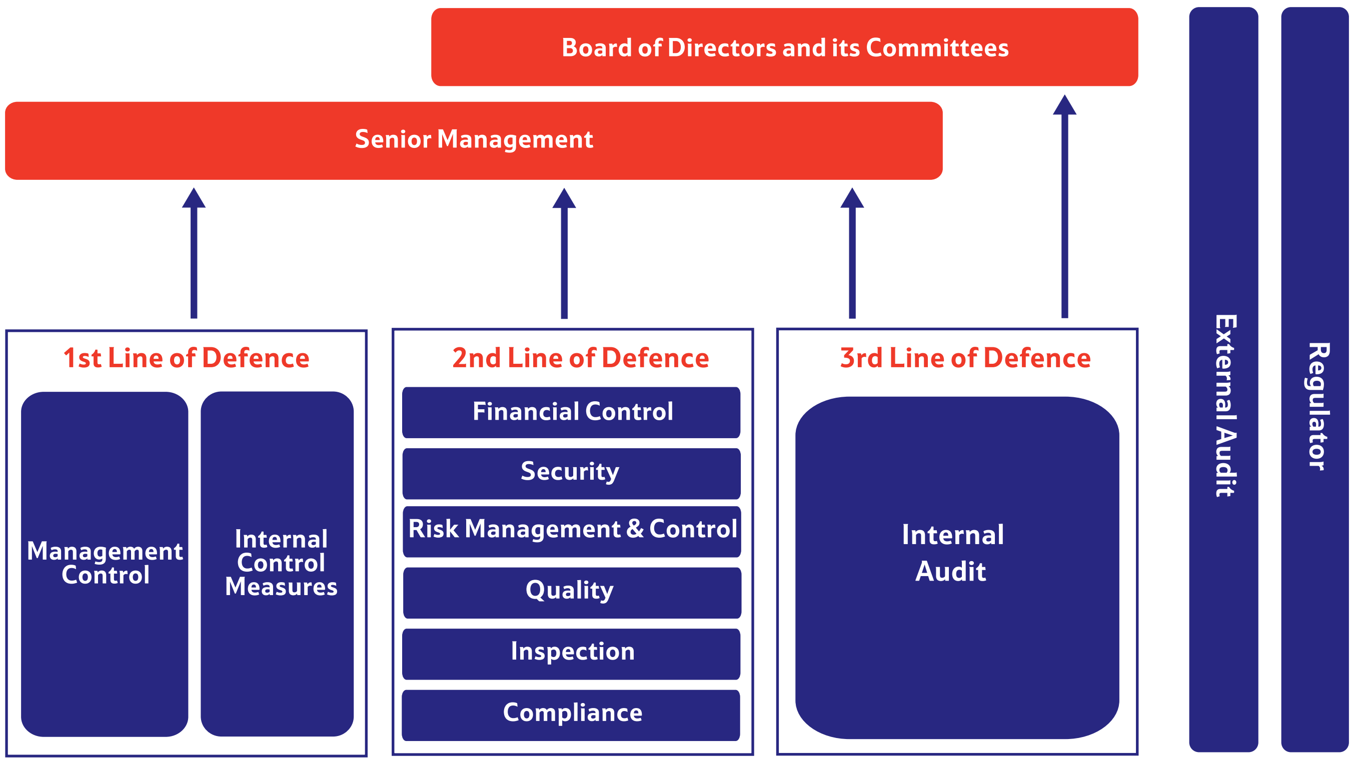



Figure 2: AIICO's Lines of defence

To demonstrate commitment to a robust ERM and control system, the Investment and ERM

Board Committee met quarterly and the ERM Management Committee met monthly in 2016. ERM reports and related issues and controls were the focus of meetings.

### Risk Culture

Our risk culture is a continuous process that is rooted and reflected in our corporate values; the unique leadership styles; the language and symbols and the procedures and routines. It is the definition of sustainable growth and success as a leader in the insurance industry.

The organisation recognised the importance of risks to achieve its corporate objectives and established a risk culture throughout the organisation as a fundamental tool for effective risk management.

The risk culture significantly affects our capability to take competitive and effective strategic risk decisions and delivery of promises to our stakeholders.

The Board sets the tone by the establishment of risk appetite, ERM framework, functional ERM and Control department and holding of quarterly meetings to review the risk management activities and control.

# ENTERPRISE RISK MANAGEMENT REPORT

There is a formal process to consider risks during decision-making with a consistent and repeatable approach that allows for understanding of the impacts of risks and permits Management to feel comfortable with decisions made. Periodic risk assessments are conducted by the Management; risk owners are identified and reports communicated and continuously monitored by the second line of defence to provide assurance. In addition to internal audit periodic inspections, periodic independent audit exercises were conducted by the British Standard Institution (BSI) and KPMG in areas of Business Continuity Management System (BCMS) and Vulnerability Assessment and Penetration Test (VAPT) respectively. AIICO's risk culture is extended to third party suppliers and partners to help ensure third parties are managing risks within guidelines or meeting their own risk standards.

Risk Management and Control week is conducted yearly to sensitise staff across the strategic business units and divisions of the need and importance of prompt identification and effective management of both internal and external risks in the operating environment. The one-week programme is to ensure common understanding, awareness and effective management of risk across the organisation. The board, management and staff are committed to continuous improvement on the organisations' risk culture.

AIICO Insurance PLC ensures a visible and substantive change in the risk culture of the organisation to guarantee its stakeholders that its business can be trusted. The organisation will continue to experience across-the-board changes in its culture and refocus its attitude, and behaviour in meeting the needs of customers to sustain trust in the organisation.

# COMPLAINTS MANAGEMENT POLICY

## 1.0 Objective

The objectives of the Complaints Management Policy are to:

- Lay down the guidelines, procedures, best practices and minimum criteria for handling and redress of complaints received by AIICO from various sources in an effective, efficient, fair and impartial manner;
- Provide guidance to the individuals who are responsible for handling and resolving complaints within AIICO;
- Incorporate the knowledge gained through resolution of the customer complaints in the form of reengineering of the process;
- Adhere to SEC Rules Relating to the Complaints Management Framework of the Nigerian Capital Market, which requires every listed company to establish a clearly defined Complaints Management Policy, endorsed by Senior Management, to handle and resolve complaints.

AIICO shall deal properly with any reasonable complaint provided that it relates to a service or product provided.

## 2.0 Definition

Complaints are one of the most direct and effective waysfor the customer to relay to the businesses that there is a room for improvement and hence the Complain Management policy is framed to redress the grievances of customers. For the purposes of this guideline, a complaint shall refer to a matter for which redress is being sought in relation to a product sold or offered for sale or a service offered or failed to be offered as per agreed terms. Any communication that expresses dissatisfaction about an action or lack of action, in the course of business, about the standard or deficiency of service of our company and/or any of our agents shall be deemed to be a complaint.

According to the SEC Complaint Management Framework of the Nigerian Capital Market, the under listed complaints shall NOT be handled under the above context:

- Complaints against private wound up and liquidated companies
- Complaints on matters that are subjudice or in arbitration
- Complaints falling outside the purview of the Securities and Exchange Commission

## 3.0 Types of Complaints

Complaints shall be classified into the following categories:

- Fraud and Suppression
- Misrepresentation
- Forgery
- Claims and Benefits Issues
- Others as may be defined by the Complaints Management Committee

## 4.0 Commitment and Resources

All levels of management shall be committed to the laid down procedures; particularly, the Senior Management shall act through the Complaint Management Committee to ensure that these procedures are integrated into the culture of the organization and monitored for compliance purposes.

The Complaint Management Committee, saddled with the responsibility of executing the terms of this policy, shall sit on ad-hoc basis, with membership comprising of representatives of the following offices:

| | | |
|---|---|---|
| • Head of Ent. Risk Management | Chairman | |
| • Customer Service Officer | Secretary | |
| • Head Internal Audit | Compulsory | Member |
| • Head Legal | Compulsory | Member |
| • Head Customer Service | Compulsory | Member |
| • Head Agency Administration | Compulsory | Member |
| • Head Life Technical Division | Compulsory | Member |
| • Head Non-Life Technical Division | Compulsory | Member |
| • Head Finance | Compulsory | Member |

The management shall also ensure that:

- All members of staff are educated about and familiar with the internal procedures
- Adequate financial resources are allocated to complaints management and sufficient levels of authority are delegated to handle the process
- Adequate systems are put in place and reporting procedures implemented to ensure timely, effective and consistent complaints handling and monitoring
- Reasonable steps are taken to ensure that customers know about the existence of the complaints handling mechanism and how to lodge complaints

## 5.0 Where to Lodge Complaints

Complaints may be lodged at/with any of the following touch points:

- By email to *complaints@aiicoplc.com*
- By surface mail to the head office
- By surface mail to the any of the branch offices
- Call 07000AIICARE or 012792947-8
- Visit *www.aiicoplc.com* and follow the customer service link

## 6.0 Resolution Procedure

These steps are to be followed in redressing grievances:

**Step 1**: Registration of complaints received through any of our touch points - whether in writing, in person or by way of telephone call.

**Step 2**: Responsibilities of the Complaints Management Committee - the committee shall be responsible for the following:

- Acknowledging complainant's letter within forty-eight (48) working hours of receipt
- Sending a closure and resolution letter alongside acknowledgment, where the matter is resolved within three (3) days
- Scrutinizing the complaint communication on its receipt and understanding customers' grievances
- Identifying the complaint and classifying it to the correct complaint type or subtype for effective analysis
- Investigating the complaint with the relevant team(s) and available information and providing resolution to the customer

# COMPLAINTS MANAGEMENT POLICY

- Sending request(s) to complainant for alternate contact details, where the complainant could not be reached and information that would aid investigation still pending or required
- Ensuring records of all complaints received are maintained and case facts documented in the complaints register, whether satisfactorily resolved or otherwise
- Closing each complaint after resolutions. A complaint shall normally be settled within 30 working days from the date of the filing
- Informing the customer in writing of the resolution and closure, where he/she is satisfied, by sending AIICO's final response to the complainant within the prescribed time limit

**Step 3**: In cases where the customer is not satisfied, he/she may be advised to further pursue redress with the Office of the Commissioner, National Insurance Commission, Plot 1239, Ladoke Akintola Boulevard, Garki II, Abuja.

## 7.0 Communication Contents

All complaint letters must be acknowledged within 48 (forty-eight) hours of receipt and shall contain the following information:

- Details of how complainant could keep abreast of the complaint status
- Name, designation and direct contact of the officer assigned for follow up purposes
- Complaints management and resolution procedures
  Anticipated closure timeline

The final response, where possible, shall indicate:

- The reasons or circumstances which have been considered for the settlement or non-settlement, as the case may be
- A proposal, as appropriate, any offer or other means of settlement made to the complainant

## 8.0 Conditions for Resolution and Closure

The complaint shall be considered as closed & disposed-of when any of the parameters is met:

- AIICO has acceded to the request of the complainant fully
- Where the complainant has indicated acceptance of AIICO's response
- Where the complainant has not responded to AIICO within four (4) weeks of receiving the letter of resolution and closure
- Where the Company Secretary/Legal Adviser/Chief Compliance Officer certifies that AIICO has discharged its contractual, statutory and regulatory obligations
- Where the customer approaches with a fresh complaint after a letter of resolution and closure has been sent

## 9.0 Complaints Record Keeping and Reporting

A written report shall be rendered at the monthly Executive management meeting following committee sittings.

All relevant business units shall open, update and maintain e-registers for every complaint handled.
The register shall basically contain the following prescribed components:

- Name of the complainant
- Date of the complaint
- Nature of complaint
- Complaints details in brief
- Remarks/comments

AIICO shall compile and render electronic copies of this report to the Nigerian Stock Exchange (NSE) on a quarterly basis at *lr@nse.com.ng*.

## 10.0 Approval:

**Company Secretary**

**GMD/CEO**

## MD/CEO's STATEMENT

# MD/CEO's REPORT TO SHAREHOLDERS

## DISTINGUISHED SHAREHOLDERS,
Fellow Members of the Board,
Ladies and Gentlemen,

**At AIICO, we are always looking out for opportunities; we however believe that these opportunities must align with our existing core competencies and values. We believe that a focused strategy is what distinguishes good companies from great ones. Despite challenging economic conditions in 2016, we managed to achieve our set objectives and recorded impressive financial performance across the Group. It is my great pleasure to report on our Company's performance in 2016 and progress made in the execution of our strategy across the Group.**

### Group Performance

Across the Group, premiums declined 18% from N32.9 billion to N27.1 billion. This was mainly due to a reduction in premiums in our life business as a result of the Board approved risk appetite.

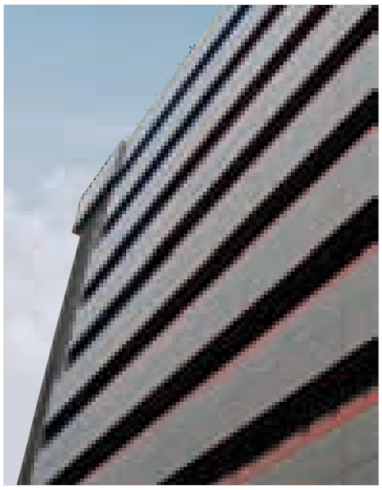
Premiums in our **life business** declined 22% to N18.8 billion in 2016 from N24.2 billion in 2015. This was as a result of a deliberate decision to focus on our traditional life products and limit our exposure to interest rate risks in our longer term products. Despite this, after-tax profits increased by over 1145% to N9.9 billion from N795 million in 2015. This was due largely to improved underwriting performance compared to 2015 – in 2015, lower interest rates caused liability valuations to increase significantly and this was reflected as an increase in life funds on the income statement. As yields increased in 2016, there was a release in reserves from our long term liabilities. This is recognized as a reduction in life funds on the income statement and contributes positively to underwriting performance. As a result, underwriting profits in the life business increased 198% from a loss of N8.9 billion in 2015 to a profit of N8.7 billion in 2016.

Premiums in our **non-life business** also declined in 2016, from N8.2 billion in 2015 to N7.6 billion in 2016. This 7% reduction in premiums was primarily due to reduced participation in insurance as a result of deteriorating economic conditions in 2016. Despite this, underwriting profitability increased by 20% in 2016, from N2billion to N2.4billion indicating a more robust approach to value creation. Our focus on underwriting profitability has unearthed insights into our business that we harnessed to improve performance in 2016. After tax profits declined to close at a loss of N249 million from a profit of N171 million in 2015 due largely to increased income tax expense and a decline in other operating income of over N550 million.

Premiums in our **health management subsidiary, AIICO Multishield Ltd,** increased 35% year-on-year in 2016, from N469 million to N635 million. The company recorded an after-tax loss in 2016; this overshadows the improvement in efficiency by the company in 2016 as overheads declined 21% from N641 million to N506 million. The company's after-tax loss position therefore improved from N146 million in 2015 to N32 million in 2016. Despite concerns about healthcare infrastructure and delivery in the country, Multishield continues to offer tailored solutions to its clients while ensuring an acceptable standard of care. The company believes that as the standard of healthcare delivery improves in the country, the demand for healthcare will increase demand for health insurance. With the middle class growing, that time is sooner than we think.

**AIICO Pensions, our pensions business** continues to grow as well. Total Funds under management increased 21% in 2016, from N64.2 billion to N78.1 billion and is the 13th largest PFA, ranked by Funds under management – with a market share of 1.4% of the pension fund industry in Nigeria. The Company currently has a physical presence in 25 states in Nigeria.

Revenues have also increased – total revenues in 2016 were N994 million, up 15.8% from 2015's N858 million while profits were up over 882% from 17.5 million in 2015 to N172 million in 2016. The private sector continues to drive our new business with over 90% of new customers.



## MD/CEO's REPORT TO SHAREHOLDERS

This is especially crucial as the cash crunch in government continues. We believe that opportunities remain in the pensions industry especially with the large informal sector in the country.

**AIICO Capital, our asset management** business, also continues to achieve significant growth year-on-year. Over the last three years, AIICO Capital's assets under management has grown from N26 billion in December 2013 to N60 billion as at 31 December 2016, and has delivered returns to clients significantly in excess of portfolio benchmarks over the period.

Gross revenues increased by 37% to NGN785m in 2016, from NGN574m in 2015. Post-tax profits grew 28% to N460m in 2016 from NGN358m in 2015 representing a return on equity of 43%. It is a fast growing Company within the Group with expected pre-tax earnings of NGN1.7bn in 2021. We plan to continue our business aggressively in 2017 – this includes focusing on delivering strong risk-adjusted investment performance for our existing clients while expanding our offerings to new and existing customers by offering tailored services to meet their needs.

### Risk Management and Strategy

Risk management is playing an increasingly important role in how we choose to achieve our set objectives. While we recognize that we are compensated for assuming risks, we must however carefully select those risks we choose to assume and the level of risk commensurate with our risk appetite as a company. Life insurance is especially complex – a Company with our product mix is exposed to various risks with market-related risks having the most significant impact on value creation. We have therefore made asset-liability matching a priority across our life business. The degree to which an insurance company can assume risks is also limited by the amount of capital on its books. This has implications for how we choose to play in the market especially where pricing decisions are concerned. In 2016, we especially chose to limit participation in certain segments of the market because of this focus on risk management.

In the non-life segment, we are exposed to general insurance risks – the risk arising from loss events (fire, flooding, windstorms, accidents etc.). Studies show that in high inflation periods, underwriting profitability suffers. This is intuitive – as prices increase, disposable income reduces and the likelihood of under-insurance increases. In Nigeria, the competition between companies makes this increasingly likely. We recognize this and have taken steps to improve profitability in the business right at the underwriting stage as well as overheads.

We believe that strategy is about focus and commitment to a set of actions; we believe that what you will not do says as much about your strategy as what you do. Our investments in our agency force and our partnerships signal our commitment to our channel partners and our willingness to be with them long term. However, we will not rest on our laurels – we will continue to invest in building relationships with our agents, brokers and various channel partners across the country to sustainably create value for all our stakeholders at every level.

Our clients remain our most important stakeholder. In addition to tailoring innovative products that meet their most pressing needs, we have invested in making customer engagement a more seamless process at AIICO. Our brand new contact center, AIICONTACT, makes customer service more seamless and improves the customer experience as a result. Our radio program, AIICO Live on Traffic Radio, has also brought insurance closer to Nigerians. It is a platform to educate people about insurance and perhaps more importantly, receive real-time feedback about the quality of service we offer to our existing clients.

Where our operations are concerned, we have invested in business intelligence solutions that aid decision-making at a granular level. We have also invested in IT infrastructure designed to improve operational efficiency while improving assurance functions and embedding risk management in day to day operations. We believe that we are poised to grow significantly in the next few years.

### 2017 Outlook

We are not unaware about the difficulties currently facing our economy today. We currently face very challenging times in the Nigeria as inflation continues to rise and unemployment persists. In addition, our import dependent economy continues to suffer from a shortage of foreign exchange. Costs of living and doing business continue to rise posing a threat to businesses and households across the country thereby reducing disposable income.

> "Gross revenues increased by 37% to NGN785m in 2016, from NGN574m in 2015. Post-tax profits grew 28% to N460m in 2016 from NGN358m in 2015 representing a return on equity of 43%."

The insurance industry, whose performance closely correlates with the economy, may be affected. Increasing costs of doing business may mean that competition intensifies in the market driving rates down. As I have said earlier, AIICO will stick to its strategy and this will determine how we choose to play in the market. We will continue to engage with our partners to ensure that we find mutually beneficial ways to work with one another. Internally, we will focus on improving efficiency across our businesses while embedding a culture of rigorous performance management across the organization. We will continue to invest in our people to increase our human capital – we believe that a motivated workforce will represent the company better to our clients. Despite the present economic conditions, we have never been more optimistic about the future of this company. We know exactly who we are and where we want to be.

And so as we go into 2017, I thank you for your continued support. I am grateful for the wisdom and direction of the Board. I also wish to personally thank the former chairman, Chief Dr. Fajemirokun, for his unwavering support of the management during his tenure. His direction is a major reason why AIICO is where it is today. To my fellow employees and management staff, I thank you for your effort and support in 2016 – I look forward to working with you to make this great company greater. And to our esteemed customers, we would not be here without you – thank you for your business.

It has been my great honor to address you today. Thank you and God bless.

Edwin F. Igbiti

## MANAGEMENT TEAM

### Edwin Igbiti
(MD/CEO)

Edwin Igbiti is currently the Managing Director/CEO at AIIO Insurance Plc. Prior to Joining AIICO Insurance, he had served and gained vast experience in Insurance from Phoenix Insurance Company, where he worked for several years. He is a seasoned professional with an inestimable depth and wealth of technical experience that is acknowledged across the industry. He has managed relationships between the company and several international partners and affiliates and is a solution proffering, team-spirited leader with excellent inter-personal skills.

He holds an MBA from the University of Ado-Ekiti (2005) and an Advanced Diploma in Management from the University of Lagos. He is a Certified Insurance practitioner with the Chartered Insurance Institute of London and a Fellow of the Chartered Insurance Institute of Nigeria. Aside from being professionally affiliated to the Nigerian Institute of Management, Chartered (NIMC), he is also a certified Business Continuity Systems Lead Auditor from the British Institute, UK and an alumnus of the Howard University Business School, U.S.A. He currently seats on the Governing Council of the Chartered Insurance Institute of Nigeria (CIIN).

### Babatunde Fajemirokun
(Executive Director)

Babatunde Fajemirokun is responsible for AIICO's operations; the Group function that plans, coordinates, and controls the resources needed to produce the company's products and serve her clients. He is equally responsible for helping AIICO and its business units to understand the competitive landscape and the markets they operate while developing and implementing sustainable plans for long-term growth and shareholder value creation.

His service with the firm dates back to May, 2009 when he joined as Chief Information Officer (CIO). During this period, he executed value-enhancing projects, first by leading the transformation programme to automate and modernise operations and secondly to increase productivity (reduce cost per policy) in the selling of insurance products and services. He has served in several roles and overseen principal and operational functions during this time, giving him a deep understanding of the levers to improve and sustain profitability.

Prior to AIICO, he worked in Accenture (Lagos) and then Capgemini Consulting (UK). In both companies, he provided consulting/advisory services to financial services and Government clients predominantly in mergers and acquisitions and then UK government transformation programmes.

He earned an MBA with a concentration in Finance from University of Chicago Booth School of Business, a Business Information Technology Systems Master's degree with distinction from University of Strathclyde and a bachelor's degree in business economics from Glasgow, UK. He is a Chartered Insurer (ACII, UK) and a Senior Member of the Chartered Insurance Institute of Nigeria.

### Ayodele Bamidele
(Chief Financial Officer)

Prior to joining AIICO Insurance Plc. Ayodele Bamidele was the General Manager/CEO of STI Leasing Limited, an Associate Company of Sovereign Trust Insurance Plc., which provides cutting-edge financial services aimed at supporting the business landscape in the country for both individuals and corporate entities. Prior to Ayodele's appointment as GM/CEO, he was the GM, Finance & Investment for Equity Assurance Plc from 2010-2012. He was at a time the Chief Operating Officer for EA Capital Management Limited, a subsidiary of Equity Assurance Plc.

He once worked with the now defunct Celtel Nigeria as Manager in the BSS Programme Management Division and Corporate Finance between 2004 and 2007. He had at various times worked with Kasmal International Limited, Leadbank Plc and NAL Bank Plc in different capacities. Ayodele has attended both local and international courses bordering on Leadership, Finance, Accounting and Risk Management.

He holds a Master's Degree in Finance from the University of Leicester in the United Kingdom where he came out with a distinction. He is also a Fellow of the Institute of Chartered Accountants of Nigeria, ICAN; Associate Member, Chartered Institute of Stockbrokers, Chartered Institute of Bankers respectively and is a Registered Manager of the Securities and Exchange Commission.

# MANAGEMENT TEAM

## Sola Ajayi
(GM, Retail Business)

Sola Ajayi is the Head of Retail Business at AIICO Insurance Plc.
Sola is an experienced Management Consultant who prior to joining AIICO Plc had worked with Deloitte Consulting within the Enterprise Applications group as a Senior Consultant in the UK. He played a key role as part of the elite Middle East business development team responsible for expanding Deloitte's business beyond the UK during the recession. Prior to joining Deloitte, Sola had worked for several years with Accenture, Nigeria. He joined AIICO Insurance Plc from Deloitte Bahrain, in 2009.

He holds an MBA from one of the most prestigious Business Schools in the world, INSEAD. He obtained his first degree in Chemical Engineering from the University of Lagos. Sola is an alumnus of the Harvard Business School, U.S.A, he is a certified Project Manager as well as a certified Business Continuity Management Systems Auditor from the British Standard Institute, UK.

## Phil Maduagwu
(GM, Corporate Services)

Phil Maduagwu is a seasoned Human Resources practitioner with over 18 years' experience. Her exposure spans several aspects of the practice across multiple business sectors covering Manufacturing, Advertising, Telecoms, Technology, Healthcare, Oil and Gas, Education and the Financial Services Sector; she is currently the General Manager, Corporate Services for AIICO Insurance Plc.

She holds a Master's Degree in International Human Resources Management from the prestigious Cranfield University, UK; a Master's Degree in International Relations from the University of Benin and a Bachelor's Degree in Linguistics from the same University. She is an alumnus of Howard University School of Management, USA, and a certified Business Continuity Management System Auditor, a certification earned from the British Standard Institute, UK.

Phil is professionally affiliated to the Chartered Institute of Personnel Development (CIPD), Nigerian Chartered Institute of Management (NIM), Society for Human Resources Managers (SHRM), Chartered Institute of Personnel Management (CIPM), Human Resources Providers Association Nigeria(HUCAPAN), Work/Life Balance Association (WLBA), Nigerian Employee Consultative Association (NECA) and the Balanced Scorecard Association USA (BSA).

In her spare time, Phil serves as an advisor to several small and medium sized businesses on Human Resources and Organisational Development matters; she is a keen advocate for Corporate Social Responsibility and good Governance practices. She is a resource to her colleagues and a coach and mentor to upcoming Human resources practitioners.

## Abiodun Adebanjo
(DGM, Audit Services)

Abiodun Adebanjo is a seasoned Audit Executive with over 15 years of experience in varied financial services industry.

Before joining AIICO Insurance Plc, he had worked in reputable and high rated Banks in Nigeria some of which are Ecobank Nig. Plc, Diamond Bank, UBA Plc and First Bank at both middle and senior management levels.

With about two decades of cognate experience in Banking Operations, Internal Control and Audit, Abiodun has shown a strong professional bias for Audit and Risk Management. He is highly numerate and possesses a strong passion for excellence and organizational transformation.

Mr. Adebanjo is an excellent team player and a highly motivated professional imbued with a strong spirit for achievement.

He graduated from the University of Lagos with a first class degree in Mathematics and Statistics as the overall best student. He holds a Master's Degree in Business Management (MBA) at the prestigious University of Liverpool, UK.

He is a professional member and Fellow of the Institute of Chartered Accountants of Nigeria (ICAN); a member of Chartered Institute of Taxation (CITN); a member of the Institute of Internal Auditors and a member of Nigeria Institute of Management Chartered (NIMC).

# MANAGEMENT TEAM

## Joseph Oduniyi
(DGM, Non-Life Business)

Joseph Oduniyi is the Acting Head of Non-Life Business at AIICO Insurance Plc. Prior to joining AIICO, he had garnered significant experience serving with the Ministry of Works and Housing, Oyo State, The Nigerian Life & Pensions Consultants, Glanvill Enthoven & Co Nig. Ltd, Union Commercial Insurance Brokers and Risktech Insurance Brokers Limited respectively.

He is an astute insurance professional with a wealth of experience cutting across all aspects of the non-life business and has attended many courses and seminars both locally and internationally.

He holds a Bachelor's Degree in Insurance from the University of Lagos and is professionally affiliated to the Chartered Insurance Institute of Nigeria and London.

## Benson Ogunyamoju
(DGM, Group Life Business)

Benson Ogunyamoju is the Head of Group Life Business at AIICO Insurance Plc.

He is a seasoned Insurance practitioner with an in-depth wealth of experience in Life Insurance Operations spanning over two decades and has virtually worked in all sections of the division. Presently, he supervises the Life Technical Division which provides technical and actuarial expertise to support business objectives. Benson has attended various learning interventions within and outside Nigeria.

He is a graduate of Insurance from the University of Lagos, Nigeria. He is a Fellow of the Chartered Insurance Institute of Nigeria, as well as a Fellow of the Life Management Institute (U.S.A.).

## Donald Kanu
(Company Secretary)

Donald Kanu is the Company Secretary/Legal Adviser at AIICO Insurance Plc. He commenced his career with Savannah Bank and then moved on to join A.U. Kalu (SAN) and Associates.

He was recruited back to the financial services sector where he worked with UTB Trustees and Fidelity Bank respectively. He later left Fidelity Bank to join Globacom, a telecommunications company. After his period in the telecommunication industry, Donald moved back to the financial sector when he joined the Cornerstone group as the Company Secretary/Legal Adviser and Chief Compliance Officer. He was recruited to join AIICO from the Cornerstone Group in 2014.

Donald graduated from University of Calabar and later went on to pursue a Master's Degree in Business Administration from the same University. He later proceeded to obtain an LL.M from the University of Lagos.

Donald has attended several capacity building courses both within and outside the country. He is a member of the Nigerian Bar Association, the Institute of Chartered Secretaries and Administrators and a member of the Institute of Directors.

## MANAGEMENT TEAM

### Olusanjo Shodimu
(Chief Information Officer)

Olusanjo Shodimu heads AIICO's Information Technology Department. He is a business-driven IT professional with over 15years business transformation and technology management experience.

Prior to joining AIICO Insurance, he worked with Accenture - a global management consulting, technology and outsourcing company for 10 years - where he led the delivery of various business & technology transformation initiatives for major banking & insurance clients in Nigeria & across the West African region.

He is a First Class (Hon.) graduate of Physics from the University of Ibadan, a certified Project Management Professional, PMP® and ITIL (Service Management) Expert from the British Computer Society (BCS - The Chartered Institute for IT).

Abiola Adegbesan
Head, Non-Life Underwriting/Reinsurance

Sarah Adeniran
Head, Brokers Management

Titilola Okunlola
Head, Life Benefits & Claims

**AIICO Insurance Plc** pledges to be a champion of gender parity in our Board, Executive Management team and entire organization.

We support improvements in gender equality and diversity in our organization and our country.

Atinuke Jose
Head, Strategic Marketing & Communications

Edwin Igbiti
MD/CEO

Bisola Elias
Head, Financial Reporting

Afolake Adedayo-Aiyelero
Head, Oil & Gas Portfolio

Temitope Adewale
Head, Non-Life Claims & Customer Service

Phil Maduagwu
Head, Corporate Services

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# GENERAL INFORMATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

## 1 Reporting entity

AIICO Insurance Plc was established in 1963 by American Life Insurance Company and was incorporated in 1970. It was converted to a Public Liability Company in 1989 and quoted on the Nigerian Stock Exchange (NSE) in December 1990. The Company was registered by the Federal Government of Nigeria to provide insurance services in Life Insurance Business, Non-Life Insurance Business, Deposit Administration and Financial Services to organizations and private individuals. Arising from the merger in the insurance industry, AIICO Insurance Plc acquired Nigerian French Insurance Plc and Lamda Insurance Company Limited in February 2007.The Company currently has its corporate head office at Victoria Island, Lagos with branches spread across major cities and commercial centres in Nigeria.

These consolidated financial statements comprise the Company and its subsidiary (together referred to as "the Group"). The Group is primarily involved in the business of providing risk underwriting and related financial services to its customers. Such services include provision of life and non-life insurance services to both corporate and individual customers.

## 2 Basis of accounting

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements comply with the Companies and Allied Matters Act of Nigeria, Financial Reporting Council of Nigeria Act, the Insurance Act of Nigeria and relevant National Insurance Commission (NAICOM) guidelines and circulars.

### 2.2 Going concern

These financial statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The directors have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Group has adequate resources to continue as going concern for the foreseeable future.

### 2.3 Functional and presentation currency

These consolidated and separate financial statements are presented in Nigerian Naira, which is the Group's and Company's functional and presentation currency. Except as indicated, financial information presented in Naira has been rounded to the nearest thousand.

### 2.4 Basis of measurement

These consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the valuation of investment property, available-for-sale financial assets, insurance liabilities, and financial assets and liabilities designated at fair value.

These financial statements have being prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

### 2.5 Use of estimates and judgement

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

### 2.6 Changes in accounting policies

There has been no changes in the accounting policies of the Group during the year ended 31 December 2016 as the amendments to IFRS in 3.38 below which became effective for annual period beginning on or ending 1 January 2016 had no impact on the Group's reporting.

### 2.7 Segment reporting

For management purposes, the Group is organized into business units based on their products and services and has five reportable operating segments as follows:

- The life insurance segment offers savings, protection products and other long-term contracts (both with and without insurance risk. It comprises a wide range of whole life, term assurance, guaranteed pensions, pure endowment pensions and mortgage endowment products. Revenue from this segment is derived primarily from insurance premium, fees and commission income and investment income.

- The non-life insurance segment comprises general insurance to individuals and businesses. Non-life insurance products offered include motor, household, commercial and business interruption insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.

- The Health management segment is a Health Maintenance Organization for prepaid health plans to cater for the health needs of individuals and corporate organizations. The segment became a full subsidiary of AIICO Insurance Plc on July 1, 2012."

- The Pension management Segment was licensed as a Pension Fund Administrator by the National Pension Commission on April 13, 2006, provides pension administrationservices to private and public sector contributors.

# GENERAL INFORMATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- The Wealth management segment is registered and licensed by the Securities & Exchange Commission in 2012, to carry out portfolio/fund management services. The segment commenced full operations in 2014 through the provision of bespoke wealth solutions for clients, by adopting a research based approach for every investment decision.

  No operating segments have been aggregated to form the above reportable operating segments.

  Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. The Company's financing and income taxes are managed on a group basis and are not allocated to individual operating segments.

  Inter-segment transactions occurred in 2016 as shown in Note 5.1 Segment income, expenses and results will include those transfers between business segments

**2.8 Fair value measurement**

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non performance risk.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.Fair value of fixed income liabilities is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

**2.9 Disclosures - offsetting financial assets and financial liabilities (Amendment to IFRS 7)**

As a result of the amendments to IFRS 7, the Group has expanded disclosure about offsetting financial assets and financial liabilities.

## 3 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

### 3.1 Basis of Consolidation

**(a) Business combination and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company has an option to measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. However, this does not preclude the Company from reclassifying insurance contracts to accord with its own policy only if classification needs to be made on the basis of the contractual terms and other factors at the inception or modification date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or a liability, will be recognized as measurement period adjustments in accordance with the applicable IFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the Company's share in the net identifiable assets acquired and liabilities assumed and net of the fair value of any previously held equity interest in the acquiree. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation

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when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**(b) Subsidiaries**

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statement from the date on which the date on which control commences until the date on which control ceases. 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, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the separate financial statements, investments in subsidiaries are measured at cost.

**Acquisition-related costs are expensed as incurred**

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

**Disposal of subsidiaries**

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in 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 investee or as an available-for-sale financial asset depending on the level of influence retained.

**(c)** Non-controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**(d) Transaction eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**3.2 Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.
Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and
- qualifying cash flow hedges to the extent that the hedges are effective.

**3.3 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short - term deposits with an original maturity of three months or less in the consolidated statement of financial position.For the purpose of the consolidated statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**3.4 Financial instruments**

The group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

**Non-derivative financial assets and financial liabilities-recognition and derecognition**
The group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and reward of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.
Any interest in such derecognised asset financial asset that is created or retained by the Group is recognised as a separate asset or liability.
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. Financial assets and financial liabilities are offset and the net amount presented in the statement of the financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**(b) Non-derivative financial assets -measurement**

| | |
|---|---|
| Financial assets at fair value through profit or loss | A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial asset at fair value through profit or loss are measured at fair value and changes therein, including any interest expense or dividend income, are recognised in profit or loss. |
| Loans and receivables | These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. |
| Available-for-sale financial assets | These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments see 4(a), are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. |

**(c) Non-derivative financial liabilities - measurement**
A financial liability is classified at fair value through profit or loss if it is classified as held-for-trading or designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method."

**Non-derivative financial assets - impairment**
Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.For an investment in equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

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**(d)**

| | |
|---|---|
| **Financial assets measured at amortised cost** | The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant asset are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.<br><br>In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.<br><br>An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospect of recovery of the asset, the relevant amount written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss. |
| **Available- for-sale financial assets** | Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit and loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. |

**(e) Derivative liabilities**

Derivatives may be embedded in another contractual arrangement (a host contract).The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not itself carried at fair value through profit or loss
- the terms of embedded derivative would meet the definition of a derivative if they were contained in a separate contract and;
- the economic characteristics and risks of the embedded derivative are not closely related to the economic charcteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss.

### 3.5 Trade receivables

Trade receivables arising from insurance contracts represent premium receivable with determinable payments that are not quoted in an active market and the Company has no intention to sell. Premium receivables are those for which credit notes issued by brokers are within 30days, in conformity with the “NO PREMIUM NO COVER” policy. Trade receivables are classified as loans and receivables.

### 3.6 Reinsurance assets

The group cedes insurance risk in the normal course of business on the bases of our treaty and facultative agreements. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

**(a) Impairment of reinsurance assets**

The Group assesses its reinsurance assets for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. 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 profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets measured at amortised cost. The impairment loss is calculated using the incurred loss model for these financial assets.

Premiums, losses and other amounts relating to reinsurance treaties are recognized over the period from inception of a treaty to expiration of the related business.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets that are recognised based on the consideration paid less any explicit identified premiums or fees to be retained by the reinsured.

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

**3.7 Trade payables**

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

**3.8 Other payables and accruals**

Other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. Discounting is omitted for payables that are less than one year as the effect is not material. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss. Gains and losses are recognised in the profit or loss when the liabilities are derecognized. Other payables are recognised as financial liabilities.

**3.9 Deferred expenses**

**(a) Deferred acquisition costs (DAC)**

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

DAC for life insurance are expensed as incurred. Subsequent to initial recognition, DAC for general insurance are amortized over the period in which the related revenues are earned. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate. DAC are derecognized when the related contracts are either settled or disposed of.

**(b) Deferred expenses-Reinsurance commissions**

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

**3.10 Other receivables and prepayment**

Other receivables are carried at amortised cost using the effective interest rate less accumulated impairment losses. Prepayments are carried at cost less accumulated amortization and impairment losses and are amortized on a straight line basis to the profit or loss account.

**3.11 Income tax**

Income tax expense comprises current and deferred tax. It is recognised in the profit and loss except to the extent that this relates to a business combination, or items recognized directly in equity or OCI.

**(a) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to the income taxes, if any. It is measured using tax rate enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends received by the Company.

**(b) NITDA Levy**

The National Information Technology Development Agency Act (2007) empowers and mandates the Federal Inland Revenue Service (FIRS) to collect and remit 1% of profit before tax of Companies with turnovers of a minimum of ?100million under the third schedule of the Act.

**(c) Deferred income taxation**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences arising 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;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that its probable that future taxable profits will be available against which they can be used.

Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profit improves.

Unrecognised deferred tax asset are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value presumed to be recovered through sale, and the Group has not been rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and 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.

### 3.12 Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

### 3.13 Intangible assets and goodwill

**(a) Goodwill**

Goodwill arising on acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**(b) Intangible asset**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the profit or loss in the year in which the expenditure is incurred.

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

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

Computer software, not integral to the related hardware acquired by the Group, is stated at cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. The estimated useful life is 5 years.Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized."

**(c) Present value of acquired in-force business (PVIF)**

When a portfolio of insurance contracts is acquired, whether directly from another insurance company or as part of a business combination, the difference between the fair value of insurance rights acquired and insurance obligation assumed are measured using the Company's existing accounting policies and is recognized as the value of the acquired in-force business.

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortization and accumulated impairment losses. The intangible asset is amortized over the useful life of the acquired in-force policy during which future premiums are expected, which typically varies between five and fifty years. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and they are treated as a change in an accounting estimate. An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit and loss. PVIF is also considered in the liability adequacy test for each reporting period.

PVIF is derecognized when the related contracts are settled or disposed of.

**(d) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**(e) Amortisation**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight line method over their estimated useful lives, and generally recognised in profit or loss. Goodwill is not amortised.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**3.14 Property and equipment**

**(a) Recognition and measurement**

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss

**(b) Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

**(c) Depreciation**

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual value using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of significant items of property and equipment for current and comparative periods are as follows:

| | |
|---|---|
| Leasehold land | Over the lease period |
| Building | 50 years |
| Furniture and Equipment | 5 years |
| Motor vehicles | 4 years |
| Lifts | 15 Years |
| Central Air Conditioners | 10 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell or the value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount. Gains and losses are included in the profit and loss account for the period.

**(d) De-recognition**

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

**(e) Reclassification to investment property**

When the use of a property changes from owner- occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

**3.15 Statutory deposit**

Statutory deposit represent 10% of required minimum paid up capital of AIICO Insurance PLC. The amount is held by CBN (Central Bank of Nigeria) pursuant to Section 10(3) of the Insurance Act 2003. Statutory deposit is measured at cost.

**3.16 Insurance contract liabilities**

**(a) Life insurance contract liabilities**

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is calculated adopting current financial and decrement assumptions. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for claims outstanding.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by carrying out a liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. Discounted cash flows model is used in the valuation.

The interest rate applied is based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the profit

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or loss by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

**(b) Guaranteed annuity**

Guaranteed annuity is recognised as an insurance contract.Annuity premium are recognised as income when received from policy holders, payments to policy holders are recognised as an expense when due. The amount of insurance risk under contracts with guaranteed annuity is also dependent on the number of contract holders that will exercise their option ('option take-up rate'). This will depend significantly on the investment conditions that apply when the options can be exercised. The lower the current market interest rates in relation to the rates implicit in the guaranteed annuity rates, the more likely it is that contract holders will exercise their options. Continuing improvements in longevity reflected in current annuity rates will increase the likelihood of contract holders exercising their options as well as increasing the level of insurance risk borne by the Company under the annuities issued. The Group does not have sufficient historical data on which to base its estimate of the number of contract holders who exercise their option.

**(c) Non-life insurance contract liabilities**

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

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

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

**(d) Investment contract liabilities**

Investment contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at amortized cost.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the consolidated profit or loss.

The liability is derecognized when the contract expires, is discharged or is cancelled.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position as described above.

**3.17 Portfolio under Management**

The Group acts in other fiduciary capacities that results in holding or placing of assets on behalf of individuals and other institutions. These assets arising thereon are excluded from these financial statement as they are not assets of the Group. However, fee income earned and fee expenses incurred by the Group relating to the Group's responsibilities from fiduciary activities are recognised on profit or loss.

**3.18 Leases**

**(a) Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

**(b) Leased assets**

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.
Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

**Lease payments**
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 3.19 Borrowing Costs
Borrowing costs are interest and other costs incurred by the Group directly attributable to the acquisition and construction of qualifying assets which are assets that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs are capitalized as part of the cost of a qualifying asset only when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the period in which they are incurred.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or net realizable value, the carrying amount is written down or written off. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

### 3.20 Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.
Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.21 Share capital
**(a) Ordinary shares**
The Company's issued ordinary shares are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognized in equity.

**(b) Dividends on ordinary share capital**
Dividends on ordinary shares are recognised as a liability and deductedfrom retained earnings when they are approved by the Company's shareholders. Interim dividends are deducted from retained earnings when they are paid. Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

**(c) Share Premium**
The Group classifies share premium as equity when there is no obligation to transfer cash or other assets.

### 3.22 Asset Revaluation Reserve
Subsequent to initial recognition, an item of property, plant and equipment and intangibles is carried using the cost model. However, if such an item is revalued, the whole class of asset to which that asset belongs has to be revalued. The revaluation surplus is recognised in equity, unless it reverses a decrease in the fair value of the same asset which was previously recognised as an expense, in which it is recognised in profit or loss. A subsequent decrease in the fair value is charged against this reserve to the extent that there is a credit balance relating to the same asset, with the balance being recognised in profit or loss.

### 3.23 Available-for-Sale Reserve
The available-for-sale reserve comprises the cumulative net change in the fair value of the group's available-for-sale investments. Net fair value movements are recycled to profit or loss if an underlying available-for-sale investment is either derecognized or impaired.

### 3.24 Technical reserves
These are computed in compliance with the provisions of Section 20, 21, and 22 of the Insurance Act 2003 as follows:

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

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

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

**(d) Life Business General Reserve Fund**
This is made up of net liabilities on policies in force as computed by the actuaries at the time of the actuarial valuation.

**(e) Liability Adequacy Test**
At each end of the reporting period, liability adequacy tests are performed by an Actuary to ensure the adequacy of the contract liabilities net of related deferred acquisition cost (DAC) assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as

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are used. Any deficiency is immediately recognised in profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests “the unexpired risk provision”.

The provisions of the Insurance Act 2003 requires an actuarial valuation for life reserves only. However, IFRS 4 requires a liability adequacy test for both life and non-life insurance reserves. Hence, the Company carries out actuarial valuation on both life and non-life insurance businesses.

**3.25 Statutory Reserve**

In accordance with the provisions of Section 69 of the Pension Reform Act 2004, the statutory reserve is credited with an amount equivalent to 12.5% of net profit after tax or such other percentage of the net profit as the National Pension Commission may from time to time stipulate.

**3.26 Contingency Reserves**

**(a) Non-life business**

In compliance with Section 21 (2) of Insurance Act 2003, the contingency reserve is credited with the greater of 3% of total premiums, or 20% of the net profits. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium.

**(b) Life business**

In compliance with Section 22 (1) (b) of Insurance Act 2003, the contingency reserve is credited with the higher of 1% of gross premiums or 10% of net profit and accumulated until it reaches the amount of the minimum paid up capital – NAICOM ACT 22 (1)(b).

**3.27 Retained Earnings**

This account accumulates profits or losses from operations.

**3.28 Revenue recognition**

**(a) Gross premium income**

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

**(b) Reinsurance premium**

Gross reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date the policy becomes effective.

Premiums includes any adjustments arising in the accounting period in respect of reinsurance contracts that commenced in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

**(c) Fees and commission income**

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. The administration fee is calculated as a flat charge payable monthly from contributions received while the fund management fee is an asset based fee charged as a percentage of the opening net assets value of the pension fund investment. These fees are recognized as revenue over the period in which the related services are performed.

If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

**(d) Investment income**

Interest income is recognized in the profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument. Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

**(e) Realized gains and losses**

Realized gains and losses recorded in the profit or loss on investments include gains and losses on financial assets and investment property. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

**(f) Investment property rental income**

Rental income from investment property is recognised as revenue on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental Income from other property is recognised as other income.

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**3.29 Benefits, claims and expenses recognition**

**(a) Gross benefits and claims**

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims. Changes in the gross valuation of insurance are also included.

Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

**(b) Reinsurance claims**

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

**(c) Reinsurance expenses**

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

**3.30 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. These expenses are recognised in the accounting year in which they are incurred.

**3.31 Other operating income**

Other operating income comprises of income from realised profits on sale of securities, fair value gain or loss on investment property, realised foreign exchange gains and other sundry income.

**3.32 Employee benefits**

**(a) Short term employee benefit**

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(b) Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**3.33 Other operating expenses**

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Other operating expenses are accounted for on accrual basis and recognized in the profit or loss upon utilization of the service or at the date of their origin.

**3.34 Finance cost**

Interest paid is recognized in the profit or loss as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

**3.35 Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares held by the Group. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**3.36 Standards issued but not yet effective**

A number of ne standards, amendment to standards and interpretations are effective forannual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group and Company have not applied the following new or amended standards in preparing these consolidated and separate financial statements. The Group and Company do not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated:

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### 3.37 Amendments to IFRS

| New or amended standards | Summary of the requirements | Possible impact on consolidated financial statements |
|---|---|---|
| Amendments to IAS 7Disclosure Initiative | The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This inlcudes providing a reconciliation between the opening and closing balances arising from financing activities.<br><br>The amendment was issued in January 2016 and would be effective The Group will adopt the amendments for the year ending 31 December 2017 | The Group is assessing the potential impact on its consolidated financial statements esulting from the amendment |
| Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses | The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of thecarrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount orexpected manner of recovery of the asset.<br><br>The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset canbe recognised.<br><br>Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.<br><br>Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These areassessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.<br><br>The Group will adopt the amendments for the year ending 31 December 2017. | The amendment is not expected to have any significant impact on the (consolidated) financial statement of the Group. |

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| IFRS 15 Revenue from Contracts with Customers | This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.<br><br>The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.<br><br>This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognized and the amount of revenue recognized.<br><br>The Group is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; however, the Group will adopt the standard for the year ending 31 December 2018. | The Group is assessing the potential impact on its consolidated financial statements resulting from application of IFRS 15 |
| IFRS 9 Financial Instruments | On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.<br><br>IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition andderecognition of financial instruments from IAS 39.<br><br>The Group will adopt the standard for the year ending 31 December 2018. | The Group is yet to carry-out an assessment to determine the impact that the initial application of IFRS 9 could have on its business |
| IFRS 16 Leases | IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases- Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal form of a Lease.<br><br>The standard set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance lease as required by IAS 17 and introduces a single lessee accounting model. Applying the model, a lessee is required to recognize:<br><br>a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value and<br><br>b) depreciation of lease assets separately from interest on lease liabilities in the profit or loss.<br><br>For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17. Accordingly, a lessor continues to classify its leases as operating lease or finance leases, and to account for these two types of leases differently. | The Group is yet to carry-out an assessment to determine the impact that the initial application of IFRS 16 could have on its business |

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| IFRIC 22<br>Foreign currency transactions and advance consideration | The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.<br><br>The amendments clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments orreceipts, each payment or receipt gives rise to a separate transaction date.<br><br>The interpretation applies when a Company:<br>• pays or receives consideration in a foreign currency; and<br>• recognises a non-monetary asset or liability – eg. non-refundable advance consideration – before recognising the related item.<br><br>The Group/Company will adopt the amendments for the year ending 31 December 2018. | The Group is assessing the potential impact on its consolidated financial statements resulting from application of IFRIC 22 |
| Amendments to IAS 40Transfers of Investment Property | The IASB has amended the requirements of IAS 40 Investment Property on when a Company should transfer a property to, or from, investment property. The amendments state that a transfer is made when and only when there is a change in use – i.e. an asset ceases to meet the definition of investment property and there is evidence of a change in use. A change in management intention alone does not support a transfer.<br><br>A company has a choice on transition to apply:<br>• the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or<br>• the retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight.<br><br>The Group will adopt the amendments for the year ending 31 December 2018. | The Group is assessing the potential impact on its consolidated financial statements resulting from the amendment |
| Amendments to IFRS 4 | The differing effective dates of IFRS 9 Financial Instruments and the new insurance contracts standard could have a significant impact on insurers. In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the IASB has issued amendments to IFRS 4 Insurance Contracts.<br><br>The amendments reduce the impacts, but companies need to carefully consider their IFRS 9 implementation approach to decide if and how to use them. The two optional solutions raise some considerations which require detailed analysis and management judgement.<br><br>The optional solutions are:<br><br>1. Temporary exemption from IFRS 9 – Some Companies will be permitted to continue to apply IAS 39 Financial Instruments: Recognition and Measurement. To qualify for this exemption the Company's activities need to be predominantly connected with insurance.<br><br>2. Overlay approach – This solution provides an overlay approach to alleviate temporary accounting mismatches and volatility. For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39. The Group/Company will adopt the amendments. | The Group is assessing the potential impact on its consolidated financial statements resulting from the amendment |

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The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).
- Annual Improvements to IFRSs 2010 – 2012 Cycle.
- Annual Improvements to IFRSs 2011 – 2013 Cycle.
- Annual Improvements to IFRSs 2012 – 2014 Cycle.
- Disclosure Initiative (Amendments to IAS 1)

# GENERAL INFORMATION AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

## 4 Critical accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) The ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

The ultimate cost of outstanding claims is estimated by using a standard actuarial claims projection techniques called the Basic Chain Ladder (BCL).

The main assumption underlying these technique is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, this method extrapolates the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years and the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims, inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

**(b) Impairment of available-for-sale equity financial assets**

The Group determines that available for sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee industry and sector performance and operational and financing cashflow. In this respect, a decline of 30% or more is regarded as significant, and a period of 12months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

**(I) Measurement of fair values**

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

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

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data.

**(ii) Fair value of unquoted equity financial instruments**

Investments in unquoted equity financial instrument should be measured at fair value, however, where the fair value cannot be reliably estimated, it is carried at cost less impairment loss.

The Group's investment in unquoted equity financial instrument could not be fair valued as there were no observable data for which the entity could be fair valued, the carrying amount was based on cost. The investment is tested for impairment by comparing the cost of investment with the share of net assets in the investee Group. Other factors such as whether the Group is making profits from its operations and returns on the investment in form of dividend received are also considered.

**(c) Liabilities arising from life insurance contracts**
The liabilities for life insurance contracts are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract being written. Management make various assumptions such as expenses inflation, valuation interest rate, mortality and further mortality improved in estimating the required reserves for life contracts.

**(d) Depreciation and carrying value of property and equipment**
The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

**(e) Determination of impairment of property and equipment and intangible assets**
Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

**(f) Current tax**
The current income tax charge is calculated on taxable income on the basis of the tax laws enacted or substantively enacted at the reporting date. The Company applies Section 16 of the Company Income Tax Act. It states that an Insurance business shall be taxed as;

- an insurance company, whether proprietary or mutual, other than a life insurance company; or
- a Nigerian company whose profit accrued in part outside Nigeria, The profit on which tax may be imposed, shall be ascertained by taking the gross premium interest and other income receivable in Nigeria less reinsurance and deducting from the balance so arrived at, a reserve fund for unexpired risks at the percentage consistently adopted by the company in relation to its operation as a whole for such risks at the end of the period for which the profits are being ascertained, subject to the limitation below: An insurance company, other than a life insurance company, shall be allowed as deductions from its premium the following reserves for tax purposes.

for unexpired risks, 45 percent of the total premium in case of general insurance business other than marine insurance business and 25 percent of the total premium in the case of marine cargo insurance; (b) for other reserves, claims and outgoings of the company an amount equal to 25 percent of the total premium. The Directors have adopted current tax practices in computing the tax liabilities. Actual results may differ from these estimates based on the interpretation by the tax authorities. The Directors acknowledge that changes in the application of the current tax practices can have a significant impact on the tax expense and tax liabilities recorded in the financial statements.

**(g) Deferred tax asset and liabilities**
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The carrying values at the reporting date of deferred tax asset and deferred tax liability are N1.08billion and N270.4 million respectively (2015:N1.77billion and N269.1million).

**(h) Sensitivity analysis**
The sensitivity analysis reflects the impact, on profit or loss and equity, of changes in the relevant risk variables that are reasonably possible at the reporting date.

**(I) Determining control over investee entities**
Management applies its judgement to determine whether the Group has control over subsidiaries or significant influence over an investee company as set out in Note 3.1(b).The Group has determined that it exercises control and significant influence over certain investee companies due to its representation on the Board of such companies and its significant participation in the Companies' operating and financial policies.

**(j) Impairment for receivables**
The Group tests annually whether premium receivables have suffered any impairment. With this policy, all premium transactions are paid for immediately except in the cases of broker transactions. For broker transactions, the period is extended for 30 days if credit notes have been received from the broker.

# FINANCIAL STATEMENTS

# CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

For The Year Ended 31 December 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| *In thousands of naira* | Notes | 2016 | 2015 | 2016 | 2015 |
| **Assets** | | | | | |
| Cash and cash equivalents | 6 | 7,491,178 | 8,451,795 | 4,335,655 | 6,437,403 |
| Financial assets | 7 | 56,556,261 | 58,269,318 | 54,677,784 | 57,903,833 |
| Trade receivable | 8 | 411,969 | 296,514 | 133,022 | 123,848 |
| Reinsurance assets | 9 | 2,816,503 | 2,479,069 | 2,816,503 | 2,479,069 |
| Deferred acquisition cost | 10 | 285,232 | 264,842 | 285,232 | 264,842 |
| Other receivables and prepayments | 11 | 324,457 | 447,467 | 230,217 | 282,805 |
| Deferred tax asset | 12(e) | 1,088,677 | 1,775,779 | 978,114 | 1,707,077 |
| Investment in subsidiaries | 13 | - | - | 2,308,690 | 2,308,690 |
| Investment property | 14 | 990,000 | 1,115,000 | 990,000 | 1,115,000 |
| Goodwill and other intangible assets | 15 | 1,092,031 | 1,142,720 | 1,080,821 | 1,120,871 |
| Property and equipment | 16 | 5,915,891 | 5,353,657 | 5,546,924 | 5,111,828 |
| Statutory deposit | 17 | 530,000 | 530,000 | 530,000 | 530,000 |
| **Total assets** | | **77,502,199** | **80,126,161** | **73,912,962** | **79,385,266** |
| **Liabilities and equity** | | | | | |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 18 | 49,987,894 | 55,548,154 | 49,805,659 | 55,379,977 |
| Investment contract liabilities | 19 | 10,061,636 | 8,295,046 | 10,061,636 | 8,295,046 |
| Trade payables | 20 | 1,599,841 | 1,547,548 | 1,599,841 | 1,547,548 |
| Other payables and accruals | 21(a) | 1,787,068 | 2,489,333 | 1,738,392 | 2,432,087 |
| Fixed income liabilities | 21(b) | 2,531,870 | 165,838 | - | - |
| Current tax payable | 12(a) | 623,761 | 592,961 | 572,512 | 518,443 |
| Deferred tax liability | 12(e) | 270,408 | 269,133 | 265,237 | 263,422 |
| Finance lease obligation | 22 | 7,368 | 49,854 | 7,368 | 49,854 |
| Borrowings | 23 | 1,785,650 | 1,134,840 | 1,785,650 | 1,134,840 |
| Derivative liabilities | 24 | 143,725 | 319,274 | 143,725 | 319,274 |
| **Total liabilities** | | **68,799,221** | **70,411,981** | **65,980,021** | **69,940,491** |
| **Equity** | | | | | |
| Issued share capital | 25(a)(ii) | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 |
| Share premium | 25(b) | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 |
| Revaluation reserves | 25(c) | 1,221,707 | 1,221,707 | 1,221,707 | 1,221,707 |
| Available-for-sale reserve | 25(d) | (14,065,457) | (2,723,536) | (14,019,431) | (2,723,536) |
| Exchange gains/(loss) reserve | 25(e) | 596,977 | 148,521 | 596,977 | 148,521 |
| Statutory reserve | 25(f) | 96,688 | 55,240 | - | - |
| Contingency reserve | 25(g) | 4,703,531 | 3,482,076 | 4,703,531 | 3,482,076 |
| Retained earnings | 25(h) | 9,498,054 | 898,089 | 9,140,665 | 1,026,516 |
| **Shareholders' funds** | | **8,340,991** | **9,371,588** | **7,932,941** | **9,444,775** |
| Non-controlling interest | 13(d)(i) | 361,987 | 342,592 | - | - |
| **Total equity of the group** | | **8,702,978** | **9,714,180** | **7,932,941** | **9,444,775** |
| **Total liabilities and equity** | | **77,502,199** | **80,126,161** | **73,912,962** | **79,385,266** |

These financial statements were approved by the Board on 14 March 2017 and signed on its behalf by:

**Mr. Bukola Oluwadiya**
Chairman
FRC/2013/CISN/00000005132

**Mr. Edwin Igbiti**
Group MD/CEO
FRC/2013/CIIN/00000005551

**Mr. Ayodele Bamidele**
Chief Financial Officer
FRC/2013/ICAN/0000004332

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

# CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2016

| *In thousands of naira* | Notes | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|---|
| **Gross premium written** | 26(a) | **27,064,365** | **32,918,820** | **26,428,519** | **32,449,276** |
| Gross premium income | 26(c) | 30,029,334 | 10,410,650 | 29,507,169 | 9,941,106 |
| Reinsurance expenses | 26(d) | (3,341,764) | (3,662,162) | (3,341,764) | (3,662,162) |
| Net premium income | | **26,687,570** | **6,748,488** | **26,165,405** | **6,278,944** |
| **Fees and commission income** | | | | | |
| Insurance contract | 27 | 782,349 | 744,069 | 782,349 | 744,069 |
| Pension and other contracts | 27 | 1,334,953 | 1,355,846 | - | - |
| **Net underwriting income** | | **28,804,872** | **8,848,403** | **26,947,754** | **7,023,013** |
| **Claims expenses:** | | | | | |
| Claims expenses (Gross) | 28(a) | 14,940,358 | 13,045,452 | 14,571,206 | 13,045,452 |
| Claims expenses recovered from reinsurer | 28(b) | (1,844,168) | (2,377,750) | (1,844,168) | (2,377,750) |
| **Claims expenses (Net)** | | **13,096,190** | **10,667,702** | **12,727,038** | **10,667,702** |
| Underwriting expenses | 29 | 3,260,449 | 3,679,535 | 3,205,041 | 3,293,569 |
| **Total underwriting expenses** | | **16,356,639** | **14,347,237** | **15,932,079** | **13,961,271** |
| **Underwriting profit/(loss)** | | **12,448,233** | **(5,498,834)** | **11,015,675** | **(6,938,258)** |
| Investment income | 30(a) | 7,249,662 | 5,717,056 | 6,952,345 | 5,500,982 |
| Profit from deposit administration | 30(b) | 141,091 | 147,772 | 141,091 | 147,772 |
| Net realised gains | 31 | 335,799 | 7,630,227 | 318,161 | 7,585,119 |
| Net fair value (losses)/gains | 32 | 176,548 | (88,000) | 176,548 | (88,000) |
| Other operating income | 33 | 103,984 | 569,965 | 47,358 | 532,103 |
| Personnel expenses | 34 | (2,617,932) | (3,039,353) | (1,818,582) | (2,280,601) |
| Other operating expenses | 35 | (5,119,079) | (3,540,411) | (4,758,088) | (2,913,959) |
| Finance cost | 36 | (836,571) | (87,121) | (836,571) | (85,072) |
| Impairment loss on financial assets | 37 | (46,499) | (12,007) | (42,151) | (12,007) |
| **Profit before taxation** | | **11,835,236** | **1,799,294** | **11,195,786** | **1,448,079** |
| Income taxes | 12(b)(ii) | (1,533,494) | (557,680) | (1,450,341) | (435,610) |
| Minimum tax | 12(b)(i) | (63,331) | (46,008) | (63,331) | (46,008) |
| **Profit after taxation** | | **10,238,411** | **1,195,606** | **9,682,115** | **966,461** |
| **Attributable to shareholders** | | 10,209,378 | 1,220,000 | 9,682,115 | 966,461 |
| **Attributable to non-controlling interest holders** | 13(d)(ii) | 29,033 | (24,394) | - | - |
| | | **10,238,411** | **1,195,606** | **9,682,115** | **966,461** |
| **Other comprehensive income, net of tax** | | | | | |
| **Items within OCI that may be reclassified to profit or loss** | | | | | |
| Net loss on available-for-sale financial assets | 25(d) | (11,341,921) | (3,305,507) | (11,295,895) | (3,304,936) |
| Exchange gains on available-for-sale financial assets | 25(e) | 496,451 | 212,173 | 496,451 | 212,173 |
| Income tax relating to other comprehensive income | 25(e) | (47,995) | (63,652) | (47,995) | (63,652) |
| **Total other comprehensive loss** | | **(10,893,465)** | **(3,156,986)** | **(10,847,439)** | **(3,156,415)** |
| **Total comprehensive (loss) for the year** | | **(655,054)** | **(1,961,380)** | **(1,165,324)** | **(2,189,954)** |
| **Attributable to shareholders** | | (681,689) | (1,936,963) | (1,165,324) | (2,189,954) |
| **Attributable to non-controlling interest** | | 26,636 | (24,417) | - | - |
| | | **(655,054)** | **(1,961,380)** | **(1,165,324)** | **(2,189,954)** |
| Basic earning per share (Kobo) | 38 | 147 | 18 | 140 | 14 |
| Diluted earning per share (Kobo) | 38 | 105 | 14 | 100 | 11 |

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

# GROUP STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2016

| | Attributable to owners of the Group | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In thousands of naira* | Issued Share Capital | Share Premium | Retained Earnings | Contingency Reserve | Available-for-Sale Reserve | Revaluation Reserve | Statutory Reserve | Cumulative Irredeemable convertible preference shares | Exchange gains reserve | Shareholders' Equity | Non Controlling Interest | Total equity |
| **At January 1 2015** | 3,465,102 | 2,824,389 | 275,503 | 3,019,230 | 581,971 | 1,221,707 | 14,629 | 50,000 | - | 11,452,531 | 244,578 | 11,697,109 |
| **Total comprehensive income for the year** | | | | | | | | | | | | |
| Profit for the year | - | - | 1,220,000 | - | - | - | - | - | - | 1,220,000 | (24,394) | 1,195,606 |
| Other comprehensive income | - | - | - | - | (3,305,507) | - | - | - | 148,521 | (3,156,986) | (23) | (3,157,009) |
| **Total other comprehensive income for the year** | - | - | **1,220,000** | - | **(3,305,507)** | - | - | - | **148,521** | **(1,936,986)** | **(24,417)** | **(1,961,403)** |
| **Transfers within equity** | | | | | | | | | | | | |
| Transfer to contingency reserve | - | - | (462,846) | 462,846 | - | - | - | - | - | - | - | - |
| Transfer to statutory reserve | - | - | (40,611) | - | - | - | 40,611 | - | - | - | - | - |
| **Total transfers** | - | - | **(503,457)** | **462,846** | - | - | **40,611** | - | - | - | - | - |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | | | |
| Loss on transactions with NCI | - | - | (54,188) | - | - | - | - | - | - | (54,188) | 32,662 | (21,526) |
| Dividend paid to ordinary shareholders | - | - | (39,769) | - | - | - | - | (50,000) | - | (89,769) | 89,769 | - |
| **Total contributions by and distributions to equity** | - | - | **(93,957)** | - | - | - | - | **(50,000)** | - | **-143,957** | **122,431** | **-21,526** |
| **Balance as at 31 December 2015** | **3,465,102** | **2,824,389** | **898,089** | **3,482,076** | **(2,723,536)** | **1,221,707** | **55,240** | - | **148,521** | **9,371,588** | **342,592** | **9,714,180** |
| **Total comprehensive income for the year** | - | | | | | | | | | | | |
| Profit for the year | - | - | 10,209,378 | - | - | - | - | | - | 10,209,378 | 29,033 | 10,238,411 |
| Other comprehensive income | - | - | | - | (11,341,921) | - | - | - | 448,456 | (10,893,465) | (2,397) | (10,895,862) |
| **Total other comprehensive income for the year** | | - | **10,209,378** | - | **(11,341,921)** | - | - | - | **448,456** | **(684,087)** | **26,636** | **(657,451)** |
| Transfers within equity | - | | | | | | | | | | | |
| Transfer to contingency reserve | - | - | (1,221,455) | 1,221,455 | - | - | - | - | - | - | - | - |
| Transfer to statutory reserve | - | - | (41,448) | - | - | - | 41,448 | - | - | - | - | - |
| **Total transfers** | | - | **(1,262,903)** | **1,221,455** | - | - | **41,448** | - | - | - | - | - |
| ***Transactions with owners, recorded directly in equity*** | | | | | | | | | | | | |
| Profit/(Loss) on transactions with NCI | - | | - | | | | | | | - | | - |
| Dividend paid to ordinary shareholders | - | - | (346,510) | - | - | - | - | - | - | (346,510) | (7,241) | (353,751) |
| **Total contributions by and distributions to equity holders** | | - | **(346,510)** | - | - | - | - | - | - | **(346,510)** | **(7,241)** | **(353,751)** |
| **Balance as at 31 December 2016** | **3,465,102** | **2,824,389** | **9,498,054** | **4,703,531** | **(14,065,457)** | **1,221,707** | **96,688** | - | **596,977** | **8,340,991** | **361,987** | **8,702,978** |

# COMPANY STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2016

| *In thousands of naira* | Issued Share Capital | Share Premium | Retained Earnings | Contingency Reserve | Available-for-Sale Reserve | Revaluation Reserve | Exchange gains reserve | Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | |
| **At January 1 2015** | 3,465,102 | 2,824,389 | 548,547 | 2,993,584 | 581,400 | 1,221,707 | - | 11,634,729 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | - | - | 966,461 | - | - | - | - | 966,461 |
| Other comprehensive income | - | - | - | - | (3,304,936) | - | 148,521 | (3,156,415) |
| **Total other comprehensive income for the year** | **-** | **-** | **966,461** | **-** | **(3,304,936)** | **-** | **148,521** | **(2,189,954)** |
| *Transfers within equity* | | | | | | | | |
| Transfer to contingency reserve | - | - | (488,492) | 488,492 | - | - | - | - |
| **Total transfers within equity** | **-** | **-** | **(488,492)** | **488,492** | **-** | **-** | **-** | **-** |
| **Balance as at 31 December 2015** | **3,465,102** | **2,824,389** | **1,026,516** | **3,482,076** | **(2,723,536)** | **1,221,707** | **148,521** | **9,444,775** |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | - | - | 9,682,115 | - | - | - | - | 9,682,115 |
| Other comprehensive income | - | - | | - | (11,295,895) | - | 448,456 | (10,847,439) |
| **Total other comprehensive income for the year** | **-** | **-** | **9,682,115** | **-** | **(11,295,895)** | **-** | **448,456** | **(1,165,324)** |
| ***Transfers within equity*** | | | | | | | | |
| Transfer to contingency reserve | - | - | (1,221,455) | 1,221,455 | - | - | - | - |
| **Total transfers within equity** | **-** | **-** | **(1,221,455)** | **1,221,455** | **-** | **-** | **-** | **-** |
| ***Transactions with owners, recorded directly in equity*** | | | | | | | | |
| Dividend paid to ordinary shareholders | - | - | (346,510) | - | - | - | - | (346,510) |
| **Total contributions by and distributions to equity holders** | **-** | **-** | **(346,510)** | **-** | **-** | **-** | **-** | **(346,510)** |
| **Balance as at 31 December 2016** | **3,465,102** | **2,824,389** | **9,140,665** | **4,703,531** | **(14,019,431)** | **1,221,707** | **596,977** | **7,932,941** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

| *In thousands of naira* | Notes | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|---|
| **Operating activities:** | | | | | |
| Total premium received | | 26,443,405 | 32,832,439 | 25,918,188 | 32,336,731 |
| Commission received | | 2,117,302 | 2,099,915 | 782,349 | 744,069 |
| Commission paid | | (2,697,258) | (3,499,384) | (2,641,850) | (3,113,418) |
| Reinsurance premium paid | | (3,298,478) | (3,756,587) | (3,298,478) | (3,756,587) |
| Gross benefits and claim paid | | (16,602,033) | (12,552,223) | (16,232,881) | (12,552,223) |
| Claims recoveries | | 1,588,377 | 2,377,750 | 1,588,377 | 2,377,750 |
| Receipt from deposit administration | | 43,556 | 1,599,101 | 43,556 | 1,599,101 |
| Withdrawal from deposit administration | | (71,466) | (1,741,434) | (71,466) | (1,741,434) |
| Other underwriting expenses paid | | (351,860) | (359,254) | (351,860) | (359,254) |
| Finance cost | | (149,741) | (37,700) | (149,741) | (35,651) |
| Payments to employees | 34 | (2,617,932) | (3,039,353) | (1,818,582) | (2,280,601) |
| Other operating cash payments | | (4,688,528) | (7,645,739) | (4,529,188) | (5,872,711) |
| Other income received | | 3,064,926 | 10,433,225 | 771,833 | 9,945,183 |
| Tax paid | 12(a) | (885,057) | (450,413) | (778,633) | (431,664) |
| **Net cash flows from operating activities** | | **1,895,214** | **16,260,343** | **(768,376)** | **16,859,291** |
| **Investing activities:** | | | | | |
| Investment income received | | 7,249,661 | 6,645,149 | 6,952,345 | 5,924,861 |
| Purchase of property and equipment | 16 | (1,105,718) | (901,036) | (850,182) | (739,175) |
| Purchase of intangibles | 15 | (42,222) | (110,558) | (41,098) | (108,501) |
| Proceeds from sale of property and equipment | | 55,721 | 45,165 | 52,577 | 44,720 |
| Net purchase of available-for-sale financial assets | | (9,084,010) | (1,728,402) | (7,524,463) | (1,790,898) |
| Net purchase of held-to-maturity financial assets | 7(a)(i) | - | (21,289,625) | - | (21,709,201) |
| Repayment of loans and receivables | | 239,450 | 183,739 | 238,921 | 161,827 |
| Purchase of investment in subsidiaries | | - | - | - | (175,273) |
| Proceeds from sale of investment property | 14(b) | 126,000 | - | 126,000 | - |
| **Net cash flows from investing activities** | | **(2,561,118)** | **(17,155,568)** | **(1,045,900)** | **(18,391,640)** |
| **Financing activities:** | | | | | |
| Loan from IFC | 23(b) | - | 1,392,650 | - | 1,392,650 |
| Dividend paid to equity holders | | (353,751) | - | (346,510) | - |
| **Net cash flows from financing activities** | | **(353,751)** | **1,392,650** | **(346,510)** | **1,392,650** |
| Net(decrease)/increase in cash and cash equivalents | | (1,019,655) | 497,425 | (2,160,786) | (139,699) |
| Cash and cash equivalents at 1 January | | 8,451,795 | 7,954,370 | 6,437,403 | 6,577,102 |
| Effect of exchange rate on cash and cash equivalent | | 59,038 | - | 59,038 | - |
| **Cash and cash equivalents at 31 December** | | **7,491,178** | **8,451,795** | **4,335,655** | **6,437,403** |

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

# SEGMENT INFORMATION

For The Year Ended 31 December 2016

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- The Life insurance segment offers savings, protection products and other long-term contracts (both with and without insurance risk). It comprises a wide range of whole life, term assurance, guaranteed pensions, pure endowment pensions and mortgage endowment products. Revenue from this segment is derived primarily from insurance premium, fees and commission income and investment income.

- The Non-Life insurance segment comprises general insurance to individuals and businesses. Non-life insurance products offered include motor, household, commercial and business interruption insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.

- The Health segment is a Health Maintenance Organization for prepaid health plans to cater for the health needs of individuals and corporate organizations. The segment became a full subsidiary of AIICO Insurance Plc on July 1, 2012.

- Pension Manager Segment was licensed as a Pension Fund Administrator by the National Pension Commission on April 13, 2006 provides pension administration services to private and public sector contributors.

- The Wealth management segment is registered and licensed by the Securities & Exchange Commission in 2012, to carry out portfolio/fund management services. The segment commenced full operations in 2014 through the provision of bespoke wealth solutions for clients, by adopting a research based approach for every investment decision. The segment offers portfolio management services, structured investments and mutual funds to suit the investment needs of corporate and individual clients.

No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. The Company's financing and income taxes are managed on a Group basis and are not allocated to individual operating segments.

# SEGMENT STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at 31 December, 2016

| *In thousands of naira* | Life Business | General Business | Elimination of inter-business transactions | Company | Health management services | Pensions | Asset management | Elimination of inter-segment transactions | 31 December 2016 | 31 December 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross premium written** | **18,816,755** | **7,611,765** | - | **26,428,520** | **635,846** | - | - | - | **27,064,366** | **32,918,821** |
| Gross premium income from external customers | 22,174,421 | 7,332,749 | - | 29,507,170 | 522,165 | - | - | - | 30,029,335 | 10,410,651 |
| Premiums ceded to reinsurers | (333,223) | (3,008,541) | - | (3,341,764) | - | - | - | - | (3,341,764) | (3,662,162) |
| **Net premium Income** | **21,841,198** | **4,324,208** | - | **26,165,406** | **522,165** | - | - | - | **26,687,571** | **6,748,489** |
| **Fees and Commission Income** | | | | | | | | | | |
| Insurance contract | 136,201 | 646,148 | - | 782,349 | - | - | - | - | 782,349 | 744,069 |
| Pension and other contracts | - | - | - | - | 330,201 | 993,549 | 454,088 | (442,886) | 1,334,952 | 1,355,846 |
| **Net underwriting income** | **21,977,399** | **4,970,356** | - | **26,947,755** | **852,366** | **993,549** | **454,088** | **(442,886)** | **28,804,872** | **8,848,404** |
| | | | | | | | | | | |
| **Claims expenses:** | | | | | | | | | | |
| Claims expenses (Gross) | 11,476,954 | 3,094,252 | - | 14,571,206 | 369,152 | - | - | | 14,940,358 | 13,045,452 |
| Claims expenses recovered from reinsurer | (353,989) | (1,490,179) | - | (1,844,168) | - | - | - | | (1,844,168) | (2,377,750) |
| **Claims expenses (Net)** | **11,122,965** | **1,604,073** | - | **12,727,038** | **369,152** | - | - | - | **13,096,190** | **10,667,702** |
| Underwriting expenses | 2,199,994 | 1,005,047 | - | 3,205,041 | 55,408 | - | | | 3,260,449 | 3,679,535 |
| **Total underwriting expenses** | **13,322,959** | **2,609,120** | - | **15,932,079** | **424,560** | - | - | - | **16,356,639** | **14,347,237** |
| | | | | | | | | | | |
| Underwriting profit/(loss) | **8,654,440** | **2,361,236** | - | **11,015,676** | **427,806** | **993,549** | **454,088** | **(442,886)** | **12,448,233** | **(5,498,833)** |
| | | | | | | | | | | |
| Investment income | 6,092,335 | 860,010 | - | 6,952,345 | 44,502 | 129,637 | 266,901 | (143,723) | 7,249,662 | 5,717,056 |
| Profit from deposit administration | 141,091 | - | - | 141,091 | - | - | - | - | 141,091 | 147,772 |
| Net realised gains and losses | 268,068 | 50,093 | - | 318,161 | - | 2,784 | 14,854 | - | 335,799 | 7,630,227 |
| Fair value gains/(losses) | 177,548 | (1,000) | - | 176,548 | - | - | - | - | 176,548 | (88,000) |
| Other operating revenue | 168,791 | (121,433) | - | 47,358 | 5,884 | 1,712 | 49,030 | - | 103,984 | 569,965 |
| Employee Benefits expense | (891,105) | (927,477) | - | (1,818,582) | (206,245) | (447,794) | (145,311) | - | (2,617,932) | (3,027,737) |
| Other operating expense | (2,991,433) | (1,766,655) | - | (4,758,088) | (299,706) | (432,483) | (172,262) | 543,459 | (5,119,079) | (3,554,113) |
| Finance costs | (746,020) | (90,551) | - | (836,571) | - | - | - | - | (836,571) | (85,072) |
| Other material non-cash items: | | | | | | | | | | |
| - Impairment loss on investments | - | (42,151) | - | (42,151) | (4,348) | - | - | | (46,499) | (12,007) |
| **Profit/(loss) before tax** | **10,873,715** | **322,072** | - | **11,195,787** | **(32,108)** | **247,405** | **467,300** | **(43,150)** | **11,835,235** | **1,799,258** |
| Income tax expense | (879,360) | (570,980) | - | (1,450,340) | - | (75,834) | (7,321) | | (1,533,495) | (557,680) |
| Minimum tax | (63,331) | - | - | (63,331) | | | | | (63,331) | (46,008) |
| **Profit/(loss) for the year** | **9,931,024** | **(248,908)** | - | **9,682,116** | **(32,108)** | **171,571** | **459,979** | **(43,150)** | **10,238,409** | **1,195,570** |
| | | | | | | | | | | |
| **Attributable to Shareholders of the Company** | 9,931,024 | (248,908) | - | 9,682,116 | (25,969) | 136,399 | 459,979 | (43,150) | 10,209,374 | 1,219,964 |
| **Attributable to Non-Controlling Interest** | - | - | - | - | (6,139) | 35,172 | - | - | 29,033 | (24,394) |
| | | | | | | | | | | |
| **Other Comprehensive Income** | | | | | | | | | | |
| Net loss on available-for-sale asset | (10,885,032) | (410,863) | - | (11,295,894) | - | (11,694) | (34,332) | - | (11,341,920) | (3,305,138) |
| Unrealised exchange gain on unquoted investments | 496,451 | - | - | 496,451 | - | - | - | - | 496,451 | 212,173 |
| Available for sale gains reclassified to profit or loss | - | - | - | - | - | - | - | - | - | - |
| Revaluation gain on property and equipment | - | - | - | - | - | - | - | - | - | - |
| Income tax relating to other comprehensive income | (47,995) | - | - | (47,995) | - | - | - | - | (47,995) | (63,652) |
| | | | | | | | | | | |
| **Other comprehensive income for the year, net of tax** | **(10,436,576)** | **(410,863)** | - | **(10,847,438)** | - | **(11,694)** | **(34,332)** | - | **(10,893,464)** | **(3,156,617)** |
| | | | | | | | | | | |
| **Total comprehensive income for the year, net of tax** | **(505,552)** | **(659,771)** | - | **(1,165,322)** | **(32,108)** | **159,877** | **425,647** | **(43,150)** | **(655,055)** | **(1,961,047)** |

No single external customer contributed 10 percent or more of the entity's revenues as at year end.

# SEGMENT STATEMENT OF FINANCIAL POSITION

As at 31 December, 2016

| *In thousands of naira* | Life Business | General Business | Elimination of inter-business transactions | Company | Health management services | Pensions | Asset management | Elimination of inter-segment transactions | 31 December 2016 | 31 December 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and cash equivalents | 3,265,880 | 1,069,775 | - | 4,335,655 | 27,073 | 570,783 | 2,557,666 | - | 7,491,178 | 8,451,793 |
| Trade receivable | - | 133,022 | - | 133,022 | 74,141 | 113,264 | 220,132 | (128,590) | 411,969 | 296,514 |
| Reinsurance assets | 389,921 | 2,426,582 | - | 2,816,503 | - | - | - | | 2,816,503 | 2,479,069 |
| Deferred acquisition cost | - | 285,232 | - | 285,232 | - | - | - | | 285,232 | 264,842 |
| **Financial assets:** | | | - | | | | | | | - |
| Available-for-sale financial assets | 47,765,095 | 5,383,768 | - | 53,148,863 | 411,041 | 463,407 | 1,360,069 | (411,041) | 54,972,339 | 56,394,730 |
| Loans and receivables | 1,392,647 | 136,274 | - | 1,528,921 | 30,806 | 24,195 | - | - | 1,583,922 | 1,877,528 |
| Held to maturity financial assets | - | - | - | - | - | - | - | | - | |
| Deferred tax asset | 978,114 | - | - | 978,114 | 12,757 | 33,143 | 64,663 | - | 1,088,677 | 1,775,779 |
| Investment in subsidiary | 1,506,958 | 801,732 | - | 2,308,690 | - | - | - | (2,308,690) | - | - |
| Investment property | 645,000 | 345,000 | - | 990,000 | - | - | - | | 990,000 | 1,115,000 |
| Property, plant and equipment | 4,044,003 | 1,502,921 | - | 5,546,924 | 49,599 | 252,758 | 66,610 | | 5,915,891 | 5,353,659 |
| Other receivables and prepayments | 2,025,729 | 110,053 | (1,905,565) | 230,217 | 22,702 | 21,407 | 50,132 | - | 324,457 | 444,528 |
| Statutory deposit | 230,000 | 300,000 | - | 530,000 | - | - | - | | 530,000 | 530,000 |
| Goodwill and other intangible assets | 228,369 | 852,452 | - | 1,080,821 | | 3,226 | 7,984 | | 1,092,031 | 1,142,719 |
| **Total Assets** | **62,471,716** | **13,346,811** | **(1,905,565)** | **73,912,962** | **628,118** | **1,482,183** | **4,327,255** | **(2,848,321)** | **77,502,199** | **80,126,161** |
| | | | | | | | | | | |
| **Liabilities and Equity** | | | | | | | | | | |
| **Liabilities** | | | | | | | | | | |
| Trade payables | 1,157,086 | 442,755 | - | 1,599,841 | - | - | - | | 1,599,841 | 1,547,548 |
| Other payables and accrual | 1,088,935 | 2,555,024 | (1,905,565) | 1,738,394 | 33,449 | 57,136 | 86,679 | (128,590) | 1,787,068 | 2,489,334 |
| Fixed income liability | - | - | - | - | - | - | 2,942,911 | (411,041) | 2,531,870 | 165,838 |
| Current tax payable | 257,792 | 314,720 | - | 572,512 | - | 43,927 | 7,322 | | 623,761 | 592,960 |
| Deferred tax liability | - | 265,237 | - | 265,237 | - | - | 5,172 | - | 270,409 | 269,133 |
| Finance lease obligation | - | 7,368 | - | 7,368 | - | - | - | | 7,368 | 49,854 |
| Investment contract liabilities | 10,061,636 | - | - | 10,061,636 | - | - | - | | 10,061,636 | 8,295,046 |
| Insurance contract liabilities | 44,675,974 | 5,129,685 | - | 49,805,659 | 182,234 | - | - | | 49,987,893 | 55,548,154 |
| Borrowings | 1,785,650 | - | - | 1,785,650 | - | - | - | | 1,785,650 | 1,134,840 |
| Derivative liabilities | 143,725 | - | - | 143,725 | | | | | 143,725 | 319,274 |
| **Total liabilities** | **59,170,798** | **8,714,789** | **(1,905,565)** | **65,980,022** | **215,684** | **101,063** | **3,042,084** | **(539,631)** | **68,799,221** | **70,411,981** |
| | | | | | | | | | | |
| **Equity** | | | | | | | | | | |
| Issued share capital | 1,838,863 | 1,626,240 | - | 3,465,103 | 400,000 | 1,078,777 | 500,000 | (1,978,777) | 3,465,103 | 3,465,102 |
| Share premium | 2,046,073 | 778,316 | - | 2,824,389 | 47,494 | 40,365 | - | (87,860) | 2,824,388 | 2,824,389 |
| Statutory reserve | - | - | - | - | 20,004 | 76,684 | - | | 96,688 | 55,240 |
| Revaluation reserves | 876,792 | 344,914 | - | 1,221,706 | - | - | - | | 1,221,707 | 1,221,707 |
| Exchange gains reserves | 580,638 | 16,339 | - | 596,977 | | - | | | 596,977 | 148,521 |
| Available-for-sale reserve | (13,099,314) | (920,117) | - | (14,019,431) | - | (11,694) | (34,332) | | (14,065,457) | (2,723,536) |
| Contingency reserve | 2,463,929 | 2,239,601 | - | 4,703,530 | - | - | - | | 4,703,531 | 3,482,076 |
| Retained earnings | 8,593,940 | 546,727 | - | 9,140,666 | (55,064) | 196,987 | 819,502 | (604,040) | 9,498,053 | 898,088 |
| **Shareholders funds** | **3,300,921** | **4,632,020** | **-** | **7,932,940** | **412,434** | **1,381,119** | **1,285,170** | **(2,670,677)** | **8,340,990** | **9,371,588** |
| | | | | | | | | | | |
| Non- controlling interest | - | - | - | - | - | - | - | 361,987 | 361,988 | 342,592 |
| **Total equity** | **3,300,921** | **4,632,020** | **-** | **7,932,940** | **412,434** | **1,381,119** | **1,285,170** | **(2,308,690)** | **8,702,978** | **9,714,180** |
| | | | | | | | | | | |
| **Total liabilities and equity** | **62,471,716** | **13,346,811** | **(1,905,565)** | **73,912,962** | **628,118** | **1,482,182** | **4,327,255** | **(2,848,321)** | **77,502,199** | **80,126,161** |

**6 Cash and cash equivalents**

| *In thousands of naira* | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Cash at hand and bank | 3,361,862 | 3,415,825 | 3,218,433 | 2,925,735 |
| Short-term deposits | 4,129,316 | 5,035,970 | 1,117,222 | 3,511,668 |
| | **7,491,178** | **8,451,795** | **4,335,655** | **6,437,403** |

**(a)** Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

Interest rates on this deposit ranges from 12-18% and maturities ranging between 30-90days. These funds are placed with local banks.

**7 Financial assets**

| *In thousands of naira* | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Available-for-sale financial assets (see note (a) below) | 54,972,339 | 56,391,789 | 53,148,863 | 56,081,834 |
| Loans and receivables (see note (b) below) | 1,583,922 | 1,877,529 | 1,528,921 | 1,821,999 |
| | **56,556,261** | **58,269,318** | **54,677,784** | **57,903,833** |

**(a) Held to maturity financial assets**

| *In thousands of naira* | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Federal government bonds | - | - | - | - |
| State government bonds | - | - | - | - |
| Corporate bonds | - | - | - | - |
| Treasury bills | - | - | - | - |
| Debt securities | - | - | - | - |

**(i) Movement in Held-to-maturity financial assets**

| *In thousands of naira* | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Opening balance | - | 30,413,780 | - | 29,786,309 |
| Net purchase of HTM assets | - | 21,289,625 | - | 21,709,201 |
| Reclassification from AFS | - | - | - | - |
| Reclassification to AFS (see note 7(b)(ii)) | - | (51,703,405) | - | (51,495,510) |
| Closing balance | - | - | - | - |

**(ii) Reclassification out of Held-to-maturity financial assets**

In 2015, the Company reclassified HTM assets backing the annuity liability to available for sale (AFS) to eliminate the identified accounting mismatch and align the risks and management of the assets and liabilitied for annuity. The effective interest rate at the date of reclassification was 12.63%

This decision indicates a change in management's intention to hold these HTM assets to maturity and led to a tainting of the entire HTM portfolio. As a result, no financial asset will be classified as HTM for the next two years until 1 January 2018.

**(b) Available-for-sale financial assets**

| *In thousands of naira* | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Equity securities measured at fair value | 1,771,115 | 2,757,398 | 1,702,433 | 2,757,398 |
| Unquoted equity securities measured at cost | 568,927 | 727,096 | 568,927 | 625,036 |
| Unquoted equity securities measured at fair value | 1,378,245 | 1,203,890 | 1,378,245 | 1,203,890 |
| Money market placements (see note (i) below) | 100,000 | 387,513 | - | 387,513 |
| Federal government bonds (see note (ii) below) | 40,722,014 | 38,782,741 | 39,436,997 | 38,764,259 |
| State bonds (see note (iii) below) | 1,294,951 | 1,532,366 | 1,294,951 | 1,532,366 |
| Corporate bonds (see note (iv) below) | 1,390,524 | 3,887,389 | 1,390,524 | 3,887,388 |
| Commercial papers | - | 189,412 | - | - |
| Treasury bills (see note (v) below) | 7,746,563 | 6,923,984 | 7,376,786 | 6,923,984 |
| | **54,972,339** | **56,391,789** | **53,148,863** | **56,081,834** |

# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

**(i)** Money market placements above 90 days were classified as available-for-sale financial assets.

**(ii)** These have maturities ranging from 2017-2036 FGN bonds and are held to meet the long tenured nature of the Group's annuity portfolio. The effective interest rate on these bonds ranges from 10%-16%

**(iii)** These have maturities ranging from 2017-2022. The effective interest rate on these bonds ranges from 10%-17%

**(iv)** Corporate bonds have maturities ranging from 2017-2024. The effective interest rate 11.25% - 16.50%

**(v)** The treasury bills listed above have maturities ranging between 91-365 days with interets rates between 11.03% and 18.48%.

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Opening balance | 56,391,789 | 6,053,316 | 56,081,834 | 5,888,189 |
| Reclassification from HTM (see note 7(a)(i)) | - | 51,703,405 | - | 51,495,510 |
| Net purchase of AFS assets | 9,426,020 | 1,728,402 | 7,866,473 | 1,790,898 |
| Unrealised exchange rate gain | 496,451 | 212,173 | 496,451 | 212,173 |
| Fair value loss | (11,341,921) | (3,305,507) | (11,295,895) | (3,304,936) |
| Closing balance | **54,972,339** | **56,391,789** | **53,148,863** | **56,081,834** |

**(c) Loans and receivables**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Loans to policy holders (see note (i) below) | 1,095,525 | 898,838 | 1,095,525 | 898,508 |
| Finance lease receivables (see note (ii) below) | 70,841 | 641,384 | 70,841 | 645,822 |
| Other loans | 471,713 | 349,314 | 416,712 | 289,676 |
| | 1,638,079 | 1,889,536 | 1,583,078 | 1,834,006 |
| Less allowance for impairment (see note (iii) below) | (54,158) | (12,007) | (54,158) | (12,007) |
| | **1,583,921** | **1,877,529** | **1,528,920** | **1,821,999** |

**(i) Policy loans**

The Group grants loans to policyholders in line with the insurance policy provisions (terms and conditions). The maximum loan amount that could be granted to policyholders is 90% of the policy cash value. The cash value (worth of the policy as determined by the actuary) is the cash amount due to policyholders upon surrender of the insurance contract as at the date of determination and it is used as collateral on policy cash loan granted.

The tenor of the loan is within the policy duration and such policy must be in force and has acquired cash value before loan application can be considered. A pre-determined interest rate (compounded daily) is applied on the loan. The rate is currently 12% per annum and it is reviewed periodically.

The rate is determined after due consideration on the interest rate used by the actuary for premium benefit calculation, allowance for documentation and other expenses on the policy, margin for contingencies and profit loadings. Policy loans are not impaired as balances are set-off against benefits accruable to the policyholders.

**(ii) Finance lease receivable**

The table below provides the analysis of finance lease receivables for leases of certain equipment in which the Group is the lessor.

The average lease term for the finance lease granted by the Group is three years. For the year ended 31 December 2016, the average effective lending rate was 21% (2015: 19%). The leases are secured by the asset to which the lease relates. There are no unguaranteed residual values accuring to the benefit of the Group.

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Gross investments in finance leases, receivable | | | | |
| Less than one year | 71,162 | 663,707 | 71,162 | 668,182 |
| Between one and five years | - | - | - | - |
| | 71,162 | 663,707 | 71,162 | 668,182 |
| Unearned finance income | (321) | (22,323) | (321) | (22,360) |
| Net investment in finance leases | 70,841 | 641,384 | 70,841 | 645,822 |
| Less impairment allowance | (42,151) | - | (42,151) | - |
| | **28,690** | **641,384** | **28,690** | **645,822** |

**(iii) Impairment allowance**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Balance at 1 January | 12,007 | 42,151 | 12,007 | 42,151 |
| Charge for the year | 42,151 | 12,007 | 42,151 | 12,007 |
| Write-offs | - | (42,151) | - | (42,151) |
| Balance at 31 December | **54,158** | **12,007** | **54,158** | **12,007** |

## 8 Trade Receivables

**(a)** Trade receivables comprise:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Insurance receivables (see (i) below) | 133,022 | 123,848 | 133,022 | 123,848 |
| Due from direct clients | 283,295 | 172,666 | - | - |
| | **416,317** | **296,514** | **133,022** | **123,848** |
| Impairment on trade receivables | (4,348) | - | - | - |
| | **411,969** | **296,514** | **133,022** | **123,848** |

**(i)** Insurance receivable is analyzed as follows:

| | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Due from brokers | 132,665 | 118,917 | 132,665 | 118,917 |
| Due from others (see (ii) below) | 357 | 4,931 | 357 | 4,931 |
| | **133,022** | **123,848** | **133,022** | **123,848** |

**(ii)** Due from others represent receivables from travel insurance policies.

The age analysis of gross insurance trade receivables as at year end is as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| 0 - 90 days | 133,022 | 123,848 | 133,022 | 123,848 |
| 91 - 180 days | - | - | - | - |
| 180 days and above | - | - | - | - |
| | **133,022** | **123,848** | **133,022** | **123,848** |

## 9 Reinsurance assets

Reinsurance assets is analyzed as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Prepaid reinsurance (see note (a) below) | 950,482 | 868,839 | 950,482 | 868,839 |
| Recoverable on outstanding claims + IBNR (see note (b) below | 1,370,908 | 1,318,705 | 1,370,908 | 1,318,705 |
| Recoveries on Claims paid (see note (c) below) | 495,113 | 291,525 | 495,113 | 291,525 |
| | **2,816,503** | **2,479,069** | **2,816,503** | **2,479,069** |

**(a)** The movement in prepaid reinsurance is as follows;

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Balance at 1 January | 868,839 | 774,414 | 868,839 | 774,414 |
| Additions during the year | 3,423,407 | 3,756,587 | 3,423,407 | 3,756,587 |
| Reinsurance expense in the year (see note 26(d)) | (3,341,764) | (3,662,162) | (3,341,764) | (3,662,162) |
| Balance as at 31 December | **950,482** | **868,839** | **950,482** | **868,839** |

# NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2016

**(b)** The movement in outstanding claims is as follows;

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Balance at 1 January | 1,318,705 | 782,289 | 1,318,705 | 782,289 |
| Changes during the year | 52,203 | 536,416 | 52,203 | 536,416 |
| Balance as at 31 December | **1,370,908** | **1,318,705** | **1,370,908** | **1,318,705** |

**(c)** The movement in Recoveries on claims paid is as follows;

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Balance at 1 January | 291,525 | 142,616 | 291,525 | 142,616 |
| Changes during the year | 203,588 | 148,909 | 203,588 | 148,909 |
| Balance as at 31 December | **495,113** | **291,525** | **495,113** | **291,525** |

**10** Deferred acqusition cost

The analysis of deferred acquisition costs (DAC), which represents commission paid during the year on unearned premium received among different classes of business is shown below:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Fire | 71,308 | 66,211 | 71,308 | 66,211 |
| Motor | 96,979 | 90,046 | 96,979 | 90,046 |
| Workmen Compensation | 11,409 | 10,594 | 11,409 | 10,594 |
| Marine | 42,785 | 39,726 | 42,785 | 39,726 |
| Personal accident | 19,966 | 18,539 | 19,966 | 18,539 |
| Casualty accident | 28,523 | 26,484 | 28,523 | 26,484 |
| Oil and Gas | 14,262 | 13,242 | 14,262 | 13,242 |
| | **285,232** | **264,842** | **285,232** | **264,842** |
| The movement in deferred acquisition costs is as follows: | | | | |
| Balance at 1 January | 264,842 | 443,945 | 264,842 | 443,945 |
| Acquisition during the year | 2,873,571 | 2,755,212 | 2,873,571 | 2,755,212 |
| Amortization for the year (see note 29(b)) | (2,853,181) | (2,934,315) | (2,853,181) | (2,934,315) |
| Balance as at 31 December | **285,232** | **264,842** | **285,232** | **264,842** |

**11** **Other receivables and prepayments**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Prepaid expenses (see note (a) below) | 237,000 | 259,484 | 202,532 | 206,359 |
| Receivable from agents | 14,016 | 15,766 | 14,016 | 15,766 |
| Deposit for investment | - | 43,895 | - | 43,895 |
| Other receivables | 73,441 | 128,322 | 13,668 | 16,785 |
| | **324,457** | **447,467** | **230,217** | **282,805** |

The carrying amount of other receivables approximate their fair value.

**(a)** Prepaid expenses relate to rent and other expenses. The average amortisation period for these expenses is 24 months.

## 12 Income taxes

### (a) Current income tax liability

The movement in current tax payable can be analyzed as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | 592,961 | 558,874 | 518,443 | 492,279 |
| Back duty (see note (b)(iii) below) | 320,790 | - | 320,790 | - |
| Charge for the year (see note (b)(iii) below) | 595,067 | 484,500 | 511,912 | 457,828 |
| Payments made during the year | (885,057) | (450,413) | (778,633) | (431,664) |
| **At 31 December** | **623,761** | **592,961** | **572,512** | **518,443** |

### (b) Amounts recognised in profit or loss

#### (i) Current tax expense

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Minimum tax* (see note (iii) below) | 63,331 | 46,008 | 63,331 | 46,008 |
| | **63,331** | **46,008** | **63,331** | **46,008** |
| **(ii) Income tax** | | | | |
| Corporate income tax** | 330,046 | 388,055 | 255,579 | 371,478 |
| Tertiary tax | 88,367 | 33,036 | 82,153 | 26,004 |
| NITDA levy | 113,323 | 17,401 | 110,849 | 14,338 |
| | **531,737** | **438,492** | **448,582** | **411,820** |
| Back duty | 320,790 | - | 320,790 | - |
| | **852,527** | **438,492** | **769,372** | **411,820** |
| **Deferred tax expense** | | | | |
| Origination and reversal of temporary differences | 680,969 | 46,321 | 680,969 | (106,357) |
| Recognition of previously unrecognised tax losses | - | 72,867 | - | 130,147 |
| | **680,968** | **119,188** | **680,969** | **23,790** |
| **Total income taxes** | **1,533,494** | **557,680** | **1,450,341** | **435,610** |
| **(iii) Current tax expense** | | | | |
| Minimum tax (see note (i) above) | 63,331 | 46,008 | 63,331 | 46,008 |
| Corporate tax (see note (ii) above) | 531,737 | 438,492 | 448,582 | 411,820 |
| | **595,067** | **484,500** | **511,912** | **457,828** |
| Back duty (see note (ii) above) | 320,790 | - | 320,790 | - |
| **Current tax expense** | **915,857** | **484,500** | **832,702** | **457,828** |

* The life business of the Company was assessed using section 33 of the Company Income Tax Act (CITA) as there was no taxable profit.

** The non-life business of the Company was assessed using section 16 of CITA which provides for tax at 30% of taxable profit.

The Directors believe that accruals for tax liabilities are adequate for all open tax years based on its assessment of relevant factors, including the interpretations of tax law and tax practices in the determination of obligation for income taxes

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**(c) Amounts recognised in OCI**

| **Group** | | **2016** | |
|---|---|---|---|
| *In thousands of naira* | **Before tax** | **Tax (expense)** | **Net of tax** |
| Exchange gains on available-for-sale assets | 496,451 | (47,995) | 448,456 |
| Available-for-sale financial assets | (11,341,921) | - | (11,341,921) |
| Balance at 31 December | **(10,845,470)** | **(47,995)** | **(10,893,465)** |

| **Company** | | **2016** | |
|---|---|---|---|
| *In thousands of naira* | **Before tax** | **Tax (expense)** | **Net of tax** |
| Exchange gains on available-for-sale assets | 496,451 | (47,995) | 448,456 |
| Available-for-sale financial assets | (11,295,895) | - | (11,295,895) |
| Exchange gains/losses | - | - | |
| Balance at 31 December | **(10,799,444)** | **(47,995)** | **(10,847,439)** |

| **Group** | | **2015** | |
|---|---|---|---|
| *In thousands of naira* | **Before tax** | **Tax (expense)** | **Net of tax** |
| Revaluation of property and equipment | 212,173 | (63,652) | 148,521 |
| Available-for-sale financial assets | (3,305,507) | - | (3,305,507) |
| Balance at 31 December | **(3,093,334)** | **(63,652)** | **(3,156,986)** |

| **Company** | | **2015** | |
|---|---|---|---|
| *In thousands of naira* | **Before tax** | **Tax (expense)** | **Net of tax** |
| Revaluation of property and equipment | 212,173 | (63,652) | 148,521 |
| Available-for-sale financial assets | (3,304,936) | - | (3,304,936) |
| Balance at 31 December | **(3,092,763)** | **(63,652)** | **(3,156,415)** |

**(d) Reconciliation of effective tax rate**

**Group**

| *In thousands of naira* | **2016** | **2016** | **2015** | **2015** |
|---|---|---|---|---|
| Profit from continuing operations | | **11,835,236** | | **1,799,294** |
| Tax using domestic tax rate | 30% | 3,550,571 | 30% | 539,788 |
| Non deductible expenses | 4% | 460,571 | 27% | 485,210 |
| Tax exempt income | -24% | (2,791,251) | -214% | (3,845,156) |
| Net derecognition of previously recognised deferred tax | -2% | (208,875) | 185% | 3,327,402 |
| Tertiary education tax | 1% | 88,367 | 2% | 33,036 |
| Information technology levy | 1% | 113,323 | 1% | 17,401 |
| Minimum tax | | 63,331 | 3% | 46,008 |
| Changes in estimate related to prior year | 3% | 320,790 | 0% | - |
| | **13%** | **1,596,826** | **34%** | **603,689** |

| **Company** *In thousands of naira* | **2016** | **2016** | **2015** | **2015** |
|---|---|---|---|---|
| Profit from continuing operations | | **11,195,786** | | **1,448,079** |
| Tax using domestic tax rate | 30% | 3,358,736 | 30% | 434,424 |
| Non deductible expenses | 4% | 454,890 | 31% | 450,040 |
| Tax exempt income | -24% | (2,668,203) | -267% | (3,862,604) |
| Net derecognition of previously recognised deferred tax | -2% | (208,875) | 230% | 3,327,402 |
| Tertiary education tax | 1% | 82,153 | 2% | 26,004 |
| Information technology levy | 1% | 110,849 | 1% | 14,337 |
| Minimum tax | 1% | 63,331 | 3% | 46,008 |
| Changes in estimate related to prior year | 3% | 320,790 | 0% | - |
| | **14%** | **1,513,670** | **30%** | **435,610** |

**(e) Movement in deferred tax balances**

**2016**

**Group**

| *In thousands of naira* | Net balance at 1 January | Recognised in profit or loss | Recognised in OCI | Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| | | | | Balance at 31 December | | |
| Employee benefit deficit | 126,123 | - | - | 126,123 | 79,078 | 47,045 |
| Property and Equipment | (251,784) | - | - | (251,244) | 53,097 | (304,341) |
| Unrelieved losses | 1,701,545 | (680,968) | - | 1,062,438 | 1,068,149 | (5,711) |
| Investment property | (5,586) | - | - | (5,586) | - | (5,586) |
| Unrealised exchange gain on AFS assets | (63,652) | - | (47,995) | (113,462) | (111,647) | (1,815) |
| | **1,506,646** | **(680,968)** | **(47,995)** | **818,268** | **1,088,677** | **(270,408)** |

**2016**

**Company**

| *In thousands of naira* | Net balance at 1 January | Recognised in profit or loss | Recognised in OCI | Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| | | | | Balance at 31 December | | |
| Gratuity payable | 126,123 | - | - | 126,123 | 79,078 | 47,045 |
| Property and equipment | (257,495) | - | - | (257,495) | 47,386 | (304,881) |
| Unrelieved losses | 1,644,265 | (680,968) | - | 963,298 | 963,298 | - |
| Investment property | (5,586) | - | - | (5,586) | - | (5,586) |
| Unrealised exchange gain on AFS assets | (63,652) | - | (47,995) | (113,463) | (111,648) | (1,815) |
| | **1,443,655** | **(680,968)** | **(47,995)** | **712,876** | **978,114** | **(265,237)** |

**2015**

**Group**

| *In thousands of naira* | Net balance at 1 January | Recognised in profit or loss | Recognised in OCI | Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| | | | | Balance at 31 December | | |
| Employee benefit deficit | 198,086 | (71,963) | - | 126,123 | 79,078 | 47,045 |
| Property and equipment | (447,425) | 195,641 | - | (251,784) | 53,097 | (304,881) |
| Unrelieved losses | 1,774,412 | (72,867) | - | 1,701,545 | 1,707,256 | (5,711) |
| Investment property | 164,413 | (169,999) | - | (5,586) | - | (5,586) |
| Unrealised exchange gain on AFS assets | - | - | (63,652) | (63,652) | (63,652) | - |
| | **1,689,486** | **(119,188)** | **(63,652)** | **1,506,646** | **1,775,779** | **(269,133)** |

**2015**

**Company**

| *In thousands of naira* | Net balance at 1 January | Recognised in profit or loss | Recognised in OCI | Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|
| | | | | Balance at 31 December | | |
| Employee benefit deficit | 198,086 | (71,963) | - | 126,123 | 79,078 | 47,045 |
| Property and equipment (see note 23) | (605,813) | 348,318 | - | (257,495) | 47,386 | (304,881) |
| Unrelieved losses | 1,774,412 | (130,147) | - | 1,644,265 | 1,644,265 | - |
| Investment property | 164,412 | (169,998) | - | (5,586) | - | (5,586) |
| Unrealised exchange gain on AFS assets | - | - | (63,652) | (63,652) | (63,652) | - |
| | **1,531,097** | **(23,790)** | **(63,652)** | **1,443,655** | **1,707,077** | **(263,422)** |

**(f) Unrecognised deferred tax on unrelieved losses**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Unrecognised deferred tax | 2,518,159 | 3,409,746 | 2,518,159 | 3,409,746 |
| | **2,518,159** | **3,409,746** | **2,518,159** | **3,409,746** |

This represents the deferred tax on unrelieved losses on the life business.

The Group did not recognise this amount as it is of the view that it may not be probable to have taxable profits against which the tax assets can be utilised, due to the four-year tax lapse period for unrelieved losses for insurance companies in Nigeria.

## 13 Investment in subsidiaries

The Group is made up of four entities, as follows:

| | |
|---|---|
| AIICO Insurance PLC | - Parent |
| AIICO Pension Managers Limited | - Subsidiary |
| Multishield Health Management Organization | - Subsidiary |
| AIICO Capital Limited | - Subsidiary |

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| AIICO Pension Fund Managers Limited (see note (b) below) | - | - | 1,365,042 | 1,365,042 |
| Multishield Health Management Organization (see note (c) below) | - | - | 443,648 | 443,648 |
| AIICO Capital Limited see note (d) below) | - | - | 500,000 | 500,000 |
| **At 31 December** | **-** | **-** | **2,308,690** | **2,308,690** |

**(a)** The movement in investment in subsidiaries is as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Balance at January 1 | - | - | 2,308,690 | 2,133,417 |
| Net increase during the year | - | - | - | 175,273 |
| **At 31 December** | **-** | **-** | **2,308,690** | **2,308,690** |

**(b) AIICO Pension Fund Managers Limited**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Balance at January 1 | - | - | 1,365,042 | 1,189,769 |
| Additions | - | - | - | 240,000 |
| Disposal | | | - | (64,727) |
| **At 31 December** | **-** | **-** | **1,365,042** | **1,365,042** |

The Company has 79.5% interest in AIICO Pension Managers Limited (2015: 79.5%), which is involved in Pension Administration Services to private and public sector contributors. AIICO Pension was incorporated as a Limited Liability Company on February 1, 2005 under the Company and Allied Matter Act, 1990 and licensed as a Pension Fund Administrator by National Pension Commission on April 13, 2006. AIICO Pension Managers is domiciled in Nigeria and its registered office is at Plot 2 Oba Akran Avenue, Ikeja Lagos.

In 2012, and in response to National Pension Commission's directive for PFAs to increase their minimum share capital to ₦1billion, the Company increased its investment by ₦775 million by converting existing ₦300 million 5% convertible loans and additional injection of ₦475million investment in the issued 9% irredeemable preference shares.In 2015, the conversion option was exercised and the preference shares were converted into ordinary shares of the business at the price of ₦2.78 per share.

**(c) Multishield Limited**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Balance at January 1 | - | - | 443,648 | 443,648 |
| Additions | - | - | - | - |
| **At 31 December** | **-** | **-** | **443,648** | **443,648** |

The Company has 80.88% interest in Multishield Limited. Multishield Limited is involved in health management insurance. It is a private entity that is not listed on any public exchange and there are no published price quotations for the fair value of this investment. In accordance with IAS 27, this investment is stated at cost less impairment.

**AIICO Capital Limited**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Balance at January 1 | - | - | 500,000 | 500,000 |
| Additions | - | - | - | - |
| **At 31 December** | **-** | **-** | **500,000** | **500,000** |

The company has 100% interest in AIICO Capital Limited

## NOTES TO THE FINANCIAL STATEMENTS
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**(d)(i) Non-controlling interest**

| *In thousands of naira* | NCI Percentage Holding | 2016 | NCI Percentage Holding | 2015 |
|---|---|---|---|---|
| AIICO Pension Managers Limited | 20% | 283,130 | 20% | 261,402 |
| Multishield HMO | 19% | 78,857 | 19% | 81,190 |
| | | **361,987** | | **342,592** |

**(d)(ii)** The movement in the NCI account during the year is as follows:

| *In thousands of naira* | 2016 | 2015 |
|---|---|---|
| At Janaury 1 | 342,592 | 244,578 |
| Share of profit/ (loss) | 29,033 | (24,394) |
| Share of other comprehensive income | (2,397) | (23) |
| NCI share of transfer to statutory reserves | - | - |
| Dividend received | - | - |
| Dividend paid | (7,241) | - |
| Loss on dilution of shareholding | - | - |
| Gain/(Loss) on transaction with Group | - | 32,662 |
| Conversion of preference shares to ordinary shares | - | 89,769 |
| | **361,987** | **342,592** |

**14 Investment property**

**(a) The balance in this account can be analysed as follows:**

| *In thousands of naira* | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Cost | 975,825 | 1,101,825 | 975,825 | 1,101,825 |
| Unrealised fair value gain | 14,175 | 13,175 | 14,175 | 13,175 |
| | **990,000** | **1,115,000** | **990,000** | **1,115,000** |

**(b) Reconciliation of carrying amount**

| *In thousands of naira* | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Fair value at 1 January | 1,115,000 | 1,203,000 | 1,115,000 | 1,203,000 |
| Change in fair value | 1,000 | (88,000) | 1,000 | (88,000) |
| Disposal | (126,000) | - | (126,000) | - |
| **Balance at 31 December** | **990,000** | **1,115,000** | **990,000** | **1,115,000** |

Investment property comprises a number of commercial properties that are leased to third parties.

Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

The items of investment property are valued as shown below:

| *In thousands of naira* | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Safecourt Apartment Towers (7 flats). Ojulari road, off Lekki-Express Way, Lagos | 315,000 | 420,000 | 315,000 | 420,000 |
| Awolowo Towers (3 flats). 17A Awolowo road, Ikoyi, Lagos | 255,000 | 255,000 | 255,000 | 255,000 |
| 4 Terrace Houses. 36 Ladoke Akintola street, GRA, Ikeja, Lagos | 420,000 | 440,000 | 420,000 | 440,000 |
| | **990,000** | **1,115,000** | **990,000** | **1,115,000** |

**(c) Measurement of fair values**

***(i) Fair value hierarchy***

The fair value of investment properties was determined by an external, independent property valuer, having relevant recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer, Niyi Fatokun & Co. (Estate Surveyors and Valuers, FRC/2013/NIESV/70000000/1217) valued the properties on the basis of open market value as at 31 December 2016.

The Safecourt apartment (Off Lekki Expressway) had a fair value gain of ₦21million while the Terrace houses(GRA Ikeja) had a fair value loss of ₦20million, hence a net fair value gain of ₦1million as shown in (b) above.

The fair value measurement for the investment properties of ₦990million (2015: ₦1.15billion) has been categorised as a Level 3 fair value based on the inputs into the valuation technique used.

***(ii) Valuation technique and significant unobservable inputs***

The following table shows the valuation technique used in measuring the fair value of investmentproperty, as well as the significant unobservable inputs used.

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|
| The fair values are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities. | - Prices per square meter<br>- Rate of development in the area<br>- Quality of the building.<br>- Influx of people and/or businesses to the area | The estimated fair value would increase (decrease) if the rate of development in the area increases (decreases), quality of the building increases (decreases), influx ofpeople and/or business to the area increases (decreases). |

**15 Goodwill and other intangible assets**

**(a) Reconciliation of carrying amount**

**GROUP**

| *In thousands of naira* | **Goodwill** | **Computer Software** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2015 | 800,863 | 267,544 | 1,068,407 |
| Acquisitions | - | 110,558 | 110,558 |
| Transfer from property and equipment | - | 176,285 | 176,285 |
| Disposals | | (17,938) | (17,938) |
| **Balance at 31 December 2015** | **800,863** | **536,449** | **1,337,312** |
| Balance at 1 January 2016 | 800,863 | 536,449 | 1,337,312 |
| Acquisitions | - | 42,222 | 42,222 |
| Transfer from property and equipment | - | - | - |
| Disposals | - | - | - |
| **Balance at 31 December 2016** | **800,863** | **578,671** | **1,379,534** |
| **Accumulated amortization and impairment losses** | | | |
| Balance at 1 January 2015 | - | 145,883 | 145,883 |
| Amortization | - | 52,258 | 52,258 |
| Disposals | | (3,549) | (3,549) |
| **Balance at 31 December 2015** | - | **194,592** | **194,592** |
| Balance at 1 January 2016 | - | 194,592 | 194,592 |
| Amortization | - | 92,911 | 92,911 |
| Disposals | - | - | - |
| **Balance at 31 December 2016** | - | 287,503 | 287,503 |
| **Carrying amounts** | | | |
| Balance at 1 January 2015 | 800,863 | 121,661 | 922,524 |
| **Balance at 31 December 2015** | **800,863** | **341,857** | **1,142,720** |
| **Balance at 31 December 2016** | **800,863** | **291,168** | **1,092,031** |

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| **COMPANY** | | | |
|---|---|---|---|
| *In thousands of naira* | **Goodwill** | **Computer Software** | **Total** |
| **Cost** | | | |
| Balance at 1 January 2015 | 800,863 | 121,050 | 921,913 |
| Acquisitions | - | 108,501 | 108,501 |
| Transfer from property and equipment | - | 176,285 | 176,285 |
| Disposals | | (17,938) | (17,938) |
| **Balance at 31 December 2015** | **800,863** | **387,898** | **1,188,761** |
| Balance at 1 January 2016 | 800,863 | 387,898 | 1,188,761 |
| Acquisitions | - | 41,098 | 41,098 |
| Transfer from property and equipment | - | - | - |
| Disposals | - | - | - |
| **Balance at 31 December 2016** | **800,863** | **428,996** | **1,229,859** |
| **Accumulated amortization and impairment losses** | | | |
| Balance at 1 January 2015 | - | 35,147 | 35,147 |
| Amortization | - | 36,292 | 36,292 |
| Disposals | | (3,549) | (3,549) |
| **Balance at 31 December 2015** | - | **67,890** | **67,890** |
| Balance at 1 January 2016 | - | 67,890 | 67,890 |
| Amortization | - | 81,148 | 81,148 |
| Disposals | - | - | - |
| **Balance at 31 December 2016** | - | **149,038** | **149,038** |
| **Carrying amounts** | | | |
| Balance at 1 January 2015 | 800,863 | 85,903 | 886,766 |
| **Balance at 31 December 2015** | **800,863** | **320,008** | **1,120,871** |
| **Balance at 31 December 2016** | **800,863** | **279,958** | **1,080,821** |

**(b)** The goodwill in the Company has been allocated to the non-life business as a cash generating unit (CGU). The recoverable amount of the non-life business has been determined based on value in use, using equity discounted cash flow projections based on current earnings before interest, tax, depreciation and amortisation (EBITDA) before tax projected over a five year period.

| The key assumptions used in the calculations are as follows; | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| **(i)** | % | % | % | % |
| Discount rate | 16.5 | 17 | 16.5 | 17 |
| Terminal growth rate | 5 | 6 | 5 | 6 |

Five years of cash flows were included in the discounted cash flow model. A long term growth rate into perpetuity has been assumed along term sustainable growth rate of 5%.

Budgeted EBITDA was based on expectations of future outcomes taking into consideration past experience, devaluation of the naira currency and persistent inflation adjusted for the anticipated revenue growth.

The projected cash flows beyond the five years excluding expenses have been extrapolated using the terminal growth rate not exceeding the long-term average growth rate for the market in which the units operate.

No impairment loss has been recognised in 2016 (2015: nil) on non-life insurance business as no indication of impairment was identified.

**Sensitivity to changes in assumptions**
The key assumptions described above may change as economic and other market condition change, however, with regard to the assessment of value in use for the non-life insurance cash generating unit, management does not believe a reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amounts.

**16 Property and equipment**

**(a)**

| **Group** *In thousands of naira* | **Leasehold land & buildings** | **Capital work in progress** | **Furniture & equipment** | **Motor vehicles** | **Leased motor vehicles** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2016 | 4,863,704 | 262,482 | 1,729,239 | 873,387 | 104,890 | 7,833,702 |
| Additions | - | 601,009 | 274,666 | 230,043 | - | 1,105,718 |
| Disposals | - | (1,544) | (80,031) | (116,997) | - | (198,572) |
| Reclassifications | 37,956 | (258,164) | 209,947 | 10,261 | - | - |
| Reclassification to Intangibles | - | | - | - | - | - |
| **At 31 December 2016** | **4,901,660** | **603,783** | **2,133,821** | **996,694** | **104,890** | **8,740,848** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2016 | 548,024 | - | 1,324,317 | 581,121 | 26,584 | 2,480,046 |
| Depreciation for the period | 131,630 | - | 200,052 | 156,159 | 26,222 | 514,063 |
| Disposals | - | - | (67,752) | (101,400) | - | (169,152) |
| Reclasssification | - | - | (18,235) | 22,119 | (3,884) | - |
| **At 31 December 2016** | **679,654** | **-** | **1,438,382** | **657,999** | **48,922** | **2,824,957** |
| **Net book value** | | | | | | |
| **At 31 December 2016** | **4,222,006** | **603,783** | **695,439** | **338,695** | **55,968** | **5,915,891** |
| **At 1 January 2016** | **4,315,680** | **262,482** | **404,922** | **292,266** | **78,306** | **5,353,656** |

**(b)**

| **Company** *In thousands of naira* | **Leasehold land & buildings** | **Capital work in progress** | **Furniture & equipment** | **Motor vehicles** | **Leased motor vehicles** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2016 | 4,863,704 | 262,482 | 1,467,786 | 548,531 | 104,890 | 7,247,393 |
| Additions | - | 601,009 | 177,731 | 71,442 | - | 850,182 |
| Disposals | - | (1,544) | (78,522) | (64,471) | - | (144,537) |
| Reclasifications | 37,956 | (258,164) | 209,947 | 10,261 | - | - |
| Reclassification to Intangibles | - | - | - | - | - | - |
| **At 31 December** | **4,901,660** | **603,783** | **1,776,942** | **565,763** | **104,890** | **7,953,038** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2016 | 548,024 | - | 1,136,769 | 424,189 | 26,584 | 2,135,566 |
| Depreciation for the period | 131,630 | - | 155,216 | 72,958 | 26,222 | 386,026 |
| Disposals | - | - | (66,376) | (49,101) | - | (115,477) |
| Reclasifications | | | (18,235) | 22,119 | (3,884) | - |
| **At 31 December** | **679,654** | **-** | **1,207,374** | **470,165** | **48,922** | **2,406,115** |
| **Net book value** | | | | | | |
| **At 31 December** | **4,222,006** | **603,783** | **569,568** | **95,598** | **55,968** | **5,546,924** |
| **At 1 January, 2016** | **4,315,680** | **262,482** | **331,017** | **124,342** | **78,306** | **5,111,828** |

**i.** There were no capitalized borrowing costs related to the acquisition of property and equipment as at the reporting date.

**(c) Leased plant and equipment**

The Group leased motor vehicles under a finance lease arrangement. The leased vehicles secure the obligations. At 31 December 2016, the net carrying amount of leased motor vehicles was ₦55.9million (2015: ₦78.3million)

**17 Statutory deposits**

This represents the amount deposited with the Central Bank of Nigeria as at 31 December, 2016 in accordance with section 9(1) and section 10(3) of Insurance Act 2003 interest income earned on this deposit is included in the investment income.

| | **Group** | | **Company** | |
|---|---|---|---|---|
| ***In thousands of naira*** | **2016** | **2015** | **2016** | **2015** |
| Non life business | 300,000 | 300,000 | 300,000 | 300,000 |
| Life business | 230,000 | 230,000 | 230,000 | 230,000 |
| | **530,000** | **530,000** | **530,000** | **530,000** |

# NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2016

**18 Insurance contract liabilities**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Life insurance contract (see (a) below) | 44,675,974 | 50,103,692 | 44,675,974 | 50,103,692 |
| Non–life insurance contract (see (b) below) | 5,311,919 | 5,444,462 | 5,129,685 | 5,276,285 |
| **Total insurance contract liabilities** | **49,987,893** | **55,548,154** | **49,805,659** | **55,379,977** |

**(a) Life insurance contract liabilities**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Provision for reported claims(see note (i) below) | 1,012,726 | 2,248,785 | 1,012,726 | 2,248,785 |
| **Total life contract outstanding claims provision** | **1,012,726** | **2,248,785** | **1,012,726** | **2,248,785** |
| Liability on long term insurance contract (see note (ii) below) | 43,663,248 | 47,854,907 | 43,663,248 | 47,854,907 |
| | **44,675,974** | **50,103,692** | **44,675,974** | **50,103,692** |

**(a)(i) Movement in life contract outstanding claims provision can be analyzed as follows:**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | 2,248,785 | 2,696,800 | 2,248,785 | 2,696,800 |
| Claims incurred during the year (see note 28(i)) | 11,476,954 | 9,379,290 | 11,476,954 | 9,379,290 |
| Claims paid during the year | (12,713,013) | (9,827,305) | (12,713,013) | (9,827,305) |
| **At 31 December** | **1,012,726** | **2,248,785** | **1,012,726** | **2,248,785** |

**(a)(ii) Analysis of liability on long term insurance contract fund is as follows:**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Annuity | 27,160,163 | 32,700,431 | 27,160,163 | 32,700,431 |
| Group life | 1,600,622 | 1,149,730 | 1,600,622 | 1,149,730 |
| Ordinary life | 14,902,463 | 14,004,746 | 14,902,463 | 14,004,746 |
| | **43,663,248** | **47,854,907** | **43,663,248** | **47,854,907** |

**(a)(iii) Movement in long term life insurance contract fund can be analyzed as follows:**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| **At 1 January** | 47,854,907 | 27,700,687 | 47,854,907 | 27,700,687 |
| Movement during the year | (4,191,659) | 20,154,220 | (4,191,659) | 20,154,220 |
| **At 31 December** | **43,663,248** | **47,854,907** | **43,663,248** | **47,854,907** |

**(b) Non-life insurance contract liabilities**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Provision for reported claims | 2,007,729 | 2,499,142 | 2,007,729 | 2,499,142 |
| Provision for claims incurred but not reported (IBNR) | 793,605 | 727,808 | 793,605 | 727,808 |
| **Total non-life contract outstanding claims provision (see note (i) below)** | **2,801,334** | **3,226,950** | **2,801,334** | **3,226,950** |
| Provision for unearned premium (see note (ii) below) | 2,510,585 | 2,217,512 | 2,328,351 | 2,049,335 |
| **Total non-life insurance contract liabilities** | **5,311,919** | **5,444,462** | **5,129,685** | **5,276,285** |

**(b)(i) Movement in non-life contract outstanding claims provision can be analyzed as follows:**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | 3,226,950 | 2,285,706 | 3,226,950 | 2,285,706 |
| Claims incurred in the current accident year (see note 28(ii)) | 3,094,252 | 3,662,163 | 3,094,252 | 3,662,163 |
| Claims paid during the year | (3,519,868) | (2,720,919) | (3,519,868) | (2,720,919) |
| **At 31 December** | **2,801,334** | **3,226,950** | **2,801,334** | **3,226,950** |

**(b)(ii) Analysis of non-life contract unearned premium is as follows:**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Fire | 415,114 | 441,898 | 415,114 | 441,898 |
| Auto | 539,920 | 446,516 | 539,920 | 446,516 |
| Personal Accident | 132,211 | 106,228 | 132,211 | 106,228 |
| Casualty | 500,150 | 337,467 | 500,150 | 337,467 |
| Workmen Compensation | 51,622 | 42,321 | 51,622 | 42,321 |
| Marine | 394,475 | 333,433 | 394,475 | 333,433 |
| Special Oil | 294,860 | 341,472 | 294,860 | 341,472 |
| Health Management | 182,234 | 168,177 | - | - |
| | **2,510,585** | **2,217,512** | **2,328,351** | **2,049,335** |

**(b)(iii) Movement in non-life contract unearned premium can be analyzed as follows:**

| | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | 2,217,512 | 2,388,108 | 2,049,335 | 2,345,922 |
| Changes in health insurance unearned premium | 14,057 | 125,991 | - | - |
| Premium written in the year | 8,247,611 | 8,669,496 | 7,611,765 | 8,199,952 |
| Premium earned during the year | (7,968,595) | (8,966,083) | (7,332,749) | (8,496,539) |
| **At 31 December** | **2,510,585** | **2,217,512** | **2,328,351** | **2,049,335** |

**19 Investment contract liabilities**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Deposit administration (see note (a) below) | 3,051,923 | 2,909,940 | 3,051,923 | 2,909,940 |
| Other investment contract liabilities (see note (b) below) | 7,009,713 | 5,385,106 | 7,009,713 | 5,385,106 |
| **Total investment contract liabilities** | **10,061,636** | **8,295,046** | **10,061,636** | **8,295,046** |

# NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2016

**(a)** Movement in deposit administration is shown below:

| | | | | |
|---|---|---|---|---|
| At 1 January | 2,909,940 | 2,968,448 | 2,909,940 | 2,968,448 |
| Deposits | 45,957 | 1,599,101 | 45,957 | 1,599,101 |
| Withdrawals | (71,466) | (1,741,434) | (71,466) | (1,741,434) |
| Fees and other deductions | - | (80,691) | - | ( 80,691 ) |
| Credit of interest and other income | 167,492 | 164,516 | 167,492 | 164,516 |
| **At 31 December** | **3,051,923** | **2,909,940** | **3,051,923** | **2,909,940** |

**(b)** Other investment contract liabilities are stated at amortised cost and the amount is analysed as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | 5,385,106 | 3,639,677 | 5,385,106 | 3,639,677 |
| Increase during the year | 1,624,607 | 1,745,429 | 1,624,607 | 1,745,429 |
| **At 31 December** | **7,009,713** | **5,385,106** | **7,009,713** | **5,385,106** |

Other investment contract liabilities represent deposit-based policies for individual savings business.

**20 Trade payables**

Trade payables represent amounts payable to reinsurers, co-insurers, agents and brokers at year end. The carrying amounts disclosed below approximate the fair values at the reporting date

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Reinsurance and co-insurance payable | 476,124 | 351,195 | 476,124 | 351,195 |
| Due to policyholders | 1,123,717 | 1,196,353 | 1,123,717 | 1,196,353 |
| | **1,599,841** | **1,547,548** | **1,599,841** | **1,547,548** |

**(a) Movement in trade payables**

| | | | | |
|---|---|---|---|---|
| At 1 January | 1,547,548 | 643,762 | 1,547,548 | 643,762 |
| Changes during the year | 52,293 | 903,786 | 52,293 | 903,786 |
| **At 31 December** | **1,599,841** | **1,547,548** | **1,599,841** | **1,547,548** |

**21(a) Other payables and accruals**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Accrued expenses | 176,898 | 206,246 | 121,613 | 166,575 |
| Agent provident fund | 123,223 | 21,654 | 123,223 | 21,654 |
| Premium received in advance | - | 791,373 | - | 791,373 |
| Commission payable | 513,985 | - | 513,985 | - |
| Gratuity payable (see note (i) below) | 267,659 | 419,448 | 267,659 | 419,448 |
| Deferred income | 208,932 | 194,611 | 208,932 | 194,609 |
| Other payables | 204,896 | 250,547 | 82,916 | 68,741 |
| Other credit balances (see note (ii) below) | 291,474 | 605,454 | 291,475 | 605,454 |
| Payable to subsidiaries (see note (iii) below) | - | - | 128,589 | 164,233 |
| | **1,787,068** | **2,489,333** | **1,738,392** | **2,432,087** |

(i) The Company's retirement benefit obligation was terminated in 2014 and the liability as at the date of termination - April 30, 2014, was transferred to a payable account.

(ii) Other credit balances represent outstanding bank credits which have not been matched to the prospective policyholders.

(iii) **Payable to subsidiaries**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Cash and broker balances with AIICO Capital | - | - | - | 60,725 |
| Payable to AIICO Capital | - | - | (128,589) | (224,958) |
| **Net payable to subsidiaries** | **-** | **-** | **(128,589)** | **(164,233)** |

(b) **Fixed income liability**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Guaranteed income notes (see note (i)) | 2,531,870 | 165,838 | - | - |
| | **2,531,870** | **165,838** | **-** | **-** |

(i) AIICO Capital Limited, a subsidiary company, manages a guaranteed income product, held as fixed income liabilities.
The assets held under this arrangement are in the name of AIICO Capital Limited and the underlying risks are retained by the Company.

(ii) These fixed income liabilities are invested as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Cash and cash equivalents (see note 6(b)) | 1,886,025 | 149,892 | - | - |
| AFS financial assets (see note 7(b)(i)) | 645,845 | 15,946 | - | - |
| | **2,531,870** | **165,838** | **-** | **-** |

## 22 Finance lease obligations

Finance lease liabilities are payable as follows:

**GROUP**

| | Future minimum lease payments | | Interest | | Present value of minimum lease payments | |
|---|---|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Less than one year | 8,248 | 47,562 | 880 | 5,076 | 7,368 | 42,486 |
| Between one and five years | - | 8,248 | - | 880 | - | 7,368 |
| | **8,248** | **55,810** | **880** | **5,956** | **7,368** | **49,854** |

# NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2016

**COMPANY**

| | Future minimum lease payments | | Interest Company | | Present value of minimum lease payments | |
|---|---|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Less than one year | 8,248 | 47,562 | 880 | 5,076 | 7,368 | 42,486 |
| Between one and five years | - | 8,248 | - | 880 | - | 7,368 |
| | **8,248** | **55,810** | **880** | **5,956** | **7,368** | **49,854** |

It is the Group's policy to lease certain of its equipment under finance leases. The average lease term is four years. For the year ended 31 December 2016, the average effective borrowing rate was 20% (2015: 20%). Interest rates are fixed at the date of contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Naira. The fair value of the Group's obligations under finance leases are secured by the asset to which the leases relate.

**23 (a) Borrowings**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| IFC Loan | 1,785,650 | 1,134,840 | 1,785,650 | 1,134,840 |
| | **1,785,650** | **1,134,840** | **1,785,650** | **1,134,840** |

The Company obtained a loan of US$7million from the International Finance Corporation (IFC) on 30 June 2015 at an interest rate of 6.5% plus 6-month LIBOR for a period of 7 years with moratorium period of 4 years on the principal.The loan has an embedded derivative (a conversion option) whereby IFC has the right to convert all or a portion of the outstanding principal amount into the equivalent number of shares of the Company.This option may be exercised 3 years from 23 December 2016 or in the event of a change in control or sale of a substantial part of the Company's assets or business.

**(b)** The movement in borrowings is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Opening balance | 1,073,376 | 1,392,650 | 1,073,376 | 1,392,650 |
| Foreign exchange difference | 646,727 | - | 646,727 | - |
| Convertible option | - | (319,274) | - | (319,274) |
| | **1,720,103** | **1,073,376** | **1,720,103** | **1,073,376** |
| Accrued interest | 65,547 | 61,464 | 65,547 | 61,464 |
| | **1,785,650** | **1,134,840** | **1,785,650** | **1,134,840** |

The loan which is carried at amortised cost was remeasured at the reporting date using the closing market rate of N305/$1 (2015: N199/$1)

**(c)** The loan, which is a hybrid financial instrument, was split into debt and derivative liability components at inception. Current carrying values is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Long term debt measured at amortised cost | 1,785,650 | 1,134,840 | 1,785,650 | 1,134,840 |
| Derivative liability measured at fair value (see note 24) | 143,725 | 319,274 | 143,725 | 319,274 |
| | **1,929,375** | **1,454,114** | **1,929,375** | **1,454,114** |

**24 (a) Derivative liabilities**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Option in Convertible Debt - IFC (see note (c) below) | 143,725 | 319,274 | 143,725 | 319,274 |
| | **143,725** | **319,274** | **143,725** | **319,274** |

**(b) Option in Convertible Debt - IFC**

This represents the embedded options to convert the outstanding notional amount of the borrowing granted by the International Finance Corporation (IFC), into shares (see further details in Note 23(c)). This is carried at fair value.

**25 Capital and reserves**

**(a) Share capital**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| (a)(i) Authorised: | | | | |
| At 1 January: | | | | |
| 10,000,000,000 ordinary shares of 50 kobo each | 7,500,000 | 5,000,000 | 7,500,000 | 5,000,000 |
| Additions: | | | | |
| 5,000,000,000 ordinary shares of 50 kobo each | - | 2,500,000 | - | 2,500,000 |
| **At 31 December** | **7,500,000** | **7,500,000** | **7,500,000** | **7,500,000** |

The authorised share capital of the Company was increased from 10 billion units to 15 billion units during the 2014 annual general meeting of the Company's shareholders held on 22 June 2015.

| | | | | |
|---|---|---|---|---|
| (a)(ii) Ordinary shares issued and fully paid: | | | | |
| 6,930,204,480 ordinary shares at 50 kobo each | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 |
| | **3,465,102** | **3,465,102** | **3,465,102** | **3,465,102** |
| (a)(iii) Ordinary shares issued and fully paid can be further analysed as follows: | | | | |
| General business - 3,252,479,682 ordinary shares at 50 kobo | 1,626,239 | 1,626,239 | 1,626,239 | 1,626,239 |
| Life business - 3,677,724,798 ordinary shares at 50 kobo each | 1,838,863 | 1,838,863 | 1,838,863 | 1,838,863 |
| | **3,465,102** | **3,465,102** | **3,465,102** | **3,465,102** |

**(b) Share premium**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Share premium | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 |
| | **2,824,389** | **2,824,389** | **2,824,389** | **2,824,389** |

**(c) Revaluation reserves**

(i) The balance in this account is analysed as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Revaluation surplus | 1,745,295 | 1,745,295 | 1,745,295 | 1,745,295 |
| Deferred tax | (523,588) | (523,588) | (523,588) | (523,588) |
| | **1,221,707** | **1,221,707** | **1,221,707** | **1,221,707** |

# NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2016

**(ii)** Revaluation reserves warehouses revaluation gains and losses on land and building.

The movement in this account is as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | 1,221,707 | 1,221,707 | 1,221,707 | 1,221,707 |
| | **1,221,707** | **1,221,707** | **1,221,707** | **1,221,707** |

**(d) Available-for-sale reserves**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | (2,723,536) | 581,971 | (2,723,536) | 581,400 |
| Net available-for-sale losses | (11,341,921) | (3,305,507) | (11,295,895) | (3,304,936) |
| **At 31 December** | **(14,065,457)** | **(2,723,536)** | **(14,019,431)** | **(2,723,536)** |

The available for sale reserves is further broken down below;

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Revalued equities - Quoted | (1,774,186) | (910,768) | (1,774,186) | (910,768) |
| Revalued equities - Unquoted | (3,678) | - | (3,678) | - |
| Revaluation of bonds | (12,273,091) | (1,835,329) | (12,227,065) | (1,835,329) |
| Revaluation of Tbills | (14,502) | 22,561 | (14,502) | 22,561 |
| **At 31 December** | **(14,065,457)** | **(2,723,536)** | **(14,019,431)** | **(2,723,536)** |

**(e) Exchange gains/(loss) reserve**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | 148,521 | - | 148,521 | - |
| Exchange gains on available for sale financial assets | 496,451 | 212,173 | 496,451 | 212,173 |
| | **644,972** | **212,173** | **644,972** | **212,173** |
| Deferred tax | (47,995) | (63,652) | (47,995) | (63,652) |
| **At 31 December** | **596,977** | **148,521** | **596,977** | **148,521** |

**(f) Statutory reserves**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | 55,240 | 14,629 | - | - |
| Transfer from retained earnings | 41,448 | 40,611 | - | - |
| **At 31 December** | **96,688** | **55,240** | **-** | **-** |

**(g) Contingency reserves**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| At 1 January | 3,482,076 | 3,019,230 | 3,482,076 | 2,993,584 |
| Transfer from retained earnings | 1,221,455 | 462,846 | 1,221,455 | 488,492 |
| **At 31 December** | **4,703,531** | **3,482,076** | **4,703,531** | **3,482,076** |

Contingency reserve is calculated, in the case of non-life business, at the rate of the higher of 3% of total premium receivable during the period or 20% of the net profits in accordance with Section 21(2) of Insurance Act, 2003 and, in respect of Life Insurance Business, at the rate of the higher of the higher of 1% of the gross premium and 10% of net profits, in accordance with Section 22(1)(b) of the Insurance Act 2003.

**(h) Retained earnings**

The movement in retained earnings can be analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| At 1 January | 898,089 | 275,503 | 1,026,516 | 548,547 |
| Transfer from statement of profit or loss and other comprehensive income | 10,209,378 | 1,220,000 | 9,682,115 | 966,461 |
| Transfer to contingency reserve | (1,221,455) | (462,846) | (1,221,455) | (488,492) |
| Transfer to statutory reserve | (41,448) | (40,611) | - | - |
| Loss on conversion of preference shares to ordinary shares | - | (39,769) | - | - |
| Dividend paid to ordinary shareholders | (346,510) | - | (346,510) | - |
| Loss on transactions with NCI | - | (54,188) | - | - |
| Loss on dilution of shareholding | - | - | - | - |
| **At 31 December** | **9,498,054** | **898,089** | **9,140,665** | **1,026,516** |

**26 Gross premium**

**(a) Gross premium written**

Gross premium written by business is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Non-life | 7,611,765 | 8,199,952 | 7,611,765 | 8,199,952 |
| Life (individual and group) | 14,831,310 | 11,076,552 | 14,831,310 | 11,076,552 |
| Annuity | 3,985,444 | 13,172,772 | 3,985,444 | 13,172,772 |
| Health Management | 635,846 | 469,544 | - | - |
| | **27,064,365** | **32,918,820** | **26,428,519** | **32,449,276** |

**(b) Premium received**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Gross premium written per income statement | 27,064,365 | 32,918,820 | 26,428,519 | 32,449,276 |
| Increase/(decrease) in trade receivables | (119,803) | (86,381) | (9,174) | (112,545) |
| | **26,944,562** | **32,832,439** | **26,419,345** | **32,336,731** |

**(c) Gross premium income**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Gross premium written | 27,064,365 | 32,918,820 | 26,428,519 | 32,449,276 |
| Unearned premium | 2,964,969 | (22,508,170) | 3,078,650 | (22,508,170) |
| | **30,029,334** | **10,410,650** | **29,507,169** | **9,941,106** |

**(d) Reinsurance expenses**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Reinsurance premium charge for the year | 3,423,407 | 3,756,587 | 3,423,407 | 3,756,587 |
| Unexpired reinsurance cost | (81,643) | (94,425) | (81,643) | (94,425) |
| **Net reinsurance expense** | **3,341,764** | **3,662,162** | **3,341,764** | **3,662,162** |

**27 Fees and commission income**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Insurance contract | 782,349 | 744,069 | 782,349 | 744,069 |
| Pension and other contracts (see note (a) below) | 1,334,953 | 1,355,846 | - | - |
| | **2,117,302** | **2,099,915** | **782,349** | **744,069** |

(a) Pension and other other contracts relate to pension fund and asset management fees earned by the subsidiary companies.

**28(a) Gross benefits and claims incurred**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Life insurance contracts (see note (i) below) | 11,846,106 | 9,379,289 | 11,476,954 | 9,379,289 |
| Non-life insurance contracts (see note (ii) below) | 3,094,252 | 3,666,163 | 3,094,252 | 3,666,163 |
| | **14,940,358** | **13,045,452** | **14,571,206** | **13,045,452** |

**(i) Life insurance contract gross benefits and claims incurred can be analysed as follows:**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Gross benefits incurred | 6,003,031 | 4,538,372 | 6,003,031 | 4,538,372 |
| Gross claims incurred | 6,026,431 | 4,468,687 | 5,657,279 | 4,468,687 |
| Change in outstanding claims reserve | (183,356) | 372,230 | (183,356) | 372,230 |
| | **11,846,106** | **9,379,289** | **11,476,954** | **9,379,289** |

**(ii) Non-life insurance contract gross claims Incurred**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Gross claims incurred | 3,040,756 | 3,664,743 | 3,040,756 | 3,664,743 |
| Changes in outstanding claims reserve + IBNR | 53,496 | 1,420 | 53,496 | 1,420 |
| | **3,094,252** | **3,666,163** | **3,094,252** | **3,666,163** |

**(b) Claim recoveries**

| | | | | |
|---|---|---|---|---|
| Life | 353,989 | 235,017 | 353,989 | 235,017 |
| Non-life (see note (i) below) | 1,490,179 | 2,142,733 | 1,490,179 | 2,142,733 |
| | **1,844,168** | **2,377,750** | **1,844,168** | **2,377,750** |

**(i) Non-life business claims recoveries can be analysed as follows:**

| | | | | |
|---|---|---|---|---|
| Recoveries - reinsurance | 1,341,033 | 2,007,606 | 1,341,033 | 2,007,606 |
| Recoveries - salvage | 149,146 | 135,127 | 149,146 | 135,127 |
| | **1,490,179** | **2,142,733** | **1,490,179** | **2,142,733** |

**29 Underwriting expenses**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Acquisition costs (see note (a) below) | 2,908,589 | 3,320,281 | 2,853,181 | 2,934,315 |
| Maintenance expenses (see note (c) below) | 351,860 | 359,254 | 351,860 | 359,254 |
| | **3,260,449** | **3,679,535** | **3,205,041** | **3,293,569** |

**(a) Acquisition costs by business is as follows:**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Life | 1,950,012 | 1,801,049 | 1,950,012 | 1,801,049 |
| Non-life | 903,169 | 1,133,266 | 903,169 | 1,133,266 |
| Multishield HMO | 55,408 | 385,966 | - | - |
| | **2,908,589** | **3,320,281** | **2,853,181** | **2,934,315** |

**(b) Acquisition costs is analysed as follows:**

| | | | | |
|---|---|---|---|---|
| Commission paid during the year | 2,832,791 | 3,113,418 | 2,832,791 | 3,113,418 |
| Net movement in deferred acquisition cost | 20,390 | (179,103) | 20,390 | (179,103) |
| Commission incurred | 2,853,181 | 2,934,315 | 2,853,181 | 2,934,315 |
| Providers' capitation fee and other direct expenses | 55,408 | 385,966 | - | - |
| | **2,908,589** | **3,320,281** | **2,853,181** | **2,934,315** |

**(c) Maintenance expenses can be analysed as follows:**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Policy administration expenses | 303,215 | 251,418 | 303,215 | 251,418 |
| Tracking expenses | 13,260 | 30,822 | 13,260 | 30,822 |
| Service charges | 35,385 | 77,014 | 35,385 | 77,014 |
| | **351,860** | **359,254** | **351,860** | **359,254** |

**30(a) Investment income**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| *Investment income is attributable to the following:* | | | | |
| Policyholders' funds (see note (i) below) | 1,747,112 | 2,372,903 | 1,747,112 | 2,372,903 |
| Annuity funds (see note (ii) below) | 4,345,223 | 2,463,910 | 4,345,223 | 2,463,910 |
| Shareholders' funds (see note (iii) below) | 1,157,327 | 880,243 | 860,010 | 664,169 |
| | **7,249,662** | **5,717,056** | **6,952,345** | **5,500,982** |

**(i) Investment income attributable to policyholders' funds**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Interest income on Available-for-sale financial assets | 1,461,263 | 1,795,378 | 1,461,263 | 1,795,378 |
| Interest income on cash and cash equivalents | 89,276 | 161,592 | 89,276 | 161,592 |
| Trading gains on equities | - | 71,148 | - | 71,148 |
| Interest income from structured investments | 67,876 | | 67,876 | |
| Dividend income on available-for-sale financial assets | 128,696 | 344,785 | 128,696 | 344,785 |
| | **1,747,112** | **2,372,903** | **1,747,112** | **2,372,903** |

**(ii) Investment income attributable to annuity funds**

| | | | | |
|---|---|---|---|---|
| Interest income on Available-for-sale financial assets | 4,262,802 | 2,268,387 | 4,262,802 | 2,268,387 |
| Interest income on cash and cash equivalents | 52,857 | 147,576 | 52,857 | 147,576 |
| Trading gains on equities | - | 32,019 | - | 32,019 |
| Dividend income on available-for-sale financial assets | 29,564 | 15,928 | 29,564 | 15,928 |
| | **4,345,223** | **2,463,910** | **4,345,223** | **2,463,910** |

# NOTES TO THE FINANCIAL STATEMENTS
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**(iii) Investment income attributable to shareholders' funds**

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Income from investment property | 21,309 | - | 21,309 | - |
| Interest income on Available-for-sale financial assets | 587,528 | 390,270 | 587,528 | 390,270 |
| Interest income on cash and cash equivalents | 448,943 | 113,037 | 108,476 | 113,037 |
| Interest on statutory deposit | - | 61,073 | - | 61,073 |
| Interest income on loans and receivables | 12,512 | 315,863 | 12,512 | 99,789 |
| Dividend income on available-for-sale financial assets | 87,034 | - | 130,184 | - |
| | **1,157,327** | **880,243** | **860,010** | **664,169** |

**(b) Profit on deposit administration**

*Investment income on deposit administration can be analysed as follows:*

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Investment income on deposit | 308,580 | 264,448 | 308,580 | 264,448 |
| Other income generated from the fund | 3 | 66,101 | 3 | 66,101 |
| Guaranteed interest to policyholders | (167,492) | (164,516) | (167,492) | (164,516) |
| Acquisition expenses | - | (18,261) | - | (18,261) |
| **Profit from deposit administration** | **141,091** | **147,772** | **141,091** | **147,772** |

**31(a) Net realised gains**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| *Net realised gains are attributable to the following:* | | | | |
| Property and equipment | 26,301 | 16,147 | 23,517 | 16,147 |
| Available-for-sale investments (see (b) below) | 309,498 | 7,614,080 | 294,644 | 7,568,972 |
| | **335,799** | **7,630,227** | **318,161** | **7,585,119** |

**(b) Net realised gains on available-for-sale investments can be analysed as follows:**

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Profit on disposal of quoted equities | 573,959 | 348,270 | 559,105 | 348,270 |
| Profit/(loss) on disposal of treasury bills | (194,630) | 198,025 | (194,630) | 198,025 |
| Profit/(loss) on disposal of FGN Bonds | (69,832) | 7,067,785 | (69,832) | 7,022,677 |
| | **309,498** | **7,614,080** | **294,644** | **7,568,972** |

**32 Net fair value (losses)/gains**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Investment property | 1,000 | (88,000) | 1,000 | (88,000) |
| Derivative Instrument | 175,548 | - | 175,548 | - |
| | **176,548** | **(88,000)** | **176,548** | **(88,000)** |

**33 Other operating income**

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Sundry income (see note (a) below) | 282,693 | 458,116 | 226,067 | 420,254 |
| Exchange gains/(loss) | (178,709) | 111,849 | (178,709) | 111,849 |
| | **103,984** | **569,965** | **47,358** | **532,103** |

(a) Sundry income is analysed as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Recoveries on written-off assets | - | 127,085 | - | 127,085 |
| Capital gain distribution | - | 90,376 | - | 90,376 |
| Proceeds on dissolution of NLIP Fund | - | 98,683 | - | 98,683 |
| Admin charges | 49,020 | 54,384 | 49,020 | 54,384 |
| Income from unclaimed dividend | 12,526 | 11,540 | 12,526 | 11,540 |
| profit commission | 48,556 | - | 48,556 | - |
| Others (see (i) below) | 172,591 | 76,049 | 115,965 | 38,187 |
| | **282,693** | **458,116** | **226,067** | **420,254** |

(i) Amount represents sundry income from charges on lost documents, management fees and service charges.

## 34 Personnel expenses

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Salaries | 1,292,106 | 1,159,676 | 861,759 | 784,944 |
| Defined contribution pension costs | 127,936 | 155,448 | 106,110 | 136,936 |
| Other personnel benefits | 1,197,891 | 1,724,229 | 850,713 | 1,358,721 |
| | **2,617,932** | **3,039,353** | **1,818,582** | **2,280,601** |

## 35 Other operating expenses

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Travel and representation | 372,828 | 338,585 | 306,002 | 236,516 |
| Marketing and administration | 415,574 | 251,478 | 379,179 | 189,011 |
| Advertising | 130,064 | 127,591 | 76,899 | 84,384 |
| Occupancy | 678,208 | 402,117 | 472,688 | 349,440 |
| Communication and postages | 263,760 | 196,120 | 261,717 | 169,654 |
| Dues and subscriptions | 40,842 | 48,725 | 39,792 | 38,930 |
| Office supply and stationery | 92,030 | 72,416 | 90,134 | 57,138 |
| Fees and assessments | 734,438 | 395,593 | 516,941 | 438,177 |
| Management fees | - | - | 543,459 | 363,406 |
| Legal fees | 102,307 | 193,234 | 89,203 | 165,546 |
| Consulting fees | 369,368 | 298,895 | 369,368 | 298,895 |
| Depreciation and amortisation | 606,975 | 577,406 | 467,174 | 447,718 |
| Auditor's fees | 54,500 | 54,000 | 35,000 | 35,000 |
| Claims and litigation (sse note (a) below) | 755,021 | - | 755,021 | - |
| Furniture, equipment and other office expenses | - | 423,323 | - | - |
| Miscellaneous expenses (see note (b) below) | 224,033 | 160,928 | 76,380 | 40,144 |
| Back duty assessment (see note (c) below) | 279,131 | - | 279,131 | - |
| | **5,119,079** | **3,540,411** | **4,758,088** | **2,913,959** |

(a) Claims and litigation includes a payment of N755million to Addax petroleum in respect of a pending case which commenced in 2006. The case relates to a pension scheme operated with AIICO Insurance Plc which was subsequently terminated but repayment was not conclusive following a delay from PENCOM on the implementation of the Pension Reform Act 2004.

(b) Miscellaneous expenses relate to local taxes including tenement rates, land use charges, parking fees, etc payable to local tax authorities.

(c) Back duty assessment are additional VAT, and WHT on tax assessment for 2012-2014 accounting years by FIRS.

# NOTES TO THE FINANCIAL STATEMENTS
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## 36 Finance cost

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Finance cost (see note (i) below) | 836,571 | 87,121 | 836,571 | 85,072 |
| | **836,571** | **87,121** | **836,571** | **85,072** |

Finance cost is broken down as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Borrowing cost | 30,417 | 14,293 | 30,417 | 14,293 |
| Interest on finance lease | 5,604 | 5,452 | 5,604 | 3,403 |
| Interest on convertible loan | 153,823 | 67,376 | 153,823 | 67,376 |
| Convertible loan remeasurement (see note (i) below) | 646,727 | - | 646,727 | - |
| | **836,571** | **87,121** | **836,571** | **85,072** |

(i) The borrowing was remeasured at the reporting date using the closing market rate of N305/$1 (2015: N199/$1)

## 37 Impairment expense

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Impairment loss on investments and other receivables (see note (a) below) | 46,499 | 12,007 | 42,151 | 12,007 |
| | **46,499** | **12,007** | **42,151** | **12,007** |

(a) *Impairment loss on investments and other receivables can be attributed to the following:*

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Loans and receivables (see note (i) below) | 42,151 | 12,007 | 42,151 | 12,007 |
| Other assets | 4,348 | - | - | - |
| | **46,499** | **12,007** | **42,151** | **12,007** |

(a)(i) **Impairment loss on loans receivables can be attributed to:**

| | Group 2016 | Group 2015 | Company 2016 | Company 2015 |
|---|---|---|---|---|
| Impairment loss on policy loans | - | 12,007 | - | 12,007 |
| Impairment of structured investments | 42,151 | - | 42,151 | - |
| | **42,151** | **12,007** | **42,151** | **12,007** |

## 38 Earnings per share

Basic earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date.

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Net profit attributable to ordinary shareholders for basic and diluted earnings | 10,209,378 | 1,220,000 | 9,682,115 | 966,461 |
| Dividend paid to preference shareholders | - | - | - | - |
| | **10,209,378** | **1,220,000** | **9,682,115** | **966,461** |
| **Number of shares in issue** | **6,930,204** | **6,930,204** | **6,930,204** | **6,930,204** |
| Dilutive effect of preference shares | - | - | - | - |
| Dilutive effect of the IFC loan conversion option | 2,766,204 | 1,519,798 | 2,766,204 | 1,519,798 |
| **Net** | **9,696,408** | **8,450,002** | **9,696,408** | **8,450,002** |
| **Basic earnings per share (kobo)** | **147** | **18** | **140** | **14** |
| **Diluted earnings per share (kobo)** | **105** | **14** | **100** | **11** |

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

**39 Related party disclosures**

**(a) Parent and ultimate controlling party**

The ultimate controlling party of the group is AIICO Insurance PLC.

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

**(b)(i) Loan to directors**

In 2016, no loan was advanced to directors (2015: nil).

**(b)(ii) Key management personnel transactions**

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows.

| Company | Transaction values for the year ended 31 December | | Balance outstanding as at 31 December | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Management fees* | 543,459 | 363,404 | 128,589 | 224,958 |
| Finance lease receivable** | - | 33,800 | 70,841 | 124,972 |
| | **543,459** | **397,204** | **199,430** | **349,930** |

* AIICO Insurance Plc employs the services of AIICO Capital Limited to manage its financial assets.
In return, AIICO Capital charges a percentage of the asset value as management fees.

** Finance lease receivable is analysed as follows:

| Name of related party | Relationship | Transaction values for the year ended 31 December 2016 | 2015 | Balance outstanding as at 31 December 2016 | 2015 | Interest received 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| AIICO Pension Managers Limited | Subsidiary | - | - | - | 4,397 | - | 1,797 |
| Magnartis Finance and Investment Limited | Common Director | 219,324 | | 60,619 | - | - | - |
| Lekki Free Trade Zone | Common Director | - | - | - | 9,903 | - | 3,198 |
| Xerox Nigeria Limited | Common Directors | - | 33,800 | 28,690 | 110,672 | - | 28,750 |
| | | **219,324** | **33,800** | **89,309** | **124,972** | **-** | **33,745** |

# NOTES TO THE FINANCIAL STATEMENTS
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The terms and conditions of the finance lease transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within 3 months of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. No guarantees have been given or received.

**(c) Chairman and directors' emoluments**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Emolument | 143,944 | 69,925 | 71,910 | 59,925 |
| Fees | 3,015 | 1,115 | 1,338 | 1,115 |
| | **146,959** | **71,040** | **73,248** | **61,040** |
| Chairman | 9,965 | 6,905 | 9,965 | 6,905 |
| Highest paid director | 9,965 | 10,272 | 9,965 | 10,272 |

The number of directors, including the Chairman, whose emoluments were within the following range were:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| 1,000,001 - 2,000,000 | - | - | - | - |
| 2,000,001 and above | 18 | 18 | 8 | 7 |
| | 18 | **18** | **8** | **7** |

**40 Contraventions and penalties**

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| The following payments were made relating to contraventions and penalties during the year: | | | | |
| Penalty to National Insurance Commission (NAICOM) | 500 | - | 500 | - |
| | **500** | **-** | **500** | **-** |

**41 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

| Items | Measurement bases |
|---|---|
| Derivative financial liabilities | Fair value |
| Available-for-sale financial assets | Fair value |
| Investment property | Fair value |
| Investment contract liabilities | Fair value |

## 42 Contingencies and commitments

### (a)(i) Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, the Directors do not believe that such proceedings (including litigation) will have a material effect on its results and financial position, hence, no provisions have been made in the financial statements.The summary of this cases, ten (10) in number amounts to a total of N6.8b (2015:7.5b)

### (ii) Contingent liability

The FIRS carried out a desk review on the Company's 2016 YOA and requested the Company to pay N1.2 billion for that period as opposed to N458 million paid by the Company. This leaves a gap of N742 million which the Company contested, thereafter an audit examination was carried out and the Company currently awaits the submission. No provisions have been made for the gap in contest arising from the desk review.

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

### (b) Funds under management

This represents investments held on behalf of clients and are stated at amortised cost.

An analysis of funds under management is shown below:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| AIICO Money Market Fund (AMMF) (see note (i) below) | 654,043 | 684,012 | - | - |
| High Networth Individuals Fund (HNI) (see note (ii) below) | - | 88,000 | - | - |
| **Non-pension funds** | **654,043** | **772,012** | - | - |
| Pension Funds (see note (iii) below) | 78,061,731 | 64,245,436 | | |
| | **78,715,774** | **65,017,448** | - | - |

These funds do not form part of the assets and liabilities of the Group as the risks and rewards of these investments belong to the customers.

Fees earned from the management of these funds are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| AMMF | 10,218 | 9,482 | - | - |
| HNI Fund | - | 967 | - | - |
| **Non-pension funds** | **10,218** | **10,449** | - | - |
| Pension Funds (see note (iii) below) | 993,549 | 857,872 | - | - |
| **Total funds** | **1,003,767** | **868,321** | - | - |

### (i) AIICO Money Market Fund (AMMF)

This represents customers' investment in the AIICO Money Market Fund, which is managed by AIICO Capital Limited, a subsidiary of the Company. This fund is regulated by the Nigerian Securities and Exchange Commission (SEC) and it started on March 10, 2014. It currently trades at ₦100 per unit as at December 31, 2016 (2015: ₦100)

The Company has investments of ₦450million in the Fund (2015: ₦450million)

# NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 December 2016

**(ii) High Networth Individuals Fund (HNI)**

This represents customers' investment in High Networth Individuals Fund, which is managed by AIICO Capital Limited, a subsidiary of the Company. This fund started in August 2015.

Returns on this fund are discretionary, however, when the Group exceeds the returns agreed with the customer, they earn a 20% performance fee on the excess. The Group also charges management fees on this Fund.

**(iii) Pension Funds**

This comprises of the AIICO Pensions Retirement Savings Account (RSA) Fund, Retiree Fund, Institutional Fund and Transitional Contribution Fund.

AIICO Pensions Retirement Savings Account and Retiree Funds are open pension funds, while the remaining funds are closed.

**(d) Unclaimed dividend**

As required by section 16(d) of the Nigerian Securities and Exchange Commission (SEC) guidelines, the Company has unclaimed dividend of ₦519million as at 31 December 2016, 2015(₦426million). The assets representing these unclaimed dividend do not form part of the assets of the

**43 Staff**

The average number of persons employed at the end of the period was:

| | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Managerial | 62 | 58 | 35 | 37 |
| Senior staff | 375 | 293 | 219 | 255 |
| Junior staff | 69 | 206 | 11 | 13 |
| | **506** | **557** | **265** | **305** |

**(a)** The staff costs for the above persons were:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Wages and salaries | 1,292,106 | 1,159,676 | 861,759 | 784,944 |
| Other staff costs | 1,325,827 | 1,879,677 | 956,823 | 1,495,657 |
| | **2,617,932** | **3,039,353** | **1,818,582** | **2,280,601** |

**(b)** The number of employees paid emoluments, excluding pension and allowances, above ₦150,000 for the year were:

| | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| 150,000 - 400,000 | 93 | 80 | 20 | 43 |
| 200,001 - 450,000 | 98 | 172 | 48 | 127 |
| 450,001 - 700,000 | 221 | 256 | 133 | 105 |
| 700,001 - 950,000 | 53 | 31 | 40 | 22 |
| 950,000 and above | 41 | 18 | 24 | 8 |
| | **506** | **557** | **265** | **305** |

**44 Risk management framework**

**(a) Governance framework**

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

Key management recognises the critical importance of having efficient and effective risk management systems in place. The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers.

Lastly, a Group policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

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

**(b) Capital management objectives, policies and approach**

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

**(i)** To maintain the required level of stability of the Group thereby providing a degree of security to policyholders.
**(ii)** To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
**(iii)** To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
**(iv)** To align the profile of assets and liabilities taking account of risks inherent in the business.
**(v)** To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
**(vi)** To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

In reporting financial strength, capital and solvency are measured using the rules prescribed by the National Insurance Commission (NAICOM). These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written. The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the NAICOM directives, including any additional amounts required by the regulator.

**( c ) Approach to capital management**

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders. The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds. The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

The table below shows the available capital resources as at 31 December:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of naira* | 2016 | 2015 | 2016 | 2015 |
| Total shareholders' funds | 8,340,991 | 9,371,588 | 7,932,941 | 9,444,775 |
| Regulatory required capital | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| **Excess capital reserve** | **3,340,991** | **4,371,588** | **2,932,941** | **4,444,775** |

**(d) Regulatory framework**

The insurance industry regulator measures the financial strength of Non-Life Insurers using a Solvency Margin model. NAICOM generally expects non – life insurers to comply with this capital adequacy requirement. Section 24 of the Insurance Act 2003 defines the solvency margin of a non – life insurer as the difference between the admissible assets and liabilities, and this shall not be less than 15% of the net premium income (gross income less reinsurance premium paid), or the minimum capital base (?3billion) whichever is higher.

This test compares the insurer's capital against the risk profile. The regulator indicated that insurers should produce a minimum solvency margin of 100%. During the year, the Group has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Group's operations if the Group falls below this requirement.

The solvency margin for the non - life business of the Group is as follows:

**Solvency margin computation as at 31 December**

| *In thousands of naira* | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 3,836,587 | 2,570,972 |
| Trade receivables | 133,022 | 118,918 |
| Reinsurance assets | 2,816,503 | 2,246,160 |
| Deferred acquisition cost | 285,232 | 264,842 |
| Financial assets | 54,677,784 | 4,281,581 |
| Investment in subsidiaries | 2,308,690 | 801,732 |
| Investment property | 990,000 | 472,000 |
| Property and equipment | 5,546,924 | 1,535,386 |
| Other receivables and prepayments | 14,016 | - |
| Statutory deposits | 530,000 | 300,000 |
| Intangible assets | 279,958 | - |
| **Total admissible assets** | **71,418,716** | **12,591,591** |
| | | |
| **Liabilities** | | |
| Insurance contract liabilities | 49,805,659 | 5,276,285 |
| Investment contract liabilities | 10,061,636 | |
| Trade payables | 1,599,841 | 319,052 |
| Other payables | 1,026,480 | 900,740 |
| Taxation payable | 572,512 | 440,733 |
| Finance lease obligation | 7,368 | 29,265 |
| Convertible loan | 1,785,650 | - |
| Derivative liability | 143,725 | - |
| **Total admissible liabilities** | **65,002,871** | **6,966,075** |
| | | |
| **Excess of total admissible assets over admissible liabilities** | **6,415,845** | **5,625,516** |
| | | |
| Higher of: | | |
| Gross premium written | 26,428,520 | 8,199,952 |
| Less: Reinsurance expense | (3,341,764) | (3,364,371) |
| **Net premium** | **23,086,756** | **4,835,581** |
| | | |
| **15% of net premium** | **3,463,013** | **725,337** |
| | | |
| **Minimum paid up capital** | **5,000,000** | **3,000,000** |
| | | |
| **The higher thereof:** | **5,000,000** | **3,000,000** |
| | | |
| **Excess of solvency margin over minimum capital base** | **1,415,845** | **2,625,516** |
| | | |
| **Solvency margin ratio** | **128%** | **188%** |

**45 Financial instruments - Fair values and risk management**

**(A)Accounting classifications and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| **GROUP**<br>31 December 2016 | Carrying amount | | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *In thousands of naira* | **Designated at fair value** | **Held-to-maturity** | **Loans and receivables** | **Available-for-sale** | **Other financial liabilties** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets measured at fair value** | | | | | | | | | | |
| Available-for-sale financial assets | - | - | - | 54,303,412 | - | 54,303,412 | 54,303,412 | - | - | 54,303,412 |
| | - | - | - | **54,303,412** | - | **54,303,412** | | | | |
| **Financial assets not measured at fair value** | | | | | | | | | | |
| Cash and cash equivalents | - | - | 7,491,178 | - | - | 7,491,178 | - | - | - | - |
| Trade receivables* | - | - | 411,969 | - | - | 411,969 | - | - | - | - |
| Loans and receivables* | - | - | 1,583,921 | - | - | 1,583,921 | - | - | - | - |
| Reinsurance assets*^ | - | - | 1,866,021 | - | - | 1,866,021 | - | - | - | - |
| Other receivables* | - | - | 87,457 | - | - | 87,457 | - | - | - | - |
| Available-for-sale financial assets^^ | - | - | - | 668,927 | - | 668,927 | - | - | - | - |
| | - | - | **11,440,546** | **668,927** | - | **12,109,473** | - | - | - | - |
| **Financial liabilities measured at fair value** | | | | | | | | | | |
| Investment contract liabilities | (10,061,636) | - | - | - | - | (10,061,636) | - | (10,061,636) | - | (10,061,636) |
| Derivative liabilities | (143,725) | - | - | - | - | (143,725) | - | (143,725) | - | (143,725) |
| | **(10,205,361)** | - | - | - | - | **(10,205,361)** | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | | |
| Other payables* | - | - | - | - | (1,318,695) | (1,318,695) | - | - | - | - |
| Trade payables* | - | - | - | - | (1,599,841) | (1,599,841) | - | - | - | - |
| Fixed income liabilities | - | - | - | - | (2,531,870) | (2,531,870) | - | - | - | - |
| Finance lease obligations | - | - | - | - | (7,368) | (7,368) | - | - | - | - |
| Long term borrowing | - | - | - | - | (1,785,650) | (1,785,650) | - | (1,720,103) | - | (1,720,103) |
| | - | - | - | - | **(7,243,424)** | **(7,243,424)** | | | | |

The Group has disclosed the fair value of each class of financial assets and liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in IAS 39 Financial instruments: Recognition and Measurement.

* The Group has not disclosed the fair values for financial instruments such as short term trade receivables, payables, reinsurance assets, loans and receivables because their carrying amounts are a reasonable approximation of fair value.

^ Reinsurance assets excludes prepaid reinsurance, which is not a financial asset (₦950.4 million)

^^ Available for sale financial assets not measured at fair value comprise of unquoted equities carried at cost as their fair value was not readily available, and placements above 90 days.

**COMPANY**
**31 December 2016**

| *In thousands of naira* | Note | Carrying amount: Designated at fair value | Carrying amount: Held-to-maturity | Carrying amount: Loans and receivables | Carrying amount: Available-for-sale | Carrying amount: Other financial liabilties | Carrying amount: Total | Fair value: Level 1 | Fair value: Level 2 | Fair value: Level 3 | Fair value: Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | | | | | | | |
| Available-for-sale financial assets | | - | - | - | 52,579,936 | - | 52,579,936 | 52,579,936 | - | - | **52,579,936** |
| | | - | - | - | **52,579,936** | - | **52,579,936** | | | | |
| **Financial assets not measured at fair value** | | | | | | | | | | | |
| Cash and cash equivalents | | - | - | 4,335,655 | - | - | 4,335,655 | - | - | - | - |
| Trade receivables* | | - | - | 133,022 | - | - | 133,022 | - | - | - | - |
| Loans and receivables* | | - | - | 1,528,921 | - | - | 1,528,921 | - | - | - | - |
| Reinsurance assets*^ | | - | - | 1,866,021 | - | - | 1,866,021 | - | - | - | - |
| Other receivables* | | - | - | 27,684 | - | - | 27,684 | - | - | - | - |
| Available-for-sale financial assets^^ | | - | - | - | 568,927 | - | 568,927 | - | - | - | - |
| | | - | - | **7,891,303** | **568,927** | - | **8,460,230** | - | - | - | - |
| **Financial liabilities measured at fair value** | | | | | | | | | | | |
| Investment contract liabilties | | (10,061,636) | - | - | - | - | (10,061,636) | - | (10,061,636) | - | **(10,061,636)** |
| Derivative liabilities | | (143,725) | - | - | - | - | (143,725) | - | (143,725) | - | **(143,725)** |
| | | **(10,205,361)** | - | - | - | - | **(10,205,361)** | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | | | |
| Other payables* | | - | - | - | - | (1,196,715) | (1,196,715) | - | - | - | - |
| Trade payables* | | - | - | - | - | (1,599,841) | (1,599,841) | - | - | - | - |
| Finance lease obligations | | - | - | - | - | (7,368) | (7,368) | - | - | - | - |
| Long term borrowing | | - | - | - | - | (1,785,650) | (1,785,650) | - | (1,720,103) | - | **(1,720,103)** |
| | | - | - | - | - | **(4,589,574)** | **(4,589,574)** | | | | |

The Group has disclosed the fair value of each class of financial assets and liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in IAS 39 Financial instruments: Recognition and Measurement.

* The Group has not disclosed the fair values for financial instruments such as short term trade receivables, payables, reinsurance assets, loans and receivables because their carrying amounts are a reasonable approximation of fair value.
^ Reinsurance assets excludes prepaid reinsurance, which is not a financial asset (₦950.4 million)
^^ Available for sale financial assets not measured at fair value comprise of unquoted equities carried at cost as their fair value was not readily available, and placements above 90 days.

**GROUP**
**31 December 2015**

| | | Carrying amount | | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *In thousands of naira* | **Note** | **Designated at fair value** | **Held-to-maturity** | **Loans and receivables** | **Available-for-sale** | **Other financial liabilties** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets measured at fair value** | | | | | | | | | | | |
| Available-for-sale financial assets | | - | - | - | 55,277,180 | - | 55,277,180 | 55,277,180 | - | - | **55,277,180** |
| | | - | - | - | **55,277,180** | - | **55,277,180** | | | | |
| **Financial assets not measured at fair value** | | | | | | | | | | | |
| Cash and cash equivalents | | - | - | 8,451,795 | - | - | 8,451,795 | - | - | - | - |
| Trade receivables* | | - | - | 296,514 | - | - | 296,514 | - | - | - | - |
| Loans and receivables* | | - | - | 1,877,529 | - | - | 1,877,529 | - | - | - | - |
| Reinsurance assets*^ | | - | - | 1,610,230 | - | - | 1,610,230 | - | - | - | - |
| Other receivables | | - | - | 187,983 | - | - | 187,983 | - | - | - | - |
| Available-for-sale financial assets^^ | | - | - | 387,513 | 727,096 | - | 1,114,609 | - | - | - | - |
| | | - | - | **12,811,564** | **727,096** | - | **13,538,660** | - | - | - | - |
| **Financial liabilities measured at fair value** | | | | | | | | | | | |
| Investment contract liabilties | | (8,295,046) | - | - | - | - | (8,295,046) | - | (8,295,046) | - | **(8,295,046)** |
| Derivative liabilities | | (319,274) | | | | | (319,274) | | (319,274) | | **(319,274)** |
| | | **(8,614,320)** | - | - | - | - | **(8,614,320)** | - | - | - | - |
| **Financial liabilities not measured at fair value** | | | | | | | | | | | |
| Other payables* | | | | | | (1,297,103) | (1,297,103) | | | | |
| Trade payables* | | - | - | - | - | (1,547,548) | (1,547,548) | - | - | - | - |
| Fixed Income liabilities | | - | - | - | - | (165,838) | (165,838) | - | - | - | - |
| Finance lease obligations | | - | - | - | - | (49,854) | (49,854) | - | - | - | - |
| Long term borrowing | | | | | | (1,134,840) | (1,134,840) | | (1,114,100) | | **(1,114,100)** |
| | | - | - | - | - | **(4,195,183)** | **(4,195,183)** | - | - | - | - |

The Group has disclosed the fair value of each class of financial assets and liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in IAS 39 Financial instruments: Recognition and Measurement.

* The Group has not disclosed the fair values for financial instruments such as short term trade receivables, payables, reinsurance assets, loans and receivables because their carrying amounts are a reasonable approximation of fair value.
^ Reinsurance assets excludes prepaid reinsurance, which is not a financial asset (₦774.4 million)
^^ Available for sale financial assets not measured at fair value comprise of unquoted equities carried at cost as their fair value was not readily available.

**COMPANY**
**31 December 2015**

| *In thousands of naira* | Note | Carrying amount: Designated at fair value | Held-to-maturity | Loans and receivables | Available-for-sale | Other financial liabilties | Total | Fair value: Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | | | | | | | |
| Available-for-sale financial assets | | - | - | - | 55,069,285 | - | 55,069,285 | 55,069,285 | - | - | **55,069,285** |
| | | **-** | **-** | **-** | **55,069,285** | **-** | **55,069,285** | | | | |
| **Financial assets not measured at fair value** | | | | | | | | | | | |
| Cash and cash equivalents | | - | - | 6,437,403 | - | - | 6,437,403 | - | - | - | - |
| Trade receivables* | | - | - | 123,848 | - | - | 123,848 | | | | |
| Reinsurance assets^* | | - | - | 1,610,230 | - | - | 1,610,230 | | | | |
| Loans and receivables | | - | - | 1,821,999 | - | - | 1,821,999 | - | - | - | - |
| Other receivables* | | - | - | 76,446 | - | - | 76,446 | | | | |
| Available-for-sale financial assets^^ | | - | - | 387,513 | 625,036 | - | 1,012,549 | - | - | - | - |
| | | **-** | **-** | **10,457,439** | **625,036** | **-** | **11,082,475** | | | | |
| **Financial liabilities measured at fair value** | | | | | | | | | | | |
| Investment contract liabilties | | (8,295,046) | - | - | - | - | (8,295,046) | - | (8,295,046) | - | **(8,295,046)** |
| Derivative liabilities | | (319,274) | | | | | (319,274) | | (319,274) | | **(319,274)** |
| | | **(8,614,320)** | **-** | **-** | **-** | **-** | **(8,614,320)** | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | | | |
| Other payables* | | | | | | (1,279,530) | (1,279,530) | | | | |
| Trade payables* | | - | - | - | - | (1,547,548) | (1,547,548) | - | - | - | - |
| Finance lease obligations | | - | - | - | - | (49,854) | (49,854) | - | - | | - |
| Long term borrowing | | - | - | - | - | (1,134,840) | (1,134,840) | - | (114,100) | - | **(114,100)** |
| | | **-** | **-** | **-** | **-** | **(4,011,772)** | **(4,011,772)** | | | | |

The Group has disclosed the fair value of each class of financial assets and liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in IAS 39 Financial instruments: Recognition and Measurement.

* The Group has not disclosed the fair values for financial instruments such as short term trade receivables, payables, reinsurance assets, loans and receivables because their carrying amounts are a reasonable approximation of fair value.
^ Reinsurance assets excludes prepaid reinsurance, which is not a financial asset (₦774.4 million)
^^ Available for sale financial assets not measured at fair value comprise of unquoted equities carried at cost as their fair value was not readily available.

**(b) Measurement of fair values**

**(i) Transfer between Levels 1 and 2**

At 31 December 2016, there was no transfer between level 1 and level 2 (2015: NIL)

**(ii) Level 3 fair value**

***Reconciliation of level 3 fair values***

At 31 December 2016, there was no transfer between level 1 and level 2 (2015: Nil)

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values

| ***In thousands on naira*** | Group: Derivative liabilities 2016 | 2015 | Company: Derivative liabilities 2016 | 2015 |
|---|---|---|---|---|
| Balance at 1 January | 319,274 | - | 319,274 | - |
| Acquired from convertible loan option | - | 319,274 | | 319,274 |
| Fair Value gain | (175,549) | - | (175,549) | - |
| Balance at 31 Decmber 2016 | **143,725** | **319,274** | **143,725** | **319,274** |

***Transfer out of level 3***

The Group did not have any transfer out of level 3 during the year (2015: Nil)

**(c) Risk management framework**

The Group's board of directors has the overall responsibility for the establishment of oversight of the group's enterprise risk management systems. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management framework and activities. The committee reports regularly to the board of directors for on its activities.

The Group's risk management policies are established to identify and analyse the risk faced by the group, to set appropriate risk limits and controls (through the risk appetite), and to monitor risks and adherence to limits. Risk mamangement policies and systems are reviewed regularly to reflect changes in market conditions and group activities. The group, through its training and management standards and procedures, maintains and will continuously heighten a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the audit committee.

**(d) Financial risk management**

The group has exposure to the following risks arising from financial instruments
Credit risk
Liquidity risk
Market risk

**d(i) Credit risk**

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arisies principally from the Group's receivables from customers and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure

In addition to credit risks arising out of investments and transactions with clients, AIICO actively assumes Credit Risk through the writing of insurance business and the approval and issuance of loans. Credit Risk can arise when a client defaults on loan payments or settlement of premium payments and can also arise when its own repayment capability decreases (as reflected in a rating downgrade).

AIICO's strategy as Insurance Group does not entail the elimination of Credit Risk but rather to take on Credit Risk in a well-controlled, planned and targeted manner pursuant to its business objectives. Its approach to measuring Credit Risk is therefore designed to ensure that it is assessed accurately in all its forms, and that relevant, timely and accurate Credit Risk information is available to the relevant decision makers at an operational and strategic level at all times.

At a strategic level, AIICO manages its credit risk profile within the constraints of its overall Risk Appetite and structured its portfolio so that it provides optimal returns for the level of risk taken. Operationally, the Insurance Group Credit Risk Management is governed by the overall risk appetite framework and aims to ensure that the risk inherent to individual exposures or certain business portfolios are appropriately managed through the economic cycle.

The organization is committed to:

a) Create, monitor and manage credit risk in a manner that complies with all applicable laws and regulations;
b) Identify Credit Risk in each investment, loan or other activity of the Insurance Group;
c) Utilize appropriate, accurate and timely tools to measure credit risk;
d) Set acceptable risk parameters;
e) Maintain acceptable levels of credit risk for existing individual credit exposures;
f) Maintain acceptable levels of overall credit risk for AIICO's Portfolio; and
g) Coordinate Credit Risk Management with the management of other risks inherent in AIICO's business activities.

Unsecured exposures to high risk obligors, transactions with speculative cash flows, loans in which the insurance Group will hold an inferior or subordinate position are some of the credit exposures that are considered undesirable by the organization.

The Group's credit risk can be analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| ***In thousands of naira*** | **2016** | **2015** | **2016** | **2015** |
| Trade receivables (see note (a) below) | 411,969 | 296,514 | 133,022 | 123,848 |
| Reinsurance receivables (see note (b) below) | 1,866,021 | 1,610,230 | 1,866,021 | 1,610,230 |
| Loans and receivables (see note (c ) below) | 1,583,921 | 1,877,529 | 1,528,920 | 1,821,999 |
| Cash and cash equivalents (see note (d) below) | 7,491,178 | 8,451,795 | 4,335,655 | 6,437,403 |
| Other receivables (see note (e) below) | 87,457 | 187,983 | 27,685 | 76,446 |
| Debt securities (see note (f) below) | 51,254,052 | 51,703,405 | 49,499,258 | 51,495,510 |
| | **62,694,598** | **64,127,456** | **57,390,561** | **61,565,436** |

# NOTES TO THE FINANCIAL STATEMENT

For The Year Ended 31 December 2016

**a Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and region in which customers operate.

At 31 December 2016, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Direct insured | 357 | 5,019 | 357 | 5,019 |
| Insurance brokers | 132,665 | 118,829 | 132,665 | 118,829 |
| Retail customers | 283,295 | 172,666 | - | - |
| | **416,317** | **296,514** | **133,022** | **123,848** |

At 31 December 2016, the ageing of trade receivables that were not impaired was as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Neither past due not impaired | 416,317 | 296,514 | 133,022 | 123,848 |
| | **416,317** | **296,514** | **133,022** | **123,848** |

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customers' credit risk, including underlying customers' credit ratings if they are available.

An analysis of the credit quality of trade receivables that are neither past due nor impaired is as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| Four or more years' trading history with the Group | 416,317 | 296,514 | 133,022 | 123,848 |
| | **416,317** | **296,514** | **133,022** | **123,848** |

**b Reinsurance receivables**

The Group insures its liabilities with reputable reinsurance companies with which it has a right of set-off. None of its receivable from reinsurance companies was impaired as at 31 December 2016 (2015: NIL)

**c Loans and receivables**

The Group's loans and receivables are mostly with policy holders and other customers with which it ensures that it has collaterals for such loans. No amount was impaired as at 31 December 2016 (201: N12 million).

**d Cash and cash equivalents**

The Group's cash and cash equivalents are held with reputable banks and financial institutions.

**e Other receivables**

The Group's other receivables comprises of receivables from agents and others. None of the other receivable was impaired as at 31 December 2016 (2015: NIL).

**f Debt securities**

The Group limits its exposure to credit risk by investing only in liquid debt securities (bonds and treasury bills) and only with counterparties that have a very high credit rating.
The maximum exposure to credit risk for debt securities classified as held-to-maturity and available-for-sale at the reporting date per geo-political region was as follows:

| *In thousands of naira* | Group 2016 | 2015 | Company 2016 | 2015 |
|---|---|---|---|---|
| South West | 51,254,052 | 51,703,405 | 49,499,258 | 51,495,510 |
| | **51,254,052** | **51,703,405** | **49,499,258** | **51,495,510** |

The Group did not have any debt securities that were past due but not impaired at 31 December 2015 or 2014.

### (d)(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilitiesover the next 60 days.

The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

In addtion, the Group entered into a contract with the International Finance Corporation (IFC) on 23 December 2014 for a $20 million convertible long term loan at a rate of 6.5% above 6 months LIBOR. This loan has a tenor of 7 years with 4 years moratorium on the principal. As at 31 December 2016, the Group had drawn down only $7 million leaving $13 million available to the Group.

**Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities at the reporting date.The amounts are gross and undiscounted, include contractual interest payments and exclude the impact of netting agreements

**GROUP**
**31 December 2016**

| | | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|---|
| *In thousands of naira* | Carrying amount | Gross nominal cashflow | 3 months or less | 3 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
| Trade and other receivables | 411,969 | 411,969 | 411,969 | - | - | - | - |
| Short term investment securities | 7,846,563 | 10,391,000 | 2,550,500 | 7,840,500 | - | - | - |
| Long term investment securities | 43,407,489 | 50,780,941 | - | 1,070,858 | 1,185,061 | 4,574,160 | 43,950,862 |
| Cash and cash equivalent | 7,491,178 | 7,491,178 | 7,491,178 | | | | |
| | **59,157,199** | **69,075,088** | **10,453,647** | **8,911,358** | **1,185,061** | **4,574,160** | **43,950,862** |
| Investment contract liabilities | 10,061,636 | 10,061,636 | - | - | 10,061,636 | - | - |
| Long term borrowing | 1,785,650 | 2,889,815 | 78,790 | 80,096 | 158,885 | 1,820,765 | 751,279 |
| Finance lease liabilities | 7,368 | 7,368 | - | 7,368 | - | - | - |
| Fixed income liabilities | 2,531,870 | 2,531,870 | 2,531,870 | - | - | - | - |
| Trade payables | 1,599,841 | 1,599,841 | 1,599,841 | - | - | - | - |
| Other payables | 1,787,068 | 1,787,068 | 1,787,068 | - | - | - | - |
| Derivative liabilities | 143,725 | - | - | - | - | - | - |
| | **17,917,158** | **18,877,598** | **5,997,569** | **87,464** | **10,220,521** | **1,820,765** | **751,279** |
| **Liquidity gap** | **41,240,041** | **50,197,490** | **4,456,078** | **8,823,894** | **(9,035,460)** | **2,753,395** | **43,199,583** |

**Company**
**31 December 2016**

| | | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|---|
| *In thousands of naira* | Carrying amount | Gross nominal cashflow | 3 months or less | 3 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
| Trade and other receivables | 133,022 | 133,022 | 133,022 | - | - | - | - |
| Short term investment securities | 7,376,786 | 9,920,000 | 2,450,500 | 7,469,500 | - | - | - |
| Long term investment securities | 42,122,472 | 49,495,925 | - | 1,070,858 | 542,553 | 3,931,652 | 43,950,862 |
| Cash and cash equivalent | 4,335,655 | 4,335,655 | 4,335,655 | - | - | - | - |
| | **53,967,935** | **63,884,602** | **6,919,177** | **8,540,358** | **542,553** | **3,931,652** | **43,950,862** |
| | | - | | | | | |
| Investment contract liabilities | 10,061,636 | 10,061,636 | - | - | 10,061,636 | - | - |
| Long term borrowing | 1,785,650 | 2,889,815 | 78,790 | 80,096 | 158,885 | 1,820,765 | 751,279 |
| Finance lease liabilities | 7,368 | 7,866 | 3,371 | 4,495 | - | - | - |
| Trade payables | 1,599,841 | 1,599,841 | - | 1,599,841 | - | - | - |
| Other payables | 1,196,715 | 1,237,985 | 848,713 | 389,272 | - | - | - |
| Derivative liabilities | 143,725 | - | - | - | - | - | - |
| | **14,794,935** | **15,797,143** | **930,874** | **2,073,704** | **10,220,521** | **1,820,765** | **751,279** |
| **Liquidity gap** | **39,173,000** | **48,087,459** | **5,988,303** | **6,466,654** | **(9,677,968)** | **2,110,887** | **43,199,583** |

**GROUP**
**31 December 2015**

| *In thousands of naira* | Carrying amount | Gross nominal cashflow | Contractual cash flows: 3 months or less | 3 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Trade and other receivables | 296,514 | 296,514 | 296,514 | - | - | - | - |
| Short term investment securities | 7,311,497 | 8,903,210 | 2,158,354 | 6,744,856 | - | - | - |
| Long term investment securities | 44,202,496 | 46,854,646 | - | 1,013,713 | 513,600 | 3,721,845 | 41,605,487 |
| Cash and cash equivalent | 8,451,795 | 8,451,795 | 8,451,795 | - | - | - | - |
| | **60,262,302** | **64,506,165** | **10,906,663** | **7,758,569** | **513,600** | **3,721,845** | **41,605,487** |
| Investment contract liabilities | 8,295,046 | 8,295,046 | - | - | 8,295,046 | - | - |
| Long term borrowing | 1,134,840 | 1,398,600 | - | - | - | 466,200 | 932,400 |
| Finance lease liabilities | 49,854 | 55,811 | 11,891 | 35,672 | 3,299 | 4,949 | - |
| Fixed income liabilities | 165,838 | 165,838 | 165,838 | - | - | - | - |
| Trade payables | 1,547,548 | 1,547,548 | 1,547,548 | - | - | - | - |
| Other payables | 1,297,103 | 1,297,103 | 1,297,103 | - | - | - | - |
| Derivative liabilities | 319,274 | - | - | - | - | - | - |
| | **12,809,503** | **12,759,946** | **3,022,380** | **35,672** | **8,298,345** | **471,149** | **932,400** |
| **Liquidity gap** | **47,452,799** | **51,746,219** | **7,884,283** | **7,722,897** | **(7,784,745)** | **3,250,696** | **40,673,087** |

**COMPANY**
**31 December 2015**

| *In thousands of naira* | Carrying amount | Gross nominal cashflow | Contractual cash flows: 3 months or less | 3 - 12 months | 1 - 2 years | 2 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Trade and other receivables | 123,848 | 123,848 | 123,848 | | | | |
| Short term investment securities | 7,311,497 | 8,903,210 | 2,158,354 | 6,744,856 | - | - | - |
| Long term investment securities | 44,184,013 | 46,836,163 | | 995,230 | 513,600 | 3,721,845 | 41,605,487 |
| Cash and cash equivalent | 6,437,403 | 6,437,403 | 6,437,403 | | | | |
| | **58,056,761** | **62,300,624** | **8,719,605** | **7,740,086** | **513,600** | **3,721,845** | **41,605,487** |
| Investment contract liabilities | 8,295,046 | 8,295,046 | - | - | 8,295,046 | - | - |
| Long term borrowing | 1,134,840 | 1,398,600 | - | - | - | 466,200 | 932,400 |
| Finance lease liabilities | 49,854 | 55,811 | 11,891 | 35,672 | 3,299 | 4,949 | - |
| Trade payables | 1,547,548 | 1,547,548 | 1,547,548 | - | - | - | - |
| Other payables | 1,279,530 | 1,279,530 | 1,279,530 | - | - | - | - |
| Derivative liabilities | 319,274 | - | - | - | - | - | - |
| | **12,626,092** | **12,576,535** | **2,838,969** | **35,672** | **8,298,345** | **471,149** | **932,400** |
| **Liquidity gap** | **45,430,669** | **49,724,089** | **5,880,636** | **7,704,414** | **(7,784,745)** | **3,250,696** | **40,673,087** |

**Maturity analysis**
The table below summarises the expected utilisation or settlement of assets and liabilities as at 31 December:

### GROUP

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| *In thousands of naira* | Current | Non-current | Total | Current | Non-current | Total |
| Cash and cash equivalents | 7,491,178 | | 7,491,178 | 8,451,795 | - | 8,451,795 |
| Financial assets | 56,556,261 | | 56,556,261 | 58,269,318 | - | 58,269,318 |
| Trade receivable | 411,969 | | 411,969 | 296,514 | - | 296,514 |
| Reinsurance assets | 2,816,503 | | 2,816,503 | 2,479,069 | - | 2,479,069 |
| Deferred acquisition cost | 285,232 | | 285,232 | 264,842 | - | 264,842 |
| Other receivables and prepayments | 324,457 | | 324,457 | 447,467 | - | 447,467 |
| Deferred tax asset | | 1,088,677 | 1,088,677 | - | 1,775,779 | 1,775,779 |
| Investment property | | 990,000 | 990,000 | - | 1,115,000 | 1,115,000 |
| Goodwill and other intangible assets | | 1,092,031 | 1,092,031 | - | 1,142,720 | 1,142,720 |
| Property and equipment | | 5,915,891 | 5,915,891 | - | 5,353,657 | 5,353,657 |
| Statutory deposit | | 530,000 | 530,000 | - | 530,000 | 530,000 |
| **Total assets** | **67,885,600** | **9,616,599** | **77,502,199** | **70,209,005** | **9,917,156** | **80,126,161** |
| Insurance contract liabilities | 2,510,585 | 47,477,309 | 49,987,894 | 2,217,512 | 53,330,642 | 55,548,154 |
| Investment contract liabilities | - | 10,061,636 | 10,061,636 | - | 8,295,046 | 8,295,046 |
| Trade payables | 1,599,841 | - | 1,599,841 | 1,547,548 | - | 1,547,548 |
| Other payables and accruals | 1,787,068 | - | 1,787,068 | 2,489,333 | - | 2,489,333 |
| Fixed income liability | 2,531,870 | - | 2,531,870 | 165,838 | - | 165,838 |
| Current tax payable | 623,761 | - | 623,761 | 592,961 | - | 592,961 |
| Deferred tax liability | - | 270,408 | 270,408 | - | 269,133 | 269,133 |
| Finance lease obligation | 7,368 | - | 7,368 | 47,562 | 2,292 | 49,854 |
| Long term borrowing | - | 1,785,650 | 1,785,650 | - | 1,134,840 | 1,134,840 |
| Derivative liabilities | - | 143,725 | 143,725 | - | 319,274 | 319,274 |
| **Total liabilities** | **9,060,493** | **59,738,728** | **68,799,221** | **7,060,754** | **63,351,227** | **70,411,981** |

### COMPANY

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| *In thousands of naira* | Current | Non-current | Total | Current | Non-current | Total |
| Cash and cash equivalents | 4,335,655 | - | 4,335,655 | 6,437,403 | - | 6,437,403 |
| Financial assets | - | 54,677,784 | 54,677,784 | - | 57,903,833 | 57,903,833 |
| Trade receivable | 133,022 | - | 133,022 | 123,848 | - | 123,848 |
| Reinsurance assets | 2,816,503 | - | 2,816,503 | 2,479,069 | - | 2,479,069 |
| Deferred acquisition cost | 285,232 | - | 285,232 | 264,842 | - | 264,842 |
| Other receivables and prepayments | 230,217 | - | 230,217 | 282,805 | - | 282,805 |
| Deferred tax asset | - | 978,114 | 978,114 | - | 1,707,077 | 1,707,077 |
| Investment in subsidiaries | - | 2,308,690 | 2,308,690 | - | 2,308,690 | 2,308,690 |
| Investment property | - | 990,000 | 990,000 | - | 1,115,000 | 1,115,000 |
| Property and equipment | - | 5,546,924 | 5,546,924 | - | 1,120,871 | 1,120,871 |
| Goodwill and other intangible assets | - | 1,080,821 | 1,080,821 | - | 5,111,828 | 5,111,828 |
| Statutory deposit | - | 530,000 | 530,000 | - | 530,000 | 530,000 |
| **Total assets** | **7,800,629** | **66,112,333** | **73,912,962** | **9,587,967** | **69,797,299** | **79,385,266** |
| Insurance contract liabilities | 2,328,351 | 47,477,308 | 49,805,659 | 2,217,512 | 53,162,465 | 55,379,977 |
| Investment contract liabilities | - | 10,061,636 | 10,061,636 | - | 8,295,046 | 8,295,046 |
| Trade payables | 1,599,841 | - | 1,599,841 | 1,547,548 | - | 1,547,548 |
| Other payables and accruals | 1,738,392 | - | 1,738,392 | 2,432,087 | - | 2,432,087 |
| Current tax payable | 572,512 | - | 572,512 | 518,443 | - | 518,443 |
| Deferred tax liability | - | 265,237 | 265,237 | - | 263,422 | 263,422 |
| Finance lease obligation | 7,368 | - | 7,368 | 24,954 | 24,900 | 49,854 |
| Long term borrowing | - | 1,785,650 | 1,785,650 | - | 1,134,840 | 1,134,840 |
| Derivative liabilities | - | 143,725 | 143,725 | - | 319,274 | 319,274 |
| **Total liabilities** | **6,246,464** | **59,733,557** | **65,980,021** | **6,740,544** | **63,199,947** | **69,940,491** |

# NOTES TO THE FINANCIAL STATEMENT

For The Year Ended 31 December 2016

## (d)(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

### Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which premium, claims and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of Group and Company is the Nigerian naira. The currencies in which these transactions are primarily denominated are the Nigerian naira. However, the Group receives some premium in foreign currencies and also pays some claims in foreign currencies. The foreign currencies the Group transacts in include euro, british pounds and united states dollars.

### Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

| **GROUP** | **31 December 2016** | | | | **31 December 2015** | | | |
|---|---|---|---|---|---|---|---|---|
| ***In thousands of*** | **Carrying value** | **EUR** | **USD** | **GBP** | **Carrying value** | **EUR** | **USD** | **GBP** |
| Cash and cash equivalent | 771,409 | 91,908 | 662,683 | 16,818 | 483,619 | 51,172 | 379,638 | 52,809 |
| Financial assets | 1,658,769 | - | 1,658,769 | - | 1,465,501 | - | 1,465,501 | - |
| IFC borrowing | (1,785,650) | - | (1,785,650) | - | (1,134,840) | - | (1,134,840) | - |
| Derivative liabilities | (143,725) | - | (143,725) | - | (319,274) | - | (319,274) | - |
| **Net statement of financial position exposure** | **500,803** | **91,908** | **392,077** | **16,818** | **495,006** | **51,172** | **391,025** | **52,809** |

| **COMPANY** | **31 December 2016** | | | | **31 December 2015** | | | |
|---|---|---|---|---|---|---|---|---|
| ***In thousands of*** | **Carrying value** | **EUR** | **USD** | **GBP** | **Carrying value** | **EUR** | **USD** | **GBP** |
| Cash and cash equivalent | 771,409 | 91,908 | 662,683 | 16,818 | 483,619 | 51,172 | 379,638 | 52,809 |
| Financial assets | 1,658,769 | - | 1,658,769 | - | 1,465,501 | - | 1,465,501 | - |
| IFC borrowing | (1,785,650) | - | (1,785,650) | - | (1,134,840) | - | (1,134,840) | - |
| Derivative liabilities | (143,725) | - | (143,725) | - | (319,274) | - | (319,274) | - |
| **Net statement of financial position exposure** | **500,803** | **91,908** | **392,077** | **16,818** | **495,006** | **51,172** | **391,025** | **52,809** |

The following significant exchange rates have been applied.

| | **Year-end spot rate** | |
|---|---|---|
| Naira | **2016** | **2015** |
| USD 1 | 305 | 197 |
| GBP 1 | 375 | 291 |
| EUR 1 | 322 | 214 |

***Sensitivity analysis***

A reasonably possible strengthening (weakening) of the euro, US dollar or pound sterling against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | Profit or loss | | Equity, net of tax | | Profit or loss | | Equity, net of tax | |
| ***Effects in thousands of naira*** | **Strengthening** | **Weakening** | **Strengthening** | **Weakening** | **Strengthening** | **Weakening** | **Strengthening** | **Weakening** |
| **31 December 2016** | | | | | | | | |
| EUR (10% movement) | 9,191 | (9,191) | 9,191 | (9,191) | 9,191 | (9,191) | 9,191 | (9,191) |
| USD (10% movement) | 39,208 | (39,208) | 39,208 | (39,208) | 39,208 | (39,208) | 39,208 | (39,208) |
| GBP (10% movement) | 1,682 | (1,682) | 1,682 | (1,682) | 1,682 | (1,682) | 1,682 | (1,682) |
| **31 December 2015** | | | | | | | | |
| EUR (10% movement) | 5,117 | (5,117) | 5,117 | (5,117) | 5,117 | (5,117) | 5,117 | (5,117) |
| USD (10% movement) | 39,103 | (39,103) | 39,103 | (39,103) | 39,103 | (39,103) | 39,103 | (39,103) |
| GBP (10% movement) | 5,281 | (5,281) | 5,281 | (5,281) | 5,281 | (5,281) | 5,281 | (5,281) |

**(d)(iv) Interest rate risk**

The Group adopts a policy of ensuring that all its interest rate risk exposure is at a fixed rate. The exception is the dollar denominated variable rate loan obtained by the Group from the IFC. This eliminates the variability in the risks and returns on the Group's interest bearing assets and liabilities.

*Exposure to interest rate risk*

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

| ***In thousands of naira*** | **Group 2016** | **2015** | **Company 2016** | **2015** |
|---|---|---|---|---|
| **Fixed-rate instruments** | | | | |
| Cash deposits | 3,417,077 | 5,035,970 | 3,279,117 | 3,511,668 |
| Debt securities | 51,154,052 | 51,315,892 | 49,499,258 | 51,107,997 |
| Money market placements | 100,000 | 387,513 | - | 387,513 |
| Fixed income liabilities | 2,531,870 | 165,838 | - | - |
| Finance lease obligations | 7,368 | 49,854 | 7,368 | 49,854 |
| | **57,210,367** | **56,955,067** | **52,785,743** | **55,057,032** |
| **Variable-rate instruments** | | | | |
| Long term convertible loan | 1,785,650 | 1,398,600 | 1,785,650 | 1,398,600 |
| | **1,785,650** | **1,398,600** | **1,785,650** | **1,398,600** |

Cashflow sensitivity analysis for fixed-rate instruments

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | Profit or loss | | Equity, net of tax | | Profit or loss | | Equity, net of tax | |
| ***Effect in thousands of naira*** | **100bp increase** | **100bp decrease** | **100bp increase** | **100bp decrease** | **100bp increase** | **100bp decrease** | **100bp increase** | **100bp decrease** |
| **31 December 2016** | | | | | | | | |
| Financial instruments | 572,104 | (572,104) | 572,104 | (572,104) | 527,857 | (527,857) | 527,857 | (527,857) |
| | **572,104** | **(572,104)** | **572,104** | **(572,104)** | **527,857** | **(527,857)** | **527,857** | **(527,857)** |
| **31 December 2015** | | | | | | | | |
| Financial instruments | 569,551 | (569,551) | 569,551 | (569,551) | 550,570 | (550,570) | 550,570 | (550,570) |
| | **569,551** | **(569,551)** | **569,551** | **(569,551)** | **550,570** | **(550,570)** | **550,570** | **(550,570)** |

# NOTES TO THE FINANCIAL STATEMENT

For The Year Ended 31 December 2016

Cashflow sensitivity analysis for variable-rate instruments

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | Profit or loss | | Equity, net of tax | | Profit or loss | | Equity, net of | |
| *Effect in thousands of naira* | 100bp increase | 100bp decrease | 100bp increase | 100bp decrease | 100bp increase | 100bp decrease | 100bp increase | 100bp decrease |
| **31 December 2016** | | | | | | | | |
| Financial liabilities | 17,857 | (17,857) | 17,857 | (17,857) | 17,857 | (17,857) | 17,857 | (17,857) |
| | **17,857** | **(17,857)** | **17,857** | **(17,857)** | **17,857** | **(17,857)** | **17,857** | **(17,857)** |
| **31 December 2015** | | | | | | | | |
| Financial liabilities | 13,986 | (13,986) | 13,986 | (13,986) | 13,986 | (13,986) | 13,986 | (13,986) |
| | **13,986** | **(13,986)** | **13,986** | **(13,986)** | **13,986** | **(13,986)** | **13,986** | **(13,986)** |

The analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant.

*Fair value sensitivity analysis for fixed-rate instruments*

The Group does not account for any fixed-rate financial assets and financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**Other market price risk**

The Group is exposed to equity price risk, which arises from available-for-sale equity securities held for partially meeting the claims and benefits obligations. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment and Risk Management Committee.

The primary goal of the Group's investment strategy is to maximise investment returns, both to partially meet the Group's claims and benefits obligations and to improve its returns in general.

**Sensitivity analysis - Equity price risk**

All of the Group's listed equity investments are listed on the Nigerian Stock Exchange and are classified as available for sale.

**(d)(v) Operational risks**

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks.

Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Risk management assessment of the operational system is conducted to review the adequacy and effectiveness of the risk control measures. Also continuous monitoring and periodic reports from the ERM and Control department provide assusrance to the Board and management.Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

The Group's approach to Operational Risk Management was embedded within the ERM Framework manual which set out operational risk management standards and objectives for all key underlying business and support processes.

The policy:

a) Governs risk management in all business activities;
b) Facilitates the identification, measurement, management, monitoring and review of risk activities; and
c) Reflect the internal and external environment within which the business activities take place.

## 46 Insurance Risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business. Non–proportional reinsurance is primarily excess–of–loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

**Sensitivity of liability to changes in long term valuation assumptions**
**31 December 2016 actuarial valuation**

| N'000 | Base | VIR +1% | VIR -1% | Expenses +10% | Expenses -10% | Expense Inflation +2% | Expense Inflation -2% | Mortality +5% | Mortality -5% |
|---|---|---|---|---|---|---|---|---|---|
| Individual Risk Reserve (Excluding Annuity) | 14,620,474 | 14,071,893 | 15,226,641 | 14,835,811 | 14,406,518 | 14,768,978 | 14,488,421 | 14,653,230 | 14,587,841 |
| Annuity | 27,160,163 | 25,898,104 | 28,554,293 | 27,260,366 | 27,059,960 | 27,364,848 | 27,004,352 | 27,280,573 | 27,043,362 |
| Investment Linked Products | 7,009,713 | 7,009,713 | 7,009,713 | 7,009,713 | 7,009,713 | 7,009,713 | 7,009,713 | 7,009,713 | 7,009,713 |
| Group DA | 3,051,923 | 3,051,923 | 3,051,923 | 3,051,923 | 3,051,923 | 3,051,923 | 3,051,923 | 3,051,923 | 3,051,923 |
| Group Life - UPR | 767,520 | 767,520 | 767,520 | 767,520 | 767,520 | 767,520 | 767,520 | 767,520 | 767,520 |
| Group Life - AURR | 40,087 | 40,087 | 40,087 | 40,087 | 40,087 | 40,087 | 40,087 | 40,087 | 40,087 |
| Group Life - IBNR | 793,014 | 793,014 | 793,014 | 793,014 | 793,014 | 793,014 | 793,014 | 793,014 | 793,014 |
| Additional Reserves | 281,989 | 281,989 | 281,989 | 281,989 | 281,989 | 281,989 | 281,989 | 281,989 | 281,989 |
| | 53,724,883 | 51,914,243 | 55,725,181 | 54,040,424 | 53,410,725 | 54,078,073 | 53,437,020 | 53,878,050 | 53,575,451 |
| Reinsurance | (389,922) | (389,922) | (389,922) | (389,922) | (389,922) | (389,922) | (389,922) | (389,922) | (389,922) |
| Net Liability | 53,334,961 | 51,524,321 | 55,335,259 | 53,650,502 | 53,020,803 | 53,688,151 | 53,047,098 | 53,488,128 | 53,185,529 |
| % change in Net Liability | | -3.4% | 3.8% | 0.6% | -0.6% | 0.7% | -0.5% | 0.3% | -0.3% |

| Summary | Base | Interest rate +1% | Interest rate -1% | Expenses +10% | Expenses -10% | Expense Inflation +2% | Expense Inflation -2% | Mortality +5% | Mortality -5% |
|---|---|---|---|---|---|---|---|---|---|
| Individual | 49,072,339 | 47,261,700 | 51,072,636 | 49,387,879 | 48,758,180 | 49,425,528 | 48,784,476 | 49,225,505 | 48,922,906 |
| Group | 4,262,623 | 4,262,623 | 4,262,623 | 4,262,623 | 4,262,623 | 4,262,623 | 4,262,623 | 4,262,623 | 4,262,623 |
| Net Liability | 53,334,962 | 51,524,323 | 55,335,259 | 53,650,502 | 53,020,803 | 53,688,151 | 53,047,099 | 53,488,128 | 53,185,529 |
| % change in Liability | 0% | -3.4% | 3.8% | 0.6% | -0.6% | 0.7% | -0.5% | 0.3% | -0.3% |

*All stresses were applied independently*
*Stresses not applied to individual reinsurance asset due to immateriality*
*The mortality stress has been applied in The opposite direction for annuities.*

### (a) Life insurance contracts (including investment contracts)

Life insurance contracts offered by the Group include: whole life, term assurance and deposit administration. Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Deposit administration is an investment product which accepts deposit from clients and other businesses of savings nature, by agreeing to pay interest on those deposits for an agreed period. For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For contracts with DPF, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured party.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures.

Underwriting limits are in place to enforce appropriate risk selection criteria. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

# NOTES TO THE FINANCIAL STATEMENT

For The Year Ended 31 December 2016

**Key assumptions**

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations. The key assumptions are as follows:

| Valuation basis | 2016 | 2015 |
|---|---|---|
| **a. Economic assumptions** | | |
| i. Net valuation interest rate for the long term risk business | | |
| ii. Annuity valuation rate | 15.50% | 10.80% |
| iii. Tax adjustment (on projected returns) | - | 0.65% |
| i. Inflation rate | 11.00% | 9.50% |
| | | |
| **b. Non - Economic assumptions** | | |
| i. Acquisition expense to maintenance expense | 38:62 | 60:40 |
| ii. Per policy expense assumption (per annum) | N9,500 | N7,300 |
| iii. Mortality assumption (based on assured lifetable) | A67/70 UK | A67/70 UK |

**Sensitivities**

The analysis which follows is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

**(b) Non-life insurance contracts**

The Group principally issues the following types of general insurance contracts: fire, motor, casualty, workmen compensation, personal accident, marine and oil and gas. Risks under non–life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography.

Furthermore, strict claim review policies and procedures exist to assess all new and on-going claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

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

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Group's risk appetite as decided by management. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

**Key assumptions**

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: one–off occurrence, changes in market factors such as public attitude to claims, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

**Sensitivities**

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

**Claims development table**

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The Group has taken advantage of the transitional rules of IFRS 4 that permit only five years of information to be disclosed upon adoption of IFRS.

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

**Gross claim reserving**

The claims paid are allocated to claim development years. In the Personal Accident line for example, of the claims that arose in 2009, N4.54million was paid in 2009 (development year 1), N4.88million in 2010 (development year 2) etc.

The tables shown are the step by step output of the IABCL Method in estimating Gross Claims Reserve.

**Basic chain ladder method - gross motor claims**

**Incremental Chain ladder** (Table of claims paid excluding large claims (Attritional Table)

| | Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 54,213 | 8,625 | 667 | 215 | 34 | - | - | - | - |
| 2008 | 139,424 | 164,942 | 7,482 | 6,755 | 450 | 1,816 | 4,943 | 900 | 215 | - |
| 2009 | 292,367 | 203,681 | 36,530 | 12,350 | 620 | - | - | 21,563 | - | - |
| 2010 | 368,584 | 184,155 | 12,743 | 331 | 56 | - | 7,089 | - | - | - |
| 2011 | 368,880 | 202,548 | 8,594 | 5,498 | 3,077 | 1,030 | - | - | - | - |
| 2012 | 395,039 | 250,654 | 3,916 | 4,073 | 1,724 | - | - | - | - | - |
| 2013 | 489,232 | 173,416 | 41,806 | 2,432 | - | - | - | - | - | - |
| 2014 | 558,462 | 230,849 | 6,682 | - | - | - | - | - | - | - |
| 2015 | 614,947 | 152,874 | - | - | - | - | - | - | - | - |
| 2016 | 550,304 | - | - | - | - | - | - | - | - | - |

| | Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 129,531 | 18,094 | 1,251 | 366 | 51 | - | - | - | - |
| 2008 | 333,124 | 345,998 | 14,038 | 11,491 | 683 | 2,553 | 6,419 | 1,066 | 215 | - |
| 2009 | 613,298 | 382,166 | 62,141 | 18,758 | 872 | - | - | 21,563 | - | - |
| 2010 | 691,572 | 313,264 | 19,354 | 465 | 73 | - | 7,089 | - | - | - |
| 2011 | 627,496 | 307,635 | 12,086 | 7,140 | 3,645 | 1,030 | - | - | - | - |
| 2012 | 599,996 | 352,500 | 5,085 | 4,825 | 1,724 | - | - | - | - | - |
| 2013 | 688,016 | 225,188 | 49,532 | 2,432 | - | - | - | - | - | - |
| 2014 | 725,185 | 273,510 | 6,682 | - | - | - | - | - | - | - |
| 2015 | 728,590 | 152,874 | - | - | - | - | - | - | - | - |
| 2016 | 550,304 | - | - | - | - | - | - | - | - | - |

# NOTES TO THE FINANCIAL STATEMENT

For The Year Ended 31 December 2016

*Projected Inflation Adjusted Chain Ladder Table*

| | Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 129,531 | 147,625 | 148,876 | 149,242 | 149,293 | 149,293 | 149,293 | 149,293 | 149,293 |
| 2008 | 333,124 | 679,122 | 693,160 | 704,651 | 705,335 | 707,888 | 714,307 | 715,373 | 715,588 | 715,588 |
| 2009 | 613,298 | 995,464 | 1,057,605 | 1,076,363 | 1,077,235 | 1,077,235 | 1,077,235 | 1,098,798 | 1,098,798 | 1,098,798 |
| 2010 | 691,572 | 1,004,836 | 1,024,190 | 1,024,655 | 1,024,728 | 1,024,728 | 1,031,818 | 1,031,818 | 1,031,818 | 1,031,818 |
| 2011 | 627,496 | 935,131 | 947,217 | 954,357 | 958,003 | 959,032 | 959,046 | 959,046 | 959,046 | 959,046 |
| 2012 | 599,996 | 952,496 | 957,581 | 962,406 | 964,130 | 964,528 | 964,528 | 964,528 | 964,528 | 964,528 |
| 2013 | 688,016 | 913,205 | 962,736 | 965,168 | 966,970 | 967,428 | 967,428 | 967,428 | 967,428 | 967,428 |
| 2014 | 725,185 | 998,695 | 1,005,377 | 1,013,076 | 1,015,248 | 1,015,800 | 1,015,800 | 1,015,800 | 1,015,800 | 1,015,800 |
| 2015 | 728,590 | 881,464 | 908,644 | 916,614 | 918,863 | 919,435 | 919,435 | 919,435 | 919,435 | 919,435 |
| 2016 | 550,304 | 808,192 | 835,658 | 843,713 | 845,985 | 846,563 | 846,563 | 846,563 | 846,563 | 846,563 |

*Projected Inflation Adjusted Chain Ladder Table- Discounted Results*

| | Discounted Incremental IABCL-Annual Projections (N'000) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | | | | | | | - | - | - | - |
| 2008 | | | | | | | - | - | - | - |
| 2009 | | | | | | | - | - | - | - |
| 2010 | | | | | | | - | - | - | - |
| 2011 | | | | | | - | 12 | - | - | - |
| 2012 | | | | | - | 369 | - | - | - | - |
| 2013 | | | | | 1,673 | 367 | - | - | - | - |
| 2014 | | | | 7,148 | 1,739 | 381 | - | - | - | - |
| 2015 | | | 25,236 | 6,380 | 1,552 | 340 | - | - | - | - |
| 2016 | | 239,443 | 21,984 | 5,558 | 1,352 | 296 | - | - | - | - |

**Basic chain ladder method - casualty**

**Incremental Chain ladder** (Table of claims paid excluding large claims (Attritional Table)

| | Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 49,490 | 23,358 | 7,734 | 6,202 | 1,828 | 7,406 | 826 | - | 273 |
| 2008 | 59,731 | 59,349 | 28,886 | 8,266 | 9,877 | 5,049 | 3,318 | 500 | - | - |
| 2009 | 47,746 | 112,744 | 29,051 | 18,872 | 19,209 | 2,051 | 409 | 754 | - | - |
| 2010 | 125,027 | 211,621 | 41,903 | 24,002 | 11,086 | 3,704 | 595 | - | - | - |
| 2011 | 107,478 | 174,607 | 55,652 | 24,263 | 6,050 | 4,068 | - | - | - | - |
| 2012 | 108,972 | 155,291 | 70,227 | 21,321 | 3,096 | - | - | - | - | - |
| 2013 | 141,592 | 185,372 | 35,669 | 12,063 | - | - | - | - | - | - |
| 2014 | 155,443 | 161,912 | 58,720 | - | - | - | - | - | - | - |
| 2015 | 212,854 | 177,984 | - | - | - | - | - | - | - | - |
| 2016 | 274,466 | - | - | - | - | - | - | - | - | - |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

| | Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 118,246 | 48,997 | 14,511 | 10,549 | 2,776 | 10,415 | 1,073 | - | 273 |
| 2008 | 142,713 | 124,496 | 54,199 | 14,061 | 15,002 | 7,101 | 4,308 | 592 | - | - |
| 2009 | 100,157 | 211,542 | 49,418 | 28,664 | 27,014 | 2,664 | 485 | 754 | - | - |
| 2010 | 234,587 | 359,984 | 63,643 | 33,754 | 14,395 | 4,388 | 595 | - | - | - |
| 2011 | 182,830 | 265,198 | 78,265 | 31,506 | 7,168 | 4,068 | - | - | - | - |
| 2012 | 165,509 | 218,389 | 91,192 | 25,261 | 3,096 | - | - | - | - | - |
| 2013 | 199,123 | 240,713 | 42,261 | 12,063 | - | - | - | - | - | - |
| 2014 | 201,850 | 191,833 | 58,720 | - | - | - | - | - | - | - |
| 2015 | 252,190 | 177,984 | - | - | - | - | - | - | - | - |
| 2016 | 274,466 | - | - | - | - | - | - | - | - | - |

*Projected Inflation Adjusted Chain Ladder Table*

| Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 118,246 | 167,243 | 181,754 | 192,304 | 195,080 | 205,495 | 206,567 | 206,567 | 206,840 |
| 2008 | 142,713 | 267,209 | 321,408 | 335,469 | 350,471 | 357,572 | 361,880 | 362,472 | 362,472 | 362,472 |
| 2009 | 100,157 | 311,699 | 361,117 | 389,780 | 416,794 | 419,457 | 419,942 | 420,697 | 420,697 | 420,697 |
| 2010 | 234,587 | 594,571 | 658,214 | 691,968 | 706,364 | 710,752 | 711,347 | 713,747 | 713,747 | 713,747 |
| 2011 | 182,830 | 448,027 | 526,292 | 557,798 | 564,966 | 569,034 | 573,071 | 575,293 | 575,293 | 575,293 |
| 2012 | 165,509 | 383,898 | 475,090 | 500,352 | 503,448 | 509,079 | 513,226 | 515,508 | 515,508 | 515,508 |
| 2013 | 199,123 | 439,836 | 482,097 | 494,160 | 501,707 | 508,147 | 512,890 | 515,501 | 515,501 | 515,501 |
| 2014 | 201,850 | 393,683 | 452,403 | 482,075 | 490,475 | 497,641 | 502,920 | 505,825 | 505,825 | 505,825 |
| 2015 | 252,190 | 430,174 | 509,742 | 547,407 | 558,069 | 567,166 | 573,867 | 577,555 | 577,555 | 577,555 |
| 2016 | 274,466 | 498,573 | 598,408 | 645,666 | 659,044 | 670,458 | 678,865 | 683,492 | 683,492 | 683,492 |

*Projected Inflation Adjusted Chain Ladder Table - Discounted Results*

| Discounted Incremental IABCL-Annual Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | | | | | | | | | | |
| 2008 | | | | | | | | | | |
| 2009 | | | | | | | | | - | - |
| 2010 | | | | | | | | 2,228 | - | - |
| 2011 | | | | | | | 3,748 | 1,778 | - | - |
| 2012 | | | | | | 5,228 | 3,319 | 1,575 | - | - |
| 2013 | | | | | 7,008 | 5,155 | 3,273 | 1,553 | - | - |
| 2014 | | | | 27,550 | 6,723 | 4,945 | 3,140 | 1,490 | - | - |
| 2015 | | | 73,877 | 30,147 | 7,357 | 5,411 | 3,436 | 1,630 | - | - |
| 2016 | | 208,078 | 79,909 | 32,609 | 7,957 | 5,853 | 3,716 | 1,763 | - | - |

**Basic chain ladder method - Fire**

**Incremental Chain ladder** (Table of claims paid excluding large claims (Attritional Table)

| Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 39,561 | 297 | 759 | 94 | - | - | 38 | - | - |
| 2008 | 75,905 | 56,276 | 47,794 | 4,549 | 75 | - | - | - | - | - |
| 2009 | 88,693 | 100,665 | 27,065 | 988 | 153 | - | - | - | - | - |
| 2010 | 69,459 | 90,817 | 10,717 | 2,075 | 1,598 | 21 | - | - | - | - |
| 2011 | 182,516 | 312,871 | 33,345 | 920 | 707 | 765 | - | - | - | - |
| 2012 | 145,488 | 138,284 | 84,494 | 1,421 | 7 | - | - | - | - | - |
| 2013 | 161,371 | 194,379 | 24,521 | 25,317 | - | - | - | - | - | - |
| 2014 | 175,068 | 206,422 | 103,415 | - | - | - | - | - | - | - |
| 2015 | 206,687 | 222,698 | - | - | - | - | - | - | - | - |
| 2016 | 339,325 | - | - | - | - | - | - | - | - | - |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

| Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 94,522 | 623 | 1,424 | 159 | - | - | 49 | - | - |
| 2008 | 181,359 | 118,049 | 89,676 | 7,739 | 115 | - | - | - | - | - |
| 2009 | 186,052 | 188,878 | 46,040 | 1,501 | 215 | - | - | - | - | - |
| 2010 | 130,326 | 154,488 | 16,276 | 2,917 | 2,075 | 24 | - | - | - | - |
| 2011 | 310,474 | 475,196 | 46,894 | 1,195 | 838 | 765 | - | - | - | - |
| 2012 | 220,970 | 194,472 | 109,718 | 1,683 | 7 | - | - | - | - | - |
| 2013 | 226,940 | 252,408 | 29,052 | 25,317 | - | - | - | - | - | - |
| 2014 | 227,333 | 244,568 | 103,415 | - | - | - | - | - | - | - |
| 2015 | 244,882 | 222,698 | - | - | - | - | - | - | - | - |
| 2016 | 339,325 | - | - | - | - | - | - | - | - | - |

*Projected Inflation Adjusted Chain Ladder Table*

| Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 94,522 | 95,146 | 96,570 | 96,729 | 96,729 | 96,729 | 96,779 | 96,779 | 96,779 |
| 2008 | 181,359 | 299,408 | 389,085 | 396,824 | 396,938 | 396,938 | 396,938 | 396,938 | 396,938 | 396,938 |
| 2009 | 186,052 | 374,930 | 420,970 | 422,471 | 422,685 | 422,685 | 422,685 | 422,685 | 422,685 | 422,685 |
| 2010 | 130,326 | 284,814 | 301,090 | 304,008 | 306,083 | 306,107 | 306,107 | 306,107 | 306,107 | 306,107 |
| 2011 | 310,474 | 785,671 | 832,565 | 833,759 | 834,597 | 835,362 | 836,572 | 836,572 | 836,572 | 836,572 |
| 2012 | 220,970 | 415,442 | 525,160 | 526,843 | 526,851 | 527,504 | 527,504 | 527,504 | 527,504 | 527,504 |
| 2013 | 226,940 | 479,348 | 508,401 | 533,718 | 565,606 | 566,407 | 566,407 | 566,407 | 566,407 | 566,407 |
| 2014 | 227,333 | 471,902 | 575,317 | 582,856 | 584,516 | 585,472 | 585,472 | 585,472 | 585,472 | 585,472 |
| 2015 | 244,882 | 467,580 | 550,772 | 556,168 | 557,953 | 558,981 | 558,981 | 558,981 | 558,981 | 558,981 |
| 2016 | 339,325 | 526,192 | 628,868 | 635,528 | 637,731 | 639,000 | 639,000 | 639,000 | 639,000 | 639,000 |

*Projected Inflation Adjusted Chain Ladder Table -Discounted Results*

| Discounted Incremental IABCL -Annual Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | - | - | - | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - | - | - | - | - |
| 2010 | - | - | - | - | - | - | - | - | - | - |
| 2011 | - | - | - | - | - | - | 1,124 | - | - | - |
| 2012 | - | - | - | - | - | 607 | - | - | - | - |
| 2013 | - | - | - | - | 29,607 | 641 | - | - | - | - |
| 2014 | - | - | - | 7,000 | 1,329 | 660 | - | - | - | - |
| 2015 | - | - | 77,242 | 4,319 | 1,231 | 612 | - | - | - | - |
| 2016 | - | 173,502 | 82,183 | 4,595 | 1,310 | 651 | - | - | - | - |

**Basic chain ladder method - personal accident**

**Incremental Chain ladder** (Table of claims paid excluding large claims (Attritional Table)

| Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 2,222 | 2,227 | 992 | - | - | - | - | - | - |
| 2008 | - | 9,087 | 2,127 | 73 | - | - | 118 | 157 | - | - |
| 2009 | 4,542 | 4,884 | 1,930 | 1,728 | - | 33 | - | - | - | - |
| 2010 | 5,996 | 3,249 | 953 | 305 | 610 | - | - | - | - | - |
| 2011 | 1,179 | 2,571 | 2,574 | 544 | - | 958 | - | - | - | - |
| 2012 | 4,661 | 7,671 | 1,005 | 3,541 | 1,357 | - | - | - | - | - |
| 2013 | 7,878 | 6,264 | 839 | 471 | - | - | - | - | - | - |
| 2014 | 5,887 | 4,526 | 1,303 | - | - | - | - | - | - | - |
| 2015 | 4,799 | 11,891 | - | - | - | - | - | - | - | - |
| 2016 | 13,470 | - | - | - | - | - | - | - | - | - |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

| Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 5,309 | 4,671 | 1,862 | - | - | - | - | - | - |
| 2008 | - | 19,061 | 3,992 | 124 | - | - | 154 | 186 | - | - |
| 2009 | 9,528 | 9,163 | 3,283 | 2,625 | - | 43 | - | - | - | - |
| 2010 | 11,250 | 5,527 | 1,447 | 429 | 792 | - | - | - | - | - |
| 2011 | 2,006 | 3,904 | 3,620 | 707 | - | 958 | - | - | - | - |
| 2012 | 7,079 | 10,788 | 1,305 | 4,196 | 1,357 | - | - | - | - | - |
| 2013 | 11,079 | 8,134 | 994 | 471 | - | - | - | - | - | - |
| 2014 | 7,644 | 5,362 | 1,303 | - | - | - | - | - | - | - |
| 2015 | 5,686 | 11,891 | - | - | - | - | - | - | - | - |
| 2016 | 13,470 | - | - | - | - | - | - | - | - | - |

*Projected Inflation Adjusted Chain Ladder Table*

| Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 5,309 | 9,980 | 11,842 | 11,842 | 11,842 | 11,842 | 11,842 | 11,842 | 11,842 |
| 2008 | - | 19,061 | 23,053 | 23,177 | 23,177 | 23,177 | 23,330 | 23,516 | 23,516 | 23,516 |
| 2009 | 9,528 | 18,691 | 21,974 | 24,600 | 24,600 | 24,643 | 24,643 | 24,643 | 24,643 | 24,643 |
| 2010 | 11,250 | 16,776 | 18,223 | 18,652 | 19,445 | 19,445 | 19,445 | 19,445 | 19,445 | 19,445 |
| 2011 | 2,006 | 5,910 | 9,530 | 10,237 | 10,237 | 11,195 | 11,195 | 11,195 | 11,195 | 11,195 |
| 2012 | 7,079 | 17,867 | 19,172 | 23,368 | 24,725 | 25,809 | 25,809 | 25,809 | 25,809 | 25,809 |
| 2013 | 11,079 | 19,213 | 20,207 | 20,678 | 21,015 | 21,033 | 21,033 | 21,033 | 21,033 | 21,033 |
| 2014 | 7,644 | 13,006 | 14,309 | 16,102 | 16,400 | 16,415 | 16,415 | 16,415 | 16,415 | 16,415 |
| 2015 | 5,686 | 17,577 | 21,616 | 24,657 | 25,160 | 25,187 | 25,187 | 25,187 | 25,187 | 25,187 |
| 2016 | 13,470 | 29,888 | 37,221 | 42,740 | 43,655 | 43,704 | 43,704 | 43,704 | 43,704 | 43,704 |

*Projected Inflation Adjusted Chain Ladder Table- Discounted Results*

| Discounted Incremental IABCL-Annual Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | | | | | | | | | | |
| 2008 | | | | | | | | | | - |
| 2009 | | | | | | | | | - | - |
| 2010 | | | | | | | | - | - | - |
| 2011 | | | | | | | - | - | - | - |
| 2012 | | | | | | 1,006 | - | - | - | - |
| 2013 | | | | | 313 | 14 | - | - | - | - |
| 2014 | | | | 1,666 | 238 | 11 | - | - | - | - |
| 2015 | | | 3,750 | 2,434 | 348 | 16 | - | - | - | - |
| 2016 | | 15,244 | 5,869 | 3,809 | 544 | 25 | - | - | - | - |

**Basic chain ladder method - workmen compensation**

**Incremental Chain ladder** (Table of claims paid excluding large claims (Attritional Table)

| Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 1,499 | 2,337 | 2,244 | 1,115 | 236 | 6,284 | - | - | - |
| 2008 | 583 | 26,088 | 6,866 | 4,890 | 447 | 4,189 | 317 | - | 885 | - |
| 2009 | 5,473 | 23,849 | 5,814 | 711 | 265 | 105 | 46 | - | - | - |
| 2010 | 21,668 | 45,126 | 6,960 | 4,267 | 107 | - | 1,309 | - | - | - |
| 2011 | 19,029 | 48,146 | 21,668 | 5,129 | - | 1,318 | - | - | - | - |
| 2012 | 10,143 | 29,463 | 9,200 | 1,055 | - | - | - | - | - | - |
| 2013 | 15,137 | 16,189 | 9,706 | 4,384 | - | - | - | - | - | - |
| 2014 | 33,154 | 22,427 | 7,140 | - | - | - | - | - | - | - |
| 2015 | 21,469 | 24,898 | - | - | - | - | - | - | - | - |
| 2016 | 13,711 | - | - | - | - | - | - | - | - | - |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

| Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 1,499 | 2,337 | 2,244 | 1,115 | 236 | 6,284 | - | - | - |
| 2008 | 583 | 26,088 | 6,866 | 4,890 | 447 | 4,189 | 317 | - | 885 | - |
| 2009 | 5,473 | 23,849 | 5,814 | 711 | 265 | 105 | 46 | - | - | - |
| 2010 | 21,668 | 45,126 | 6,960 | 4,267 | 107 | - | 1,309 | - | - | - |
| 2011 | 19,029 | 48,146 | 21,668 | 5,129 | - | 1,318 | - | - | - | - |
| 2012 | 10,143 | 29,463 | 9,200 | 1,055 | - | - | - | - | - | - |
| 2013 | 15,137 | 16,189 | 9,706 | 4,384 | - | - | - | - | - | - |
| 2014 | 33,154 | 22,427 | 7,140 | - | - | - | - | - | - | - |
| 2015 | 21,469 | 24,898 | - | - | - | - | - | - | - | - |
| 2016 | 13,711 | - | - | - | - | - | - | - | - | - |

# NOTES TO THE FINANCIAL STATEMENT

For The Year Ended 31 December 2016

*Projected Inflation Adjusted Chain Ladder Table*

| Inflation Adjusted Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | 3,583 | 8,485 | 12,695 | 14,591 | 14,950 | 23,787 | 23,787 | 23,787 | 23,787 |
| 2008 | 1,393 | 56,118 | 69,001 | 77,320 | 77,999 | 83,889 | 84,300 | 84,300 | 85,185 | 85,185 |
| 2009 | 11,480 | 56,228 | 66,118 | 67,197 | 67,570 | 67,706 | 67,761 | 67,761 | 67,761 | 67,761 |
| 2010 | 40,656 | 117,418 | 127,989 | 133,990 | 134,129 | 134,129 | 135,438 | 135,496 | 135,496 | 135,496 |
| 2011 | 32,370 | 105,495 | 135,967 | 142,627 | 142,627 | 143,945 | 145,600 | 145,600 | 145,600 | 145,600 |
| 2012 | 15,405 | 56,839 | 68,786 | 70,036 | 70,036 | 70,562 | 71,495 | 71,495 | 71,495 | 71,495 |
| 2013 | 21,288 | 42,309 | 53,808 | 58,193 | 58,399 | 58,903 | 59,797 | 59,797 | 59,797 | 59,797 |
| 2014 | 43,052 | 69,624 | 76,764 | 81,655 | 81,984 | 82,792 | 84,223 | 84,223 | 84,223 | 84,223 |
| 2015 | 25,437 | 50,334 | 61,654 | 66,063 | 66,360 | 67,088 | 68,378 | 68,378 | 68,378 | 68,378 |
| 2016 | 13,711 | 38,466 | 47,578 | 51,128 | 51,367 | 51,954 | 52,992 | 52,992 | 52,992 | 52,992 |

*Projected Inflation Adjusted Chain Ladder Table-Discounted Results*

| Discounted Incremental IABCL-Annual Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | | | | | | | | | | |
| 2008 | | | | | | | | | | - |
| 2009 | | | | | | | | | - | - |
| 2010 | | | | | | | | 53 | - | - |
| 2011 | | | | | | | 1,537 | - | - | - |
| 2012 | | | | | | 489 | 746 | - | - | - |
| 2013 | | | | | 191 | 404 | 617 | - | - | - |
| 2014 | | | | 4,541 | 264 | 558 | 851 | - | - | - |
| 2015 | | | 10,510 | 3,529 | 205 | 433 | 661 | - | - | - |
| 2016 | | 22,985 | 7,294 | 2,449 | 142 | 301 | 459 | - | - | - |

*Basic chain ladder method - marine*

**Incremental Chain ladder** (Table of claims paid excluding large claims (Attritional Table)

| Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | - | 5,737 | - | - | - | - | - | - | - |
| 2008 | - | 11,469 | 3,991 | - | - | - | - | - | - | - |
| 2009 | 23,422 | 30,443 | 2,438 | 386 | - | - | - | - | - | - |
| 2010 | 42,586 | 5,232 | 16,452 | 205 | - | - | - | - | - | - |
| 2011 | 47,861 | 12,819 | 835 | 19,462 | 89 | 13,713 | - | - | - | - |
| 2012 | 34,699 | 60,007 | 26,838 | 20,410 | 3,128 | - | - | - | - | - |
| 2013 | 84,356 | 68,151 | 18,403 | 2,172 | - | - | - | - | - | - |
| 2014 | 68,187 | 42,366 | 12,928 | - | - | - | - | - | - | - |
| 2015 | 69,435 | 88,165 | - | - | - | - | - | - | - | - |
| 2016 | 60,926 | - | - | - | - | - | - | - | - | - |

**Inflation Adjusted** (Table of claims paid excluding large claims (Attritional Table)

| Inflation Adjusted Incremental Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | - | 12,034 | - | - | - | - | - | - | - |
| 2008 | - | 24,058 | 7,488 | - | - | - | - | - | - | - |
| 2009 | 49,132 | 57,120 | 4,147 | 587 | - | - | - | - | - | - |
| 2010 | 79,904 | 8,899 | 24,987 | 289 | - | - | - | - | - | - |
| 2011 | 81,416 | 19,470 | 1,174 | 25,272 | 106 | 13,713 | - | - | - | - |
| 2012 | 52,702 | 84,388 | 34,851 | 24,182 | 3,128 | - | - | - | - | - |
| 2013 | 118,632 | 88,496 | 21,804 | 2,172 | - | - | - | - | - | - |
| 2014 | 88,543 | 50,195 | 12,928 | - | - | - | - | - | - | - |
| 2015 | 82,267 | 88,165 | - | - | - | - | - | - | - | - |
| 2016 | 60,926 | - | - | - | - | - | - | - | - | - |

*Projected Inflation Adjusted Chain Ladder Table*

| Cumulative Chain ladder-Yearly Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | - | 12,034 | 12,034 | 12,034 | 12,034 | 12,034 | 12,034 | 12,034 | 12,034 |
| 2008 | - | 24,058 | 31,546 | 31,546 | 31,546 | 31,546 | 31,546 | 31,546 | 31,546 | 31,546 |
| 2009 | 49,132 | 106,252 | 110,399 | 110,985 | 110,985 | 110,985 | 110,985 | 110,985 | 110,985 | 110,985 |
| 2010 | 79,904 | 88,803 | 113,791 | 114,079 | 114,079 | 114,079 | 114,079 | 114,079 | 114,079 | 114,079 |
| 2011 | 81,416 | 100,886 | 102,060 | 127,332 | 127,438 | 141,152 | 141,152 | 141,152 | 141,152 | 141,152 |
| 2012 | 52,702 | 137,091 | 171,941 | 196,123 | 199,251 | 207,475 | 207,475 | 207,475 | 207,475 | 207,475 |
| 2013 | 118,632 | 207,129 | 228,932 | 231,104 | 240,875 | 241,540 | 241,540 | 241,540 | 241,540 | 241,540 |
| 2014 | 88,543 | 138,739 | 151,667 | 164,094 | 164,995 | 165,516 | 165,516 | 165,516 | 165,516 | 165,516 |
| 2015 | 82,267 | 170,432 | 197,539 | 215,820 | 217,146 | 217,912 | 217,912 | 217,912 | 217,912 | 217,912 |
| 2016 | 60,926 | 115,966 | 135,864 | 149,283 | 150,256 | 150,818 | 150,818 | 150,818 | 150,818 | 150,818 |

*Projected Inflation Adjusted Chain Ladder Table- Discounted Results*

| Discounted Incremental IABCL -Annual Projections (N'000) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | - | - | - | - | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - | - | - | - | - |
| 2010 | - | - | - | - | - | - | - | - | - | - |
| 2011 | - | - | - | - | - | - | - | - | - | - |
| 2012 | - | - | - | - | - | 7,636 | - | - | - | - |
| 2013 | - | - | - | - | 9,072 | 532 | - | - | - | - |
| 2014 | - | - | - | 11,538 | 722 | 359 | - | - | - | - |
| 2015 | - | - | 25,168 | 14,632 | 915 | 455 | - | - | - | - |
| 2016 | - | 51,103 | 15,927 | 9,259 | 579 | 288 | - | - | - | - |

**Basic chain ladder method - Special Oil**

| Expected Loss Ratio - Special Oil | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Accident Year | Gross Earned Premium (N'000) | Claims Paid Till Date (N'000) | Total O/S as at 31 Dec 2016 (N'000) | Current Incurred (N'000) | Current Loss Ratio (N'000) | Ultimate Loss Ratio (N'000) | Ultimate Losses (N'000) | Outstanding Claim Reserves (N'000) |
| 2008 | 2,099,398 | 123,088 | - | 123,088 | 6% | 5.86% | 123,088 | - |
| 2009 | 2,099,398 | 108,156 | 500 | 108,656 | 5% | 5.18% | 108,656 | 500 |
| 2010 | 2,099,398 | 242,080 | - | 242,080 | 12% | 11.53% | 242,080 | - |
| 2011 | 2,099,398 | 306,039 | 2,240 | 308,278 | 15% | 14.68% | 308,278 | 2,240 |
| 2012 | 3,077,246 | 846,466 | 7,755 | 854,221 | 28% | 27.76% | 854,221 | 7,755 |
| 2013 | 1,743,435 | 108,063 | - | 108,063 | 6% | 6.20% | 108,063 | - |
| 2014 | 1,714,798 | 33,896 | - | 33,896 | 2% | 1.98% | 33,896 | - |
| 2015 | 1,885,938 | 129,135 | 35,795 | 164,930 | 9% | 12.43% | 234,419 | 105,284 |
| 2016 | 1,138,129 | 3,812 | 71,849 | 75,661 | 7% | 15.04% | 171,211 | 167,399 |
| **Total** | | | | | | | | **283,178** |
| **Discounted** | | | | | | | | **241,665** |

# NOTES TO THE FINANCIAL STATEMENT

For The Year Ended 31 December 2016

## 47(a) PRA Regulated Annuity Fund

The Company had 7,802 PRA regulated annuity policies as at 31 December 2016 with annual annuity payment of ₦4,198,943,640.00.We have valued each annuity policy adopting IFRS 4 requirements in estimating the present value (at the review date) of the company's future annuity payment obligations. Each annuity policy has been valued using a monthly discounted cash flow method and the reserves are set equal to the present value of future annuity payments and attending expenses. We have recognised the 10year annuity guaranteed minimum payment period in our calculations.

The valuation interest rate is based on current risk free yields with adjustments. This is in line with the requirements of IFRS 4 (paragraph 24). The use of a risk free rate also implies that future investment margins in excess of the risk free return will not be capitalised upon, which satisfies paragraph 27 of IFRS 4. Furthermore, the result is a 'fair value' liability calculation which aids the comparability of accounts between insurers.

We illustrate below the movement of the annuity portfolio in 2015:

| | Number of annuity policies | Annual Annuity ₦ |
|---|---|---|
| 31.12.2015 | 6,798 | 3,898,009,598 |
| · New Entrants | 1,082 | 346,000,724 |
| · Deaths | 78 | 45,066,680 |
| 31.12.2016 | 7,802 | 4,198,943,640 |

**Mortality assumptions**

We have assumed the following sample average expectation of life in line with the PA(90) UK published tables:

| Age | Expectation of Life (in years) | |
|---|---|---|
| | Male | Female |
| 50 | 27 | 32 |
| 60 | 19 | 23 |
| 70 | 12 | 15 |
| 80 | 7 | 9 |

## PENCOM REGULATED ANNUITY
## STATEMENT OF ASSETS AND LIABILITIES
## FOR THE YEAR ENDED 31 DECEMBER 2016

**Short term deposits**

| Description | Maturity | Interest Rate | Carrying Amount |
|---|---|---|---|
| STANBIC IBTC BANK | 18-Jan-17 | 11.00% | 92,331,803 |
| CORONATION MERCHANT BANK LTD. | 29-Jan-17 | 7.00% | 50,019,126 |
| Total | | | **142,350,929** |

**Quoted equities**

| Description | Units | Carrying Amount |
|---|---|---|
| FBNH | 12,603,529 | 42,221,822 |
| FCMB | 6,224,307 | 6,846,738 |
| Flourmill | 210,000 | 3,882,900 |
| Total PLC | 814 | 243,386 |
| **TOTAL** | | **53,194,846** |

**Treasury bills**

| Issuer | Maturity Date | Interest Rate | Fair Value |
|---|---|---|---|
| Central Bank of Nigeria | 05-Oct-2017 | 18.45% | 3,870,517 |
| Central Bank of Nigeria | 23-Feb-2017 | 18.25% | 44,862,570 |
| Central Bank of Nigeria | 15-Nov-2017 | 18.49% | 7,545,415 |
| Central Bank of Nigeria | 14-Jun-2017 | 18.40% | 7,348,927 |
| Central Bank of Nigeria | 16-Feb-2017 | 18.00% | 8,413,936 |
| | | | **72,041,365** |

# PENCOM REGULATED ANNUITY
# STATEMENT OF ASSETS AND LIABILITIES
For The Year Ended 31 December 2016

**Bonds**

| Description | Maturity Date | Coupon Rate | Fair Value |
|---|---|---|---|
| 10.00% FGN JUL 2030 | 23-Jul-30 | 10.00% | 109,252,500 |
| 10.7% FGN MAY 2018 | 30-May-18 | 10.70% | 154,693,707 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 16,465,249,206 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 172,980,782 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 172,980,782 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 172,980,782 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 259,471,172 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 172,980,782 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 259,471,172 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 172,980,782 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 172,980,782 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 172,980,782 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 172,980,782 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 172,980,782 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.1493% FGN JUL 2034 | 18-Jul-34 | 12.15% | 86,490,391 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 327,329,724 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 327,329,724 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 327,329,724 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 327,329,724 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 490,994,586 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 327,329,724 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 409,162,155 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 818,324,309 |
| 12.4% FGN MAR 2036 | 18-Mar-36 | 12.40% | 327,329,724 |
| 12.5% FGN JAN 2026 | 22-Jan-26 | 12.50% | 88,562,717 |
| 14.2% FGN MAR 2024 | 14-Mar-24 | 14.20% | 5,472,121,989 |
| 15.54% FGN FEB 2020 | 13-Feb-20 | 15.54% | 104,901,957 |
| 15.54% FGN FEB 2020 | 13-Feb-20 | 15.54% | 39,862,743 |
| 16% FGN JUN 2019 | 29-Jun-19 | 16.00% | 100,347,912 |
| 7% FGN OCT 2019 | 23-Oct-19 | 7.00% | 163,413,846 |
| **Total** | | | **29,494,520,037** |

| | |
|---|---|
| **Total Assets** | **29,762,107,178** |
| **Liabilities - Annuity Reserves** | **27,160,163,000** |

## PENCOM REGULATED ANNUITY
## STATEMENT OF ASSETS AND LIABILITIES
For The Year Ended 31 December 2016

### 47 (b) Hypothecation of assets

| | Policyholder's fund | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Life Fund** | **Annuity** | **Investment Contract Liabilities** | **Insurance Contract Liabilities** | **Shareholders' fund** | **Total** | **2015** |
| Cash and cash equivalents | 327,754 | 142,351 | 1,403,629 | 2,393,216 | 129,390 | 4,396,340 | 6,437,403 |
| Financial assets: | | | | | | | |
| Bonds and treasury bills | 11,918,479 | 29,566,561 | 4,841,265 | 2,360,097 | 812,856 | 49,499,258 | 51,107,996 |
| Quoted equities | 749,108 | 53,195 | 335,086 | 226,018 | 339,027 | 1,702,434 | 2,757,398 |
| Unquoted equities | 1,182,575 | - | 68,089 | - | 696,509 | 1,947,173 | 1,828,926 |
| Money market placements | - | - | - | - | - | - | 387,513 |
| Loans & receivables | - | - | 1,329,597 | 138,638 | - | 1,468,235 | 1,821,999 |
| Investment In Subsidiaries | - | - | - | - | 2,308,690 | 2,308,690 | 2,308,690 |
| Investment Properties | 265,000 | - | 380,000 | 345,000 | - | 990,000 | 1,115,000 |
| Property and Equipment | 1,963,481 | - | 2,117,074 | 114,071 | 1,352,298 | 5,546,924 | 5,111,828 |
| Statutory Deposit | - | - | - | - | 530,000 | 530,000 | 530,000 |
| Other Assets (See a below) | 389,922 | - | 348,534 | 2,844,835 | 1,940,618 | 5,523,909 | 5,978,512 |
| | **16,796,319** | **29,762,107** | **10,823,274** | **8,421,875** | **8,109,388** | **73,912,964** | **79,385,266** |

| Other Assets | | | | | | | |
|---|---|---|---|---|---|---|---|
| Trade Receivable | - | - | - | 133,022 | - | 133,022 | 123,848 |
| Reinsurance Assets | 389,922 | - | - | 2,426,581 | - | 2,816,503 | 2,479,069 |
| Deferred acquisition cost | - | - | - | 285,232 | - | 285,232 | 264,842 |
| Other Receivables and Prepayments | - | - | 120,165 | - | 110,052 | 230,217 | 282,805 |
| Deferred Tax Asset | - | - | - | - | 978,114 | 978,114 | 1,707,077 |
| Goodwill and Other Intangible Assets | - | - | 228,369 | - | 852,452 | 1,080,821 | 1,120,871 |
| | **389,922** | **-** | **348,534** | **2,844,835** | **1,940,618** | **5,523,909** | **5,978,512** |

### (c) Assets representing policyholders' funds

| | **Group** | | **Company** | |
|---|---|---|---|---|
| *In thousands of naira* | **2016** | **2015** | **2016** | **2015** |
| **Assets Representing Policyholders' Fund** | | | | |
| Cash and Cash Equivalents: | 4,266,950 | 6,308,013 | 4,266,950 | 6,308,013 |
| **Short Term Investments:** | | | | |
| Money market Placements | - | 387,513 | - | 387,513 |
| **Available For Sale Investments:** | 1,363,407 | 2,494,948 | 1,363,407 | 2,494,948 |
| Quoted Equities | 48,686,402 | 50,494,504 | 48,686,402 | 50,494,504 |
| Bonds and treasury bills | 1,250,664 | 1,132,417 | 1,250,664 | 1,132,417 |
| Unquoted Equities | 5,051,526 | 4,689,757 | 5,051,526 | 4,689,757 |
| Loans & receivables And Other assets | - | - | - | - |
| **Held To Maturity Investments:** | - | - | - | - |
| FGN, State and Corporate Bonds | 990,000 | 995,800 | 990,000 | 995,800 |
| Investment Property | 3,090,555 | 3,042,237 | 3,090,555 | 3,042,237 |
| **Leasehold and Building** | **64,699,504** | **69,545,190** | **64,699,504** | **69,545,190** |

# OTHER NATIONAL DISCLOSURES

# VALUE ADDED STATEMENT

For The Year Ended 31 December 2016

| *In thousands of Naira* | Group 2016 | % | 2015 | % | Company 2016 | % | 2015 | % |
|---|---|---|---|---|---|---|---|---|
| **Gross Premium Written:** | | | | | | | | |
| Local | 27,064,365 | | 32,918,820 | | 26,428,519 | | 32,449,276 | |
| Investment and other income | 8,007,084 | | 13,977,020 | | 7,635,503 | | 13,677,976 | |
| Interest expense | (836,571) | | (87,121) | | (836,571) | | (85,072) | |
| | 34,234,878 | | 46,808,719 | | 33,227,451 | | 46,042,180 | |
| Impairment charge for financial assets | - | | (12,007) | | - | | (12,007) | |
| | 34,234,878 | | 46,796,712 | | 33,227,451 | | 46,030,173 | |
| **Bought in materials and services:** | | | | | | | | |
| Local | (19,203,769) | | (41,356,265) | | (19,607,305) | | (41,507,265) | |
| **Value Added** | **15,031,109** | **100** | **5,440,447** | **100** | **13,620,146** | **100** | **4,522,908** | **100** |
| **Distribution** | | | | | | | | |
| **Employees** | | | | | | | | |
| Salaries and other employees benefits | 2,617,932 | 17.4 | 3,039,353 | 55.9 | 1,818,582 | 13.4 | 2,280,601 | 50.4 |
| **Government** | | | | | | | | |
| Taxation | 1,596,825 | 10.6 | 603,688 | 11.1 | 1,513,671 | 11.1 | 481,618 | 10.6 |
| **Retained in the Group** | | | | | | | | |
| Replacement of property and equipment | 514,063 | 3.4 | 525,148 | 9.7 | 386,026 | 2.8 | 411,426 | 9.1 |
| Replacement of intangible assets | 92,911 | 0.6 | 52,258 | 1.0 | 81,148 | 0.6 | 36,292 | 0.8 |
| To pay proposed dividend | 138,604 | 0.9 | 346,510 | 6.4 | 138,604 | 1.0 | 346,510 | 7.7 |
| Contingency reserves | 1,221,455 | 8.1 | 462,846 | 8.5 | 1,221,455 | 9.0 | 488,492 | 10.8 |
| Retained profits for the year | 8,849,319 | 58.9 | 410,644 | 7.5 | 8,460,659 | 62.1 | 477,969 | 10.6 |
| **Value Added** | **15,031,109** | **100** | **5,440,447** | **100** | **13,620,146** | **100** | **4,522,908** | **100** |

# GROUP FINANCIAL SUMMARY

For The Year Ended 31 December 2016

| *In thousands of naira* | 31 Dec. 2016 | 31 Dec. 2015 | 31 Dec. 2014 | 31 Dec. 2013 | 31 Dec. 2012 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 7,491,178 | 8,451,795 | 7,954,370 | 8,541,729 | 9,721,659 |
| Financial assets | 56,556,261 | 58,269,318 | 38,172,893 | 19,045,540 | 12,443,624 |
| Trade receivable | 411,969 | 296,514 | 210,133 | 35,772 | 2,184,434 |
| Reinsurance assets | 2,816,503 | 2,479,069 | 1,699,320 | 2,255,233 | 689,735 |
| Deferred acquisition cost | 285,232 | 264,842 | 443,945 | 285,133 | 508,137 |
| Other receivables and prepayments | 324,457 | 447,467 | 321,989 | 1,804,167 | 1,105,714 |
| Deferred tax asset | 1,088,677 | 1,775,779 | 1,696,850 | 2,907,536 | 1,502,062 |
| Investment in associate | - | - | - | - | - |
| Investment property | 990,000 | 1,115,000 | 1,203,000 | 1,190,000 | 760,000 |
| Goodwill and other intangible assets | 1,092,031 | 1,142,720 | 922,524 | 878,603 | 894,005 |
| Property and equipment | 5,915,891 | 5,353,657 | 5,183,071 | 4,657,122 | 4,745,310 |
| Statutory deposit | 530,000 | 530,000 | 530,000 | 500,000 | 500,000 |
| **Total assets** | **77,502,198** | **80,126,161** | **58,338,095** | **42,100,835** | **35,054,680** |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 49,987,894 | 55,548,154 | 35,071,301 | 21,870,036 | 15,576,898 |
| Investment contract liabilities | 10,061,636 | 8,295,046 | 6,608,125 | 6,356,398 | 4,983,089 |
| Trade payables | 1,599,841 | 1,547,548 | 643,762 | 58,792 | 387,047 |
| Other payables and accruals | 1,787,068 | 2,489,333 | 3,702,330 | 1,776,463 | 969,394 |
| Portfolio under management | 2,531,870 | 165,838 | - | - | - |
| Book overdraft | - | - | - | 11,489 | 187,177 |
| Current tax payable | 623,761 | 592,961 | 558,874 | 690,564 | 648,089 |
| Dividend payable | - | - | - | 34,154 | 10,041 |
| Deferred tax liability | 270,408 | 269,133 | 7,364 | 151,780 | 34,957 |
| Finance lease obligation | 7,368 | 49,854 | 49,230 | - | - |
| Retirement benefit obligation | - | - | - | 528,021 | 695,303 |
| Cumulative Irredeemable convertible preference shares | - | - | - | 50,000 | - |
| Long term borrowing | 1,785,650 | | - | - | - |
| Derivative liabilities | 143,725 | 319,274 | - | - | - |
| **Total liabilities** | **68,799,221** | **69,277,141** | **46,640,986** | **31,527,697** | **23,491,995** |
| **Net assets** | **8,702,977** | **10,849,020** | **11,697,109** | **10,573,138** | **11,562,685** |
| **Equity** | | | | | |
| Issued share capital | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 |
| Share premium | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 |
| Revaluation reserves | 1,221,707 | 1,221,707 | 1,221,707 | 1,029,009 | 1,029,009 |
| Available-for-sale reserve | (14,065,457) | (2,723,536) | 581,971 | 1,913,995 | 1,461,684 |
| Exchange gains reserve | 596,977 | 148,521 | - | - | - |
| Statutory reserves | 96,688 | 55,240 | 14,629 | - | - |
| Contingency reserve | 4,703,531 | 3,482,076 | 3,019,230 | 2,506,771 | 2,065,727 |
| Retained earnings | 9,498,054 | 898,089 | 275,503 | (1,407,214) | 528,387 |
| Cumulative Irredeemable convertible preference shares | - | - | 50,000 | - | - |
| **Shareholders' fund** | **8,340,991** | **9,371,588** | **11,452,531** | **10,332,052** | **11,374,298** |
| Non controlling interest | 361,987 | 342,592 | 244,578 | 241,086 | 188,387 |
| **Total equity and liabilties** | **8,702,978** | **9,714,180** | **11,697,109** | **10,573,138** | **11,562,685** |
| Gross premium written | 27,064,365 | 32,918,820 | 33,648,367 | 23,602,618 | 21,273,100 |
| Gross premium income | 30,029,334 | 10,410,650 | 20,927,888 | 23,316,026 | 21,070,249 |
| Net premium income | 26,687,570 | 6,748,488 | 16,221,687 | 18,228,214 | 16,083,926 |
| Other revenue | 10,124,385 | 16,076,935 | 6,091,344 | 4,683,287 | 4,675,158 |
| Total revenue | 36,811,955 | 22,825,423 | 22,313,031 | 22,911,501 | 20,759,084 |
| Net benefits and claims | (13,096,190) | (10,667,702) | (9,098,087) | (6,784,084) | (4,938,591) |
| Other expenses | (11,880,530) | (10,358,427) | 3,734,076 | (17,406,972) | (13,736,406) |
| Total benefits, claims and other expenses | (24,976,720) | (21,026,129) | (5,364,011) | (24,191,056) | (18,674,997) |
| Profit/(loss) before taxation | 11,835,236 | 1,799,294 | 16,949,020 | (1,279,555) | 2,084,087 |
| Profit/(loss) after taxation | 10,238,411 | 1,195,606 | 2,232,871 | (739,226) | 1,320,663 |
| Other comprehensive income, net of tax | (10,893,465) | (3,156,986) | (1,139,326) | 535,394 | 812,795 |
| Total comprehensive income/(loss) for the year | (655,054) | (1,961,380) | 1,093,545 | (203,832) | 2,133,458 |
| Basic earnings/(loss) per share (kobo) | 147 | 18 | 31 | (12) | 19 |
| Diluted earnings per share (kobo) | 105 | 14 | 31 | (12) | 19 |

# COMPANY FINANCIAL SUMMARY

For The Year Ended 31 December 2016

| *In thousands of naira* | 31 Dec. 2016 | 31 Dec. 2015 | 31 Dec. 2014 | 31 Dec. 2013 | 31 Dec. 2012 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 4,335,655 | 6,437,403 | 6,577,102 | 7,700,467 | 8,584,780 |
| Financial assets | 54,677,784 | 57,903,833 | 37,322,661 | 18,536,812 | 12,532,840 |
| Trade receivable | 133,022 | 123,848 | 11,303 | 35,772 | 2,184,434 |
| Reinsurance assets | 2,816,503 | 2,479,069 | 1,699,320 | 2,255,233 | 689,735 |
| Deferred acquisition cost | 285,232 | 264,842 | 443,945 | 285,133 | 508,137 |
| Other receivables and prepayments | 230,217 | 282,805 | 529,581 | 1,495,485 | 776,376 |
| Deferred tax asset | 978,114 | 1,707,077 | 1,531,097 | 2,741,784 | 1,305,111 |
| Investment in subsidiaries | 2,308,690 | 2,308,690 | 2,133,417 | 1,619,479 | 1,557,945 |
| Investment property | 990,000 | 1,115,000 | 1,203,000 | 1,190,000 | 760,000 |
| Goodwill and other intangible assets | 1,080,821 | 1,120,871 | 886,767 | 864,914 | 886,436 |
| Property and equipment | 5,546,924 | 5,111,828 | 4,988,937 | 4,493,862 | 4,582,294 |
| Statutory deposit | 530,000 | 530,000 | 530,000 | 500,000 | 500,000 |
| **Total Assets** | **73,912,962** | **79,385,266** | **57,857,130** | **41,718,941** | **34,868,088** |
| **Liabilities** | | | | | |
| Insurance contract liabilities | 49,805,659 | 55,379,977 | 35,029,115 | 21,822,439 | 15,532,629 |
| Investment contract liabilities | 10,061,636 | 8,295,046 | 6,608,125 | 6,356,398 | 4,983,089 |
| Trade payables | 1,599,841 | 1,547,548 | 643,762 | 58,792 | 308,620 |
| Other payables and accruals | 1,738,392 | 2,432,087 | 3,399,891 | 1,491,267 | 905,894 |
| Book overdraft | - | - | - | - | 187,177 |
| Current tax payable | 572,512 | 518,443 | 492,279 | 665,405 | 623,542 |
| Dividend payable | - | - | - | 10,041 | 10,041 |
| Deferred tax liability | 265,237 | 263,422.00 | - | 144,416 | 31,917 |
| Finance lease obligation | 7,368 | 49,854 | 49,230 | - | - |
| Retirement benefit obligation | - | - | - | 528,021 | 695,303 |
| Long term borrowing | 1,785,650 | 1,134,840.00 | - | - | - |
| Derivative liabilities | 143,725 | 319,274.00 | | | |
| **Total liabilities** | **65,980,021** | **69,940,491** | **46,222,402** | **31,076,779** | **23,278,212** |
| **Net Assets** | **7,932,941** | **9,444,775** | **11,634,729** | **10,642,162** | **11,589,876** |
| **Equity** | | | | | |
| Issued share capital | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 | 3,465,102 |
| Share premium | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 | 2,824,389 |
| Revaluation reserves | 1,221,707 | 1,221,707 | 1,221,707 | 1,029,009 | 1,029,009 |
| Available-for-sale reserve | (14,019,431) | (2,723,536) | 581,400 | 1,913,424 | 1,459,645 |
| Exchange gain reserves | 596,977 | 148,521 | - | - | - |
| Contingency reserve | 4,703,531 | 3,482,076 | 2,993,584 | 2,481,129 | 2,065,726 |
| Retained earnings | 9,140,665 | 1,026,516 | 548,547 | (1,070,890) | 746,005 |
| **Shareholders' fund** | **7,932,941** | **9,444,775** | **11,634,729** | **10,642,163** | **11,589,876** |
| Gross premium written | 26,428,519 | 32,449,276 | 33,274,428 | 22,830,564 | 20,716,780 |
| Gross premium income | 29,507,169 | 9,941,106 | 20,553,949 | 22,543,972 | 20,513,929 |
| Net premium income | 26,165,405 | 6,278,944 | 15,847,747 | 17,763,366 | 15,527,606 |
| Other revenue | 8,417,852 | 14,422,045 | 4,925,905 | 3,898,252 | 4,123,089 |
| Total revenue | 34,583,257 | 20,700,989 | 20,773,652 | 21,661,618 | 19,650,695 |
| Net benefits and claims | (12,727,038) | (10,667,702) | (9,098,087) | (6,784,084) | (4,938,591) |
| Other expenses | (10,660,433) | (8,585,208) | (8,565,374) | (16,388,498) | (12,734,351) |
| Total benefits, claims and other expenses | (23,387,471) | (19,252,910) | (17,663,461) | (23,172,582) | (17,672,942) |
| Profit/(loss) before taxation | 11,195,786 | 1,448,079 | 3,110,191 | (1,510,964) | 1,977,753 |
| Profit/(loss) after taxation | 9,682,115 | 966,461 | 2,131,892 | (930,158) | 1,247,963 |
| Other comprehensive (loss)/income, net of tax | 10,847,439 | 3,156,415 | (1,139,326) | 536,861 | 813,006 |
| Total comprehensive income/(loss) for the year | 1,165,324 | 2,189,954 | 992,566 | (393,297) | 2,060,969 |
| Basic earnings/(loss) per share (kobo) | 140 | 14 | 31 | (13) | 18 |
| Diluted earnings per share (kobo) | 100 | 11 | 31 | (13) | 18 |

# REVENUE ACCOUNT OF GENERAL BUSINESS

For The Year Ended 31 December 2016

| *In thousands of naira* | Fire | Motor | Casualty | Employer's liability | Marine | Personal accident | Special oil | Total December-16 | Total December-15 |
|---|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | | |
| Direct premium | 1,405,494 | 1,593,007 | 1,760,634 | 165,696 | 976,628 | 417,802 | 1,073,950 | 7,393,210 | 7,993,136 |
| Inward premium | 92,001 | 21,550 | 71,030 | 770 | 13,852 | 11,809 | 7,543 | 218,555 | 206,815 |
| **Gross written premium** | 1,497,495 | 1,614,556 | 1,831,664 | 166,466 | 990,480 | 429,611 | 1,081,492 | 7,611,765 | 8,199,951 |
| Increase/(decrease) in unexpired risk premium | 26,784 | (558,351) | (99,452) | 494,789 | (20,235) | (173,573) | 51,022 | (279,016) | (675,607) |
| **Gross premium income** | 1,524,279 | 1,056,206 | 1,732,212 | 661,255 | 970,245 | 256,038 | 1,132,514 | 7,332,749 | 7,524,344 |
| Reinsurance cost | (705,160) | (195,098) | (695,206) | (53,609) | (391,803) | (204,972) | (762,694) | (3,008,541) | (3,364,371) |
| **Net premium income** | 819,120 | 861,108 | 1,037,006 | 607,645 | 578,442 | 51,066 | 369,820 | 4,324,208 | 4,159,973 |
| Commission received | 161,036 | 59,164 | 196,553 | 18,901 | 113,883 | 81,513 | 15,100 | 646,148 | 648,436 |
| **Total underwriting income** | **980,155** | **920,272** | **1,233,559** | **626,546** | **692,325** | **132,579** | **384,919** | **4,970,356** | **4,808,409** |
| **Expense** | | | | | | | | | |
| Claims | 1,619,526 | 751,919 | 922,527 | 36,120 | 373,173 | (248,962) | (413,547) | 3,040,756 | 3,664,743 |
| Increase/(decrease) in outstanding claims | 11,335 | 18,019 | 44,175 | - | (16,146) | 455 | (44,570) | 13,267 | 25,568 |
| Increase/(decrease) in claims incurred but not reported (IBNR) | 30,340 | 22,935 | (10,964) | 919 | 13,499 | 2,524 | (19,024) | 40,229 | (24,148) |
| **Gross claims incurred** | 1,661,201 | 792,873 | 955,738 | 37,039 | 370,526 | (245,983) | (477,141) | 3,094,252 | 3,666,163 |
| Reinsurance claims recoveries/recoverable | (1,046,547) | (242,143) | (354,349) | (28,202) | (248,457) | 151,565 | 277,954 | (1,490,179) | (2,142,733) |
| **Net claims incurred** | | **550,729** | **601,388** | **8,836** | **122,070** | **(94,418)** | **(199,187)** | **1,604,073** | **1,523,430** |
| Commission | 244,397 | 145,948 | 271,492 | 27,177 | 136,982 | 71,885 | 5,287 | 903,169 | 1,133,266 |
| Maintenance costs | (14,339) | 10,898 | 5,551 | (1,681) | 22,101 | 58,212 | 21,136 | 101,878 | 151,676 |
| **Total underwriting expenses** | 230,057 | 707,575 | 878,431 | 34,333 | 281,153 | 35,680 | (172,763) | 2,609,120 | 2,808,372 |
| **UNDERWRITING PROFIT** | **750,098** | **212,697** | **355,127** | **592,213** | **411,173** | **96,899** | **557,683** | **2,361,235** | **2,000,037** |

# REVENUE ACCOUNT OF LIFE BUSINESS

For The Year Ended 31 December 2016

| *In thousands of naira* | Ordinary life | Annuity | Group life | Total December 2016 | Total December 2015 |
|---|---|---|---|---|---|
| *Income* | | | | | |
| Gross premium written | 12,784,662 | 3,959,083 | 2,073,010 | 18,816,755 | 24,249,325 |
| Changes in unearned premium | (2,226,145) | 5,241,689 | 342,122 | 3,357,665 | (21,832,562) |
| **Gross premium income** | **10,558,517** | **9,200,772** | **2,415,132** | **22,174,421** | **2,416,763** |
| Less: Reinsurance costs | (18,276) | - | (314,947) | (333,223) | (297,791) |
| **Net premium income** | **10,540,241** | **9,200,772** | **2,100,185** | **21,841,198** | **2,118,972** |
| Commission received | 6,358 | - | 129,843 | 136,201 | 95,633 |
| **Total underwriting income** | **10,546,599** | **9,200,772** | **2,230,028** | **21,977,399** | **2,214,605** |
| **Expenses** | | | | | |
| Death claims | 172,489 | 272,112 | 1,044,882 | 1,489,483 | 1,227,181 |
| Withdrawals | 72,178 | 4,095,618 | - | 4,167,796 | 3,279,553 |
| Maturity | 2,636,700 | - | - | 2,636,700 | 2,420,941 |
| Surrender | 3,366,331 | - | - | 3,366,331 | 2,079,383 |
| Increase in outstanding claims | 77,238 | - | (260,594) | (183,356) | 372,230 |
| **Gross claims incurred** | **6,324,937** | **4,367,730** | **784,288** | **11,476,954** | **9,379,288** |
| Reinsurance recoveries | - | - | (353,989) | (353,989) | (235,017) |
| **Net claims incurred** | **6,324,937** | **4,367,730** | **430,299** | **11,122,966** | **9,144,271** |
| Underwriting expenses: | | | | | |
| Acquisition | 1,603,165 | 158,845 | 188,002 | 1,950,012 | 1,801,049 |
| Maintenance | 124,964 | 124,964 | 54 | 249,982 | 207,574 |
| **Total underwriting expenses** | **8,053,066** | **4,651,539** | **618,355** | **13,322,959** | **11,152,894** |
| **UNDERWRITING (LOSS)/PROFIT** | **2,493,534** | **4,549,232** | **1,611,673** | **8,654,439** | **(8,938,290)** |

# ELECTRONIC DELIVERY MANDATE FORM

For The Year Ended 31 December 2016

Dear Sir/Madam
To enable you receive your Annual Reports promptly, your company wishes to introduce electronic delivery of Annual Reports and Accounts, Proxy Forms and other statutory documents to shareholders.
With this service, instead of receiving the hard copy of our Annual Report and other corporate documents in future, you can elect to receive a soft copy of the Annual Report, Proxy Form, etc, through the electronic link to be forwarded to your email address.

Please complete this self addressed form to capture your preference and return the completed form to:

The Managing Director
United Securities Limited
10, Amodu Ojikutu Street
Off Bishop Oluwole Street
Victoria Island
Lagos

Or any of their branch offices nationwide

**DONALD KANU**
Company Secretary

I,..............................................................................................................................

OF.............................................................................................................................

HEREBY AGREE TO THE ELECTRONIC DELIVERY OF ANNUAL REPORT, PROXY FORM, PROSPECTUS, NEWSLETTER AND STATUTORY DOCUMENTS OF AIICO INSURANCE PLC TO ME THROUGH:

☐ I WILL DOWNLOAD FROM THE WEB ADDRESS FORWARDED TO MY EMAIL ADDRESS STATED BELOW.

MY EMAIL ADDRESS:..................................................................................................

## DESCRIPTION OF SERVICE

By enrolling in electronic delivery service, you have agreed to receive future announcements/shareholder communication materials stated above by Email/Internet Address (URL). These materials can be made available to you electronically either semi annual or annually. Annual Report, Proxy Form, Prospectus and Newsletter are examples of shareholder communications that can be made available to you electronically. The subscription enrolment will be effective for all your holdings in AIICO INSURANCE PLC on an ongoing basis unless you change or cancel your enrolment.
This initiative is in line with our determination to help protect and sustain our planet's environment and the consolidated SEC Rule 128 (6) of September 2011 which states that A Registrar of a public company may dispatch Annual Reports and Notices of General Meetings to shareholders by electronic means.

.........................................................
Name (Surname First)

.................................................
Signature and Date

Affix N50.00
Poster Stamp
Here

**The Managing Director**
**United Securities Limited**
**10, Amodu Ojikutu Street,**
**Off Bishop Oluwole Street**
**Victoria Island,**
**Lagos**

## United Securities

In a bid to meet the expectations of our customers, United Securities Limited has a standardized Complaints Management Framework to cater for prompt resolution of complaints.
Our aim of satisfying and delighting our stakeholders is critical to our business model where we view complaints as an opportunity to improve on our service delivery.

To this end it is of utmost importance that our customers know how to communicate their complaints for prompt and satisfactory resolution.

### BENEFITS OF COMPLAINTS MANAGEMENT PROCESS

- Achieve operational efficiency to identify trends and causes of complaints
- Resolve more complaints by adopting a more customer-focused approach
- Monitor and continually improve our complaints handling process

For complaints resolution relating to AIICO Insurance Plcshares, the under-listed channels may be explored.

**Website:** www.unitedsecuritieslimited.com
To view our Frequently Asked Questions (FAQ)
**E-Mail:** info@unitedsecuritieslimited.com
**Phone No:** +234 (1) 271 4566, +234 (1) 271 4567
**Visit our Office:** Plot 10, Amodu Ojikutu Street,
Off Saka Tinubu Street, Victoria Island
Lagos.

United Securities Limited is assuring our esteemed customers of a valued experience as Shareholders in AIICO Insurance PLC.

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# APPLICATION FORM
# FOR E-BONUS AND E-DIVIDEND

## Dear Shareholder(s)

## SHAREHOLDER'S DATA UPDATE

In our quest to update shareholders data with the current technology in the capital market (i.e. e-bouns and e-dividend), we request you to complete this form with the following information:

| NAME OF SHAREHOLDER/CORPORATE SHAREHOLDER AND CURRENT ADDRESS | REGISTRARS' USE |
|---|---|
| | |
| | |
| | |

**NAME OF COMPANY IN WHICH YOU HAVE SHARES**
**AIICO Insurance Plc.**

Please notify our Registrars, United Securities Ltd of any change in telephone, address and bank whenever it occurs.

Yours faithfully,
AIICO INSURANCE PLC

DONALD KANU
Company Secretary

**SIGNATURE/RIGHT THUMBPRINT OF SHAREHOLDER**

**In case of Corporate Shareholder, use Company seal**

Note: **Please be informed that by filling and sending this to our Registrars, United Securities Limited, for processing, you have applied for the e-dividend and e-bonus; Thereby, authorizing AIICO Insurance Plc to credit your account (in respect of dividends and bonuses electronically.)

PLEASE COMPLETE AND RETURN TO:
United Securities Limited
10 Amodu Ojikutu Street, Off Bishop OLuwole Street
Victoria Island, Lagos.

**Affix N50.00**
**Poster Stamp**
**Here**

**The Managing Director**
**United Securities Limited**
**10, Amodu Ojikutu Street,**
**Off Bishop Oluwole Street**
**Victoria Island,**
**Lagos**

# PROXY FORM

Annual General Meeting to be held at 10am on Thursday May 18, 2017 at Orchid Hotels, Plot 3 Dream World Africana Way, Lekki, Lagos

I/We.................................................................................................................................................................

.......................................................................................................................................................................

Being a member/members of AIICO Insurance Plc hereby appoint*

I/We.................................................................................................................................................................

.......................................................................................................................................................................

Or failing him the Chairman of the Company as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday May 18, 2017 and at any adjournment thereof.

Dated this:..................Day of........................................2017

Shareholder's Signature:.........................................................

*Delete as necessary

I. A member (Shareholder) entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy in his stead. All proxy forms should be deposited at the Company Secretary's office not later than 48 hours before the time of holding the meeting.
II. In the case of joint Shareholders, any of such may complete the form, but names of all joint Shareholder must be stated.
III. If the Shareholders is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized.
IV. Provision has been made on this form for the Chairman of the Company to act as proxy, but if you wish, you may insert in the blank space on the form (marked**) the name of any person whether a Member of the Company or not, who will attend the meeting and vote on your behalf instead of the Chairman.
V. The Stamp Duties Act, Cap 411, Laws of the Federation of Nigeria, 1990 requires that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of Shareholders must bear a Stamp Duty of three (3) kobo.
VI. The proxy must produce the Admission Slip sent with the Notice of Meeting to obtain entrance to the meeting.

.........................................................................................................................**ADMISSION SLIP**

**AIICO INSURANCE PLC**

Please admit............................................................. to the Annual General Meeting of AIICO Insurance Plc which will be held at Orchid Hotels, Plot 3 Dream World Africana Way, Lekki, Lagos on Thursday **May 18, 2017** at **10am**. The Admission Slip must be produced by the Shareholder in order to obtain entrance to the Annual General Meeting.

Donald Kanu
Company Secretary

Name & Address of Shareholder.........................................................................................................................

Number of
Shares.......................................................................................................................................

| | Resolutions | For | Against |
|---|---|---|---|
| 1. | To receive the Reports and Financial Statements | | |
| 2. | To re-elect Mr. Sonnie Ayere as a Director | | |
| 3. | To re-elect Mr. S.D.A. Sobanjo as a Director | | |
| 4. | To re-elect Mr. Kundan Sainani as a Director | | |
| 5. | To authorize the Directors to re-appoint KPMG Professional Services as the auditors to the Company from the end of the Annual General Meeting until the end of next year's Annual General Meeting | | |
| 6. | To authorize the Directors to fix the remuneration of the Auditors | | |
| 7. | To elect/re-elect shareholders as members of the Statutory AuditCommittee | | |
| 8. | To approve Director's Remuneration | | |
| 9. | To appoint external consultants to conduct Annual Board Performance Appraisal for the Directors | | |

**Affix N50.00**
**Poster Stamp**
**Here**

**The Managing Director**
**United Securities Limited**
**10, Amodu Ojikutu Street,**
**Off Bishop Oluwole Street**
**Victoria Island,**
**Lagos**

# UNCLAIMED DIVIDENDS AND SHARE CERTIFICATES
For The Year Ended 31 December 2016

AIICO had declared the following dividends and made public issues including bonuses since it became a public company in July 1989

| DIVIDEND No | DATE |
|---|---|
| 01 | November 15,1990 |
| 02 | November 20,1991 |
| 03 | August 23,1993 |
| 04 | October 17,1994 |
| 05 | May 29,1995 |
| 06 | October 5,1998 |
| 07 | September 20, 2001 |
| 08 | August 18, 2003 |
| 09 | September 8, 2004 |
| 10 | October 25, 2010 |
| 11 | July 27, 2011 |
| 12 | July 2, 2012 |
| 13 | September 18, 2013 |

**ISSUES**

Allotment '90

Rights '93

Bonus '95

Bonus '96

Bonus '97

Bonus 2001

Bonus 2003

Rights 2003

Bonus 2005

Public offer 2005

Rights 2005

Bonus 2006

Public offer 2007

Bonus 2008

According to our record, some unpaid dividend warrants have not been returned to the company for revalidation and subsequent payment. Also, about 499 share certificates have been returned unclaimed.

Affected AIICO shareholders are hereby requested to contact the following address for collection of their dividend warrants or/and certificates yetunclaimed.

For dividend warrants and share certificates, please contact:

The registrar
United Securities Limited
10, Amodu Ojikutu Street
Off Bishop Oluwole Street
Victoria Island
Lagos.

# SHARE CAPITAL HISTORY
For The Year Ended 31 December 2016

| DATE | AUTHORISED SHARED CAPITAL INCREASE | CUMULATIVE | ISSUED SHARE CAPITAL INCREASE | CUMULATIVE | CONSIDERATION |
|---|---|---|---|---|---|
| | N'000 | N'000 | N'000 | N'000 | |
| 1970 | - | 200,000 | - | 57,304 | CASH |
| 1976 | 400,000 | 600,000 | 384,212 | 451,516 | BONUS |
| 1977 | 1,400,000 | 2,000,000 | 748,484 | 1,200,000 | BONUS |
| 1987 | - | 2,000,000 | 800,000 | 2,000,000 | BONUS |
| 1989 | 8,000,000 | 10,000,000 | 2,000,000 | 4,000,000 | BONUS |
| 1993 | 15,000,000 | 25,000,000 | 6,000,000 | 10,000,000 | CASH |
| 1994 | 75,000,000 | 100,000,000 | 10,000,000 | 20,000,000 | BONUS |
| 1995 | - | 100,000,000 | 10,000,000 | 30,000,000 | BONUS |
| 1996 | - | 100,000,000 | 20,000,000 | 50,000,000 | BONUS |
| 1997 | 100,000,000 | 200,000,000 | 50,000,000 | 100,000,000 | BONUS |
| 2002 | 300,000,000 | 500,000,000 | 50,000,000 | 150,000,000 | BONUS |
| 2003 | - | 500,000,000 | 200,000,000 | 350,000,000 | BONUS/CASH |
| 2004 | 500,000,000 | 1,000,000,000 | - | 350,000,000 | - |
| 2005 | 1,500,000,000 | 2,500,000,000 | 350,000,000 | 700,000,000 | BONUS |
| 2006 | - | 2,500,000,000 | 457,765,688 | 1,157,765,688 | CASH |
| 2006 | - | 2,500,000,000 | 175,000,000 | 1,332,765,688 | BONUS |
| 2007 | 2,500,000,000 | 5,000,000,000 | 318,864,000 | 1,651,629,688 | CONSOLIDATION |
| 2007 | - | 5,000,000,000 | 222,128,000 | 1,873,757,688 | BONUS |
| 2008 | - | 5,000,000,000 | 1,611,580,000 | 3,485,337,688 | CASH |
| 2009 | - | 5,000,000,000 | 34,744,792 | 3,520,082,480 | CONSOLIDATION |
| 2009 | - | 5,000,000,000 | 880,020,000 | 4,400,102,480 | BONUS |
| 2010 | - | 5,000,000,000 | - | 4,420,102,480 | - |
| 2011 | - | 5,000,000,000 | - | 4,400,102,480 | - |
| 2012 | - | 5,000,000,000 | - | 4,420,102,480 | - |
| 2013 | 2,500,000,000 | 5,000,000,000 | - | 4,420,102,480 | - |
| 2014 | 2,500,000,000 | 5,000,000,000 | - | 4,420,102,480 | - |
| 2015 | 2,500,000,000 | 5,000,000,000 | - | 4,420,102,480 | - |