



Custodian Investment Plc. 2020 Annual Report And Accounts

A Legacy of
Commitment

A Legacy of Commitment

Over the past 25 years, Custodian has stayed above various economic winds and turbulence. What has kept us is our commitment and attention to the little things - corporate governance ethos, professionalism, respect for one another, trust, loyalty, patience, faithfulness, kindness, honesty, integrity, love, compassion, etc. These little things that are seemingly old fashioned. The past 25 years has been a legacy of commitment to the little things that matter.

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Corporate Information

Directors

Dr. [Mrs.] Omobola Johnson [Chairman]
Mr. Wole Oshin [Managing Director]
Mr. Ibrahim Dikko
Mr. Richard Asabia
Dr. Toni Ogunbor (Retired from the Board on July 29, 2020)
Mr. Ravi Sharma
Mr. Olakunle Ade-Ojo
Mrs. Mimi Ade-Odiachi (Her appointment was approved by the Board on July 29, 2020)

Secretary

Custodian Trustees Limited
16A, Commercial Avenue
Sabo, Yaba,
Lagos.
Phone: +234 01-2774000-9

Registration No

RC No. 171209

Registered Office

Custodian House
16A, Commercial Avenue
Sabo, Yaba,
Lagos.
Phone: +234 01-2774000-9
Email: investors@custodianplc.com.ng
Website: www.custodianplc.com.ng

Subsidiaries

Custodian and Allied Insurance Limited
Custodian Life Assurance Limited
CrusaderSterling Pensions Limited
Custodian Trustees Limited
UACN Property Development Company Plc.

Associate

Interstate Securities Limited

Auditors

Deloitte & Touche
Civic Towers, Plot GA1,
Ozumba Mbadiwe Avenue,
Victoria Island, Lagos State

Registrars

Meristem Registrars &
Probate Services Limited
213, Herbert Macaulay Way,
Yaba,
Lagos.

Bankers

First Bank of Nigeria Limited
United Bank for Africa Plc
Zenith Bank Plc
Guaranty Trust Bank Plc
Access Bank Plc
Stanbic IBTC

Consulting Actuaries

EY Actuary
10th & 13th Floors,
UBA House
57, Marina
Lagos

Branch Directory

Custodian Investment Plc

HEAD OFFICE

Custodian House
16A, Commercial Avenue
Sabo, Yaba
Lagos
Tel: [+234] 1 2707206-7, 2793740, 27937401
0700-CUSTODIAN, [+234] 1 2774000-9
Fax: [+234] 1 2707203
P. O. Box 2101, Lagos.
Email: investors@custodianplc.com.ng
Website: www.custodianplc.com.ng

Branch Offices

Abeokuta
34/36 Totoro Road
Totoro, Abeokuta
Ogun State.
Tel: 08166904601

Abuja
Prime Plaza,
Plot 1012, Adetokunbo Ademola Crescent
Opposite Rock View Hotel, Wuse 2
Abuja.
Tel: 09- 2900465

Akure
3rd Floor, Left Wing
Bank of Industry (BOI) Building
Alagbaka, Akure
Ondo State.
Tel: 07068517931

Amuwo Odofin

Plot 129, Block 10
Festac Link Road
Amuwo Odofin, Lagos
Tel: 01-2934178

Apapa

Atlantic House
23/27, Wharf Road
Apapa, Lagos

Asaba

339 Nnebuisi Road
Opposite Stadium
Asaba, Delta State

Benin

4th Floor, West Wing
34, Akpakpava Road
Benin City, Edo State
Tel: 0706690884

Calabar

45, Murtala Muhammed Highway
Calabar,
Cross River State.
Tel: 09095263143

Ibadan

9 Onireke Residential Layout
Ibadan
Oyo State

Ikeja

8, Obafemi Awolowo Way
Alausa, Ikeja, Lagos

Ikorodu

60, Lagos Road
Ikorodu, Lagos
Tel: 09039358400

Kaduna

3, Kanta Road
Turaki Ali House
Kaduna State
Tel: 09079834130

Kano

15, Bank Road, Kano
Kano State

Lekki

3rd Floor Left Wing
Gold Crest Plaza
Ikota First Gate
Lekki-Epe Expressway, Lagos
Tel: 09095695900

Onitsha

16, Awka Road
Onitsha, Anambra State
Tel: 09032537339

Osogbo

37B, Gbogan, Ibadan Road
Opposite Fakunle Comprehensive
High School
Osogbo, Osun State
Tel: 08133587587

Owerri

37 Ekwena Crescent
Ikwe Negbu Layout, Owerri
Imo State

Port Harcourt

180 Aba Road,
Port Harcourt, Rivers State
Tel: 07085000046

Sabo

27, Commercial Avenue
Sabo, Yaba, Lagos
Tel: 09087685218

Warri

Airport Road, Effurun, Warri
Delta State
Tel: 09071437012

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 26th Annual General Meeting of CUSTODIAN INVESTMENT PLC (the Company) will hold at The Civic Centre, Ozumba Mbadiwe Avenue, Victoria Island, Lagos on Thursday, April 22, 2021 at 10.00a.m to transact the following:

Ordinary Business

1. To lay before the members the Audited Financial Statements for the year ended December 31, 2020 and the Report of the Directors, Auditor's Report and the Audit Committee Report thereon.
2. To declare a Dividend.
3. To re-elect the following Directors retiring by rotation:
 - I. Mr. Ravi Sharma
 - II. Mr. Olakunle Ade-Ojo
4. To approve the appointment of Mrs. Mimi Ade-Odiachi.
5. To approve the appointment of the Company's External Auditors.
6. To authorise the Directors to fix the remuneration of the External Auditors for the 2021 financial year.
7. To elect members of the Statutory Audit Committee in accordance with Section 404(6) of the Companies and Allied Matters Act, 2020.
8. To disclose the remuneration of Managers in the employment of the Company.

Special Business

9. To fix the remuneration of Directors.

To consider and if thought fit, pass the following as Ordinary Resolution

10. That the Board of Directors of the Company be and is hereby authorised to:
 - (a) raise the Naira equivalent of up to \$15,000,000.00 (Fifteen Million US Dollars), as additional capital through a convertible loan instrument.

Notice Of Annual General Meeting contd

- (b) convert the Loan in the Naira equivalent of up to \$15,000,000.00 (Fifteen Million US Dollars) into shares in the Company (the "Conversion Shares") at a conversion price, being the higher of N6 per share or the 12-month historical average daily share price of the Company derived from the Daily Official List of The Nigerian Stock Exchange (for the period ending on March 23, 2021), subject to adjustment upon the occurrence of certain adjustment events;
- (c) allot the Converted Shares to the Lender upon the exercise by the Lender of its right to convert the Loan into shares in the Company, subject to applicable law; and
- (d) take steps necessary or reasonably desirable to give effect to the foregoing resolutions and for effecting any transactions pursuant thereto, including the appointment of professional advisers, and the obtention of relevant regulatory approvals.

NOTES:

Compliance with the Covid-19 Health Protection Regulations 2021 and other Related Directives/Guidelines on Covid-19

In line with the guidelines of the Corporate Affairs Commission (CAC) on the conduct of Annual General Meetings (AGM) of Public Companies by Proxies, and the need to comply with the directives and regulations of the Federal Government of Nigeria, Lagos State Government, the Nigerian Centre for Disease Control (NCDC) on safety and health measures aimed at curbing COVID-19 pandemic, the gathering of more than 50 people has been prohibited. The number of people to attend the AGM, will be in line with approved guidelines and directives noted above.

Proxy

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. All instruments for the appointment of a proxy should be deposited with the Registrars, Meristem Registrars and Probate Services Limited at 213, Herbert Macaulay Way, Sabo, Yaba, Lagos or via info@meristemregistrars.com, not later than 48hours before the time for holding the meeting. A blank proxy form is attached to the Annual Report and Accounts and may also be downloaded from the Company's website at (www.custodianplc.com.ng).

Notice Of Annual General Meeting contd

Attendance by Proxy

In line with CAC's Guidelines, attendance at the AGM shall be by proxy only. Shareholders are required to appoint a proxy of their choice from the list of nominated proxies below:

1. Dr. (Mrs.) Omobola Johnson
2. Mr. Wole Oshin
3. Mr. Adeyinka Jafojo
4. Mr. Matthew Akinlade
5. Sir Sunny Nwosu
6. Mr. Nornah Awoh
7. Mr. Adebayo Adeleke

Stamping of Proxy Forms

The Company has made arrangements for the stamping of duly completed and signed proxy forms at its cost, to be submitted to the Company's Registrars within the stipulated time.

Dividend Payment

If approved, dividend will be payable on Thursday, April 22, 2021, at the rate of 45kobo per every 50kobo ordinary share, to shareholders whose names appear in the Register of Members at the close of business on Friday, April 9, 2021 (bringing total Dividend paid for 2020 financial year to 55 kobo), subject to deduction of appropriate withholding tax. Shareholders who have completed the e-Dividend Mandate Forms will receive a direct credit of the dividend into their bank accounts on the day of the Annual General Meeting (April 22, 2021).

E-Dividend Mandate

Shareholders are kindly requested to update their records and advise Meristem Registrars and Probate Services Limited of their updated records and relevant bank accounts for the payment of their dividends. A detachable form in respect of mandate for e-dividend payment is attached to the Annual Report for convenience. The aforementioned form can also be downloaded from the Company's website at www.custodianplc.com.ng or from Meristem Registrars and Probate Services Limited's website at (www.meristemregistrars.com).

Notice Of Annual General Meeting contd

The duly completed forms should be returned to Meristem Registrars and Probate Services Limited at 213, Herbert Macaulay Way, Yaba, Lagos or via the Company's website; www.meristemregistrars.com.

Unclaimed Dividend Warrants and Share Certificates

Shareholders are hereby informed that a number of share certificates and dividend warrants which were returned to the Registrars as unclaimed are still in the custody of the Registrars. Any shareholder affected by this notice is advised to contact the Company's Registrars, Meristem Registrars and Probate Services Limited at 213, Herbert Macaulay Way, Yaba, Lagos or via the Company's website; www.meristemregistrars.com.

Closure of Register of Members

Notice is hereby given that the Register of Members and Transfer Books of the Company will be closed from Monday, April 12, 2021 to Friday, April 16, 2021 [both dates inclusive].

Biographical Details of Directors for Election and Re-election

Biographical details of Directors standing for election and re-election are provided in the Annual Report.

Website

A copy of this Notice and other information relating to the meeting can be found on the Company's website (www.custodianplc.com.ng).

Rights of Securities' 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 at 16A, Commercial Avenue, Sabo, Lagos on or before April 20, 2021.

E-Annual Report Published on the Website

An electronic version of the Annual Report is available on the Company's website at (www.custodianplc.com.ng) and will be sent to our Shareholders who have provided their email addresses to the Registrar. Shareholders who are interested in receiving the soft copy of the 2020 Annual Report should request via info@meristemregistrars.com

Notice Of Annual General Meeting contd

Online Streaming of AGM

The AGM will be streamed live online. This will enable shareholders and other stakeholders who will not be attending physically to follow the proceedings. The link for the AGM online live streaming will be made available on the Company's website at (www.custodianplc.com.ng).

Nomination to the Audit Committee

Pursuant to Section 404 [6] of the Companies and Allied Matters Act, 2020 (CAMA), any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination. Such notice shall reach the Company Secretary at least 21 days before the Annual General Meeting. Section 404 (5) of the CAMA has mandated that all members must be financially literate and at least one member shall be a member of a professional accounting body in Nigeria established by an Act of the National Assembly. We therefore request that nominations be accompanied by a copy of the nominee's curriculum vitae.

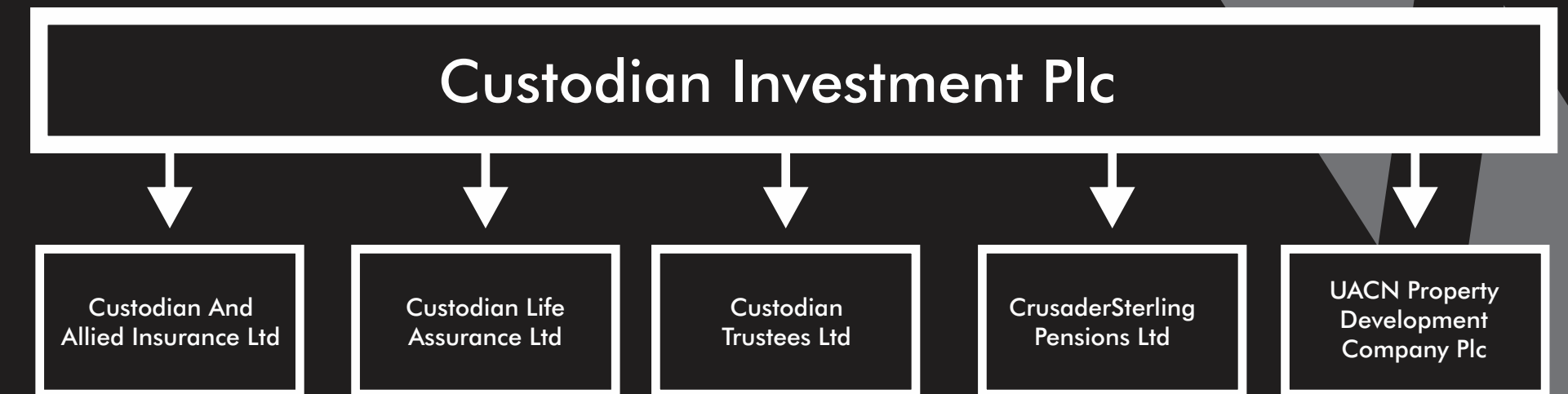
By order of the Board

CUSTODIAN TRUSTEES LTD
[Signature]
AUTHORISED

ADEYINKA JAFUJO
FRC/2013/NBA/00000002403
Custodian Trustees Limited
Company Secretary

Dated this February 26, 2021
Custodian Investment Plc
Custodian House
16A, Commercial Avenue,
Sabo, Lagos.

Group Organogram





Chairman's Statement

My fellow shareholders and colleagues on the board, members of the press, distinguished ladies and gentlemen, it is with great pleasure that I welcome you to the 26th Annual General Meeting of our company and to present the Annual Accounts and Reports for the year ended 31 December 2020.

Dr. (Mrs.) Omobola Johnson, Chairman

Chairman's Statement contd

My fellow shareholders and colleagues on the board, members of the press, distinguished ladies and gentlemen, it is with great pleasure that I welcome you to the 26th Annual General Meeting of our company and to present the Annual Accounts and Reports for the year ended 31 December 2020.

I am delighted to report that our company recorded significant successes during the 2020 financial year despite the challenging operating environment, a fallout of the global Covid-19 pandemic and the resulting weak oil earnings, Naira devaluation and high inflation. The successes that we achieved in the outgone year is an affirmation of the robustness of our business model which was able to quickly adapt to the fast-changing environment, the astute leadership of the company supported by energetic employees using technology to efficiently provide prompt services to our clients. Of course, we cannot overemphasize the commitment and support to our company and its subsidiaries.

Before I provide a summary of the financial success that we achieved in 2020, I will like to give an overview of the macroeconomic environment in which we operated and conclude with our outlook for 2021.

Global Economy

In a stark contrast to the optimistic outlook to the year 2020 which saw IMF project global GDP growth of 3.3% versus 3.2% achieved in 2019, the world witnessed the emergence and spread of the novel Corona Virus named Covid-19. In response to the spread of the virus, movement restrictions and partial, and in many cases, total lockdowns and were imposed by various countries. Over 90% of businesses, factories and travels grounded to a halt. Europe, UK and the Americas, especially the US and Brazil became the epicenter of the virus and accounted for more than 25% of the global infections and deaths. With major countries recording contractions in Q1 (US: -4.8%, Europe: -2.6% and UK: -2%), the IMF revised its global projection downwards to -4.9% in June 2020.

Q2 witnessed a sharp rebound with the easing of lockdown, gradual reopening of economic activities and government palliatives. Q3 2020 however saw a pull back as the reality of the adverse impact of the lockdown became obvious as reflected in weak published economic data. This saw markets shave off some of its Q2 gains; decline in crude oil prices and weakening of currencies of commodity exporting economies.

I am delighted to report that our company recorded significant successes during the 2020 financial year despite the challenging operating environment.

Chairman's Statement contd

The continued trade tussle between the US and China, fear of second wave of Covid-19 incidence as well as lack of clarity on Brexit also continued to weigh on global economic outlook despite various governments' extraordinary monetary and fiscal support. Broadly, financial conditions remained accommodative amidst concerns on global government debt as percentage of global GDP.

By Q4 2020, a second wave of the pandemic started to spread with the UK and US reporting significant number of cases. The fourth quarter of the year also ushered in some respite in the form of discovery, development, approval and rollout of vaccines to combat the deadly virus. This development drove positive sentiments across the world with commodity prices seeing a rebound. In Africa, countries resumed economic activities considering the high social and economic costs of lockdowns and restrictions.

Domestic Economy

The Nigerian economy in 2020 faced multiple challenges especially Covid-19 outbreak and falling oil price. Q1 saw a nationwide lockdown and movement restriction. To minimize the economic and financial impacts of the lockdown disruptions, the Federal Government released

The fourth quarter of the year also ushered in some respite in the form of discovery, development, approval and rollout of vaccines to combat the deadly virus.

N15B intervention fund; gave 3 months repayment moratorium to all federal government funded loans; 2 months conditional cash transfers to vulnerable Nigerians and reduced petroleum pump price to N125/liter from N145/liter. Although the federal government embarked on these intervention measures to cushion the economy, the negative impact of the pandemic subdued economic output. Nigeria officially went into recession in Q3 of the year as GDP contracted by 3.62% year on year following a 6.1% contraction recorded in Q2 2020 with oil (-13.9%) and non-oil sectors contracting by 13.9% and 2.51%, respectively.

Reduced output and supply chain disruptions resulted in high inflation. Figures from the CBN showed that inflation went from 11.98% in December 2019 to 15.75% in December 2020 with food inflation reaching 19.56%. Inflation is projected to trend downwards in the coming months as the land borders re-open and economic activities pick up.

Crude oil remains a major source of foreign exchange earnings for the nation. Despite the challenges in the crude oil sector in 2020, crude oil and other oil products still accounted for 93% of total exports in Q3. Crude oil price was severely hit by the lockdown and travel restrictions.

Chairman's Statement contd

Oil price fell from \$68.64/barrel in January to \$38.38/barrel in November. With the reopening of economies, oil price was gradually returning to pre Covid-19 level closing the year at \$51.27/barrel and traded above \$60/barrel in early 2021.

The CBN adjusted the USD exchange rate three times during the year to bridge the gap between the official and parallel market rates. Limited FX inflows however further expanded this gap. At the end of the year, the official rate stood at N379/1\$ from N361/1\$ at the beginning of the year while the parallel market rate was N495/1. Increased demand for US Dollar, lower FX inflows and economic uncertainty are key factors that have put pressure on the exchange rate in Nigeria.

During the year, fixed income market was influenced by Covid-19 as it impacted market confidence across the world. Also, increased liquidity arose from series of OMO instruments maturities that were not rolled over. The increase in liquidity led to suppressed yields. The average yields on FGN Bond, T-Bill and OMO instruments were suppressed to 3.88%, 0.10% and 0.09% from 9.13%, 4.65% and 13.10% at the beginning of the year, respectively.

The increased liquidity without high yield fixed income investment resulted in a bullish equities market. At the end of 2020, All Share Index (ASI) appreciated by 49.88% to close at 40,270.72 points from the 26,867.79 points at the beginning of the year. It is projected that with the combination of high liquidity, low fixed income yield, limited investment alternatives and a reasonable dividend yield opportunity will continue to provide support for equity through Q1 2021.

Financial Result

In spite of the challenges faced during the year, the group more than doubled its profits by posting a profit after tax of N12.69billion from the N6.01billion achieved in 2019. Revenue grew by 22% with total revenue of N75.06billion compared with N61.42billion in 2019. Total asset base went from N118.02billion in 2019 to N176.16billion in 2020 representing a year on year growth of 49.26%. Shareholders' fund also recorded growth of 9.0% to close the year at N47.65billion from N43.72billion posted in 2019. Performance for the year was driven by organic and inorganic growth across board.



In spite of the challenges faced during the year, the group more than doubled its profits by posting a profit after tax of N12.69billion from the N6.01billion achieved in 2019.

Chairman's Statement contd

I am pleased to inform you that during the year, your company acquired controlling interest in UACN Properties Development Company Plc. This acquisition is in line with our strategy to diversify into property development and management. The acquisition also provides a safe, profitable and long-term investment opportunity to deploy the group's long term funds.

Board of Directors

In the course of the financial year ended December 31, 2020, Dr. Toni Ogunbor retired from the Board with effect from 29 July 2020. We sincerely thank Dr. Toni Ogunbor for his invaluable contribution over the last decade to the growth of our company. The Board also approved the appointment of Mrs. Mimi Ade-Odiachi, as Non-Executive Director. The appointment of Mrs. Mimi Ade-Odiachi, a seasoned professional and entrepreneur with over three decades experience in Non-Bank Financial Services (Insurance), Hospitality Management and Landscape Architecture will be presented to Shareholders at this Meeting. Her profile is available in the Directors' Report and on the company's website.

During the year, CSR, among many other activities, donated textbooks to university students and supported Custodian's immediate communities financially and materially during the Covid-19 lockdown period.

Dividend

In line with our commitment to deliver consistent dividend to our shareholders, your company paid an interim dividend of 10 kobo per share. Following the favorable result achieved in 2020 and in recognition of the steadfast support of our shareholders through twenty five years of the company's existence, we are delighted to propose a final dividend of 45 kobo per share. If approved, this will bring the total dividend on the year's result to 55 kobo per share.

Corporate Social Responsibility

Our Custodian Social Responsibility Foundation, CSR, supports four different areas which are relevant to our future and our environment.

During the year, CSR, among many other activities, donated textbooks to university students and supported Custodian's immediate communities financially and materially during the Covid-19 lockdown period. CSR also re-constructed the damaged drainage at Commercial Avenue, Yaba thereby easing the flow of traffic.

Chairman's Statement contd

A detailed report of our corporate social responsibility projects for the year, which cut across four major pillars of Education, Community Development, Health and Sustainability is contained in the CSR section of this Annual Report.

Outlook

While recent vaccine approvals have boosted expectations of a turnaround in the Covid-19 pandemic, the outlook is cautiously optimistic as new waves and new variants of the virus emerge. With this uncertainty, the IMF has projected the global economy to grow by 5.5% in 2021 and the Nigerian economy to grow by 1.5%. Although, in the case of Nigeria, weak consumer demand, high infrastructure deficit, insecurity and rising inflation remain significant challenges.

The 2021 budget with estimated size of N13.08 trillion, 24% higher than 2020's, and the benchmark price for crude set at US\$40 per barrel and daily oil production at 1.86million barrels per day, higher than the 1.5m

barrels/day, per OPEC agreement, and the recently approved US\$1.5bn loan package by the World Bank, are expected to build a resilient recovery post-COVID19.

The outlook for investment yield is optimistic as the combination of higher fiscal deficits in the approved 2021 budget, relatively lower OMO maturities and the growing demand for near real return by fund managers in the face of rising inflation suggest yield should improve in 2021.

With the projected growth for the Global and National economies, we are optimistic that our company will continue to wax strong and deliver admirably to our clients and other stakeholders.

Conclusion

I would like to thank my fellow board members and management for all the hardwork during the year. My appreciation also goes to our shareholders, customers and other stakeholders who have, over the years, stood



With the projected growth for the Global and National economies, we are optimistic that our company will continue to wax strong and deliver admirably to our clients and other stakeholders.

Chairman's Statement contd

by us. With your support, we will continue to grow an efficient and socially responsible organization driven by strong ethical and governance standards.

God bless you and God bless Nigeria.



Dr. (Mrs.) Omobola Johnson
Chairman
FRC/2018/IODN/00000018366



My appreciation also goes to our shareholders, customers and other stakeholders who have, over the years, stood by us.

- ▶ The Directors
- ▶ Profile of Directors
- ▶ Financial Highlights

Custodian Investment Plc. Directors



Dr. (Mrs.) Omobola Johnson
(Chairman)



Wole Oshin



Ravi Sharma



Richard Asabia



Dr. Toni Ogunbor



Ibrahim Dikko



Olakunle Ade-Ojo



Mrs. Mimi Ade-Odiachi

List of Directors

Custodian Investment Plc

Directors

Dr. [Mrs.] Omobola Johnson [Chairman]
Mr. Wole Oshin [Managing Director]
Dr. Toni Ogunbor (Retired from the Board on July 29, 2020)
Mr. Richard Asabia
Mr. Ibrahim Dikko
Mr. Ravi Sharma
Mr. Olakunle Ade-Ojo
Mrs. Mimi Ade-Odiachi (Her appointment was approved by the Board of Directors on July 29, 2020)

Custodian And Allied Insurance Limited

Directors

Mr. Johnnie Wilcox [Chairman]
Mr. Olatoye Odunsi [Managing Director]
Mr. Edeki Isujeh [Executive Director]
Mr. Wole Oshin
Mr. Richard Asabia
Chief [Mrs.] Margaret Giwa
Mr. Ravi Sharma
Mr. Ademola Ajuwon

Custodian Life Assurance Limited

Directors

Mr. Richard Asabia (Chairman)
Mr. Larry Ademeso (Managing Director)
Mr. Ngozi Nlebemuo (Executive Director)
Mr. Wole Oshin (Retired from the Board on July 29, 2020)
Chief (Mrs.) Margaret Giwa
Mr. Akintunde Odunsi (Retired from the Board on April 28, 2020)
Mr. Ibrahim Dikko
Mr. Adeniyi Falade

Crusadersterling Pensions Limited

Directors

Mr. Wole Oshin [Chairman]
Mr. Adeniyi Falade [Managing Director]
Mr. Olufemi Odukoya [Executive Director]
Mr. Conrad Ifode [Executive Director]
Mr. Adeyemi Adeola (Resigned from the Board on February 1, 2020)
Mr. Richard Asabia
Dr. Femi Oyetunji
Mr. Kunle Omilani
Mr. Segun Oluyori (His appointment was approved by the Board on July 16, 2020)

Custodian Trustees Limited

Directors

Mr. Richard Asabia (Chairman)
Mr. Austin Akpe (Managing Director)
Mr. Olatoye Odunsi
Mr. Adeniyi Falade

Profile of Directors



Dr. (Mrs.) Omobola Johnson

Dr. (Mrs.) Omobola Johnson is a Senior Partner at TLcom Capital, a venture capital firm focused on investments in technology enabled companies in sub-Saharan Africa.

She is the erstwhile Minister of Communication Technology, Nigeria. Before serving in the Nigerian government, she worked with global management consulting firm, Accenture for over 25 years including five years as Country Managing Director, working with companies in a variety of industries, transforming them into more competitive and dynamic organisations.

Dr. (Mrs.) Johnson serves on the Board of a number of not-for-profit and for-profit organisations, including MTN Nigeria and Women in Management, Business and Public Service (WIMBIZ), where she was the founding Chairperson.

She was at various times Vice-chairman of Global Agenda Council on Africa of the World Economic Forum, member of the United Nation Broadband Commission Working Group on Gender and Broadband, member of the International Telecommunications Union (ITU) m-powering Advisory Board, member of the Institute of Directors and Chairman of the eighteenth session of the United Nations Commission on Science and Technology.

She has a Bachelor degree in Electrical and Electronic Engineering from the University of Manchester; a Master's degree in Digital Electronics from King's College, London and a Doctorate in Business Administration from the School of Management, Cranfield University.

Profile of Directors contd



Mr. Wole Oshin - Managing Director

Mr. Oshin is the Managing Director of Custodian Investment Plc. He is an industry leader with over thirty (30) years' experience and has at various times been a member of the Presidential Committee on Pension Reforms, Chairman of the Nigerian Insurers Association, Council Member of the West African Insurance Companies Association (Ghana), Council Member of the African Insurance Organization (Cameroon) and External Lecturer – West African Insurance Institute, Banjul, The Gambia. He sits on several boards including the International Insurance Society (IIS), New York as well as Nigerian Insurance Association and Advisory Board Member of the Commonwealth Enterprise and Investment Council (United Kingdom). He has received numerous awards including nomination as "African CEO of the Year" by African Reinsurance Corporation.

A graduate of Actuarial Science and a Chartered Insurer by Profession, he holds a Doctor of Finance (Honoris Causa) and is a Fellow of the Chartered Insurance Institute of Nigeria, Risk Managers Society of Nigeria and the Association of Investment Advisers and Portfolio Managers. He is a past President of the Lagos Business School Alumni Association (LBSAA) as well as an alumnus of the Harvard Business School.

Profile of Directors contd



Dr. Toni Ogunbor

Dr. Ogunbor is the Chairman of Grand Union Limited, an investment holding Company. He holds a B.Sc. in Agricultural Economics from the University of Ibadan and an MBA in Marketing from Ahmadu Bello University.

A versatile and consummate business professional and industrialist, Dr. Ogunbor worked as sales manager with Unilever Brothers Nigeria Limited and Union Carbide Nigeria Limited respectively before setting up his companies. He is an astute businessman and founder of several indigenous companies.

He is a member of the Institute of Directors, a fellow of the Nigerian Institute of Management and the Chartered Institute of Marketing respectively. He has attended various Executive Management Programmes both locally and internationally and is a recipient of an Honorary Doctorate degree in Business Administration. He serves on the Board of several companies as Non-Executive Director.

He retired from the Board of Custodian Investment Plc on July 29, 2020.

Mr. Richard Asabia



Mr. Richard Asabia is a 1983 graduate of the London School of Economics [University of London] and 1989 graduate of the University of Wales, Cardiff, UK. He holds a Bachelor degree in Law and a Masters degree in Business Administration.

He is a qualified Barrister and a Fellow of the Chartered Institute of Stockbrokers. He served at various times as a Director on the Boards of First Interstate Bank Plc, Banque Internationale Du Benin, Future Unity Glanvills Ltd, Unity Bank Plc and as Chairman, Crusader Nigeria Plc. He is Managing Director/CEO of Interstate Securities Limited and currently sits as a Director on the Board of CrusaderSterling Pensions Limited. He is also the Chairman of Custodian Life Assurance Limited.

Profile of Directors contd



Mr. Ibrahim Dikko

Mr. Dikko obtained his LL.M [Corporate & Commercial Law] degree from Queen Mary & Westfield College, University of London, England after obtaining his LL. B from the University of Buckingham, England. He was called to the Nigeria Bar in 1990.

He has worked in several capacities and industries that span across banking, information technology and telecommunications.

He worked in Kenneth Michael & Co between 1991 and 1992 and was on the team responsible for setting up the first discount house in Nigeria and was Chairman of the First Securities Discount house from 2002 - 2012. He also worked as Executive Director in Resourcery Plc. from 2000 to 2007. He was also Vice President [Regulatory and Corporate Affairs] at 9Mobile (formerly known as Etisalat).

Mr. Ravi Sharma



Mr. Sharma has over 15 years experience obtained in the fields of private banking, investment banking and private equity. He joined Aureos in 2001 as a consultant and was a key member of the local team that participated in the establishment of the Aureos West Africa Fund LLC [AWAF] in 2003, which included opening a new office for Aureos in Nigeria and subsequently the Aureos Africa Fund LLC [AAF] in 2008. Aureos was bought by the Abraaj group in 2012.

Prior to joining Aureos Nigeria Advisers, Mr. Sharma worked for Aureos Ghana Advisers, where he was involved in 11 exits from Ghana Venture Capital Funds [GVCF] portfolio companies. Since relocating to Nigeria, he was responsible for sourcing, structuring, monitoring and exiting investments across various sectors. He was instrumental in the investment of over US\$100 million of Aureos Funds in Nigeria. He was also responsible for the divestment from five of the AWAF portfolio companies in Nigeria.

Profile of Directors contd

He sits on the board of several companies. His previous experience was gained in private and investment banking with Barclays Private Bank [London] and TAIB Bank [London]. He holds an MBA from the University of Wales and has a B.Sc. in Economics & Accounting from City University, London.



Mr. Olakunle Ade-ojo

Mr. Olakunle Ade-Ojo is the Managing Director of Toyota Nigeria Ltd. A graduate of Mechanical Engineering from University of Reading, he also holds an MSC in Automotive Product Engineering from Cranfield University, both in the United Kingdom.

As a Global Management Associate, he worked extensively in different operational departments while at Toyota Motor Sales, USA.

He returned to Nigeria as the Business and Strategic Development Manager of Toyota [Nigeria] Limited and rose through the ranks. He was an Executive Director with Toyota Nigeria Limited until his appointment as the Managing Director of the Company. As Managing Director, within his second year of leading the Company he saw to the establishment of Toyota Assembly Plant in Nigeria. He also supervised the assembling and testing of the first Hiace bus assembled in the plant.

He has attended various Executive Management Programmes both at the Lagos Business School and the Wits Business School, South Africa. He is a member of Council, Lagos Chamber of Commerce and Industry and also a member of the Institute of Directors of Nigeria.

He is an astute businessman who is quick to recognise business opportunities.

Profile of Directors contd



Mrs. Mimi Ade-odiachi

Mrs. Mimi Ade-Odiachi is a seasoned professional and entrepreneur with over three decades experience in Non-Bank Financial Services (Insurance), Hospitality Management and Landscape Architecture. She is a chartered insurer with a Bachelor degree in Insurance from the University of Lagos.

She serves as an Executive Director on the Board of Whispering Palms Hotels & Resort. She is also the Founder and Chief Executive Officer of Omar Gardens Floral Company. She currently serves as the Chairman of Custodian Social Responsibility Foundation. She was appointed to the Board of Custodian Investment Plc on July 29, 2020.

Financial Highlights

For The Year Ended 31 December 2020

	Group		Compny	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Asset and liability highlight				
Cash and cash equivalents	13,743,138	9,362,870	1,654,286	1,524,554
Financial assets	112,826,983	81,219,628	2,567,836	3,094,589
Investment properties	11,063,550	9,276,977	4,636,980	4,636,980
Property, plant and equipment	4,445,995	4,278,501	56,776	62,582
Insurance contract liabilities	89,542,143	59,072,075	-	-
Equity attributable to owners of the parent	47,648,911	43,716,114	25,197,572	19,647,017
Total Assets	176,155,912	118,017,770	27,163,815	21,522,893
Income statement highlights				
Gross Revenue	75,062,202	61,416,733	7,398,301	5,698,352
Gross Premium Income	58,142,892	47,203,260	-	-
Investment Income	345,367	164,254	6,277,589	3,823,149
Fees and Commission	4,988,348	4,484,533	-	-
Sales	1,182,048	-	-	-
Other Operating Income	216,942	672,732	823,598	-
Interest Income	10,186,605	8,891,954	297,114	1,230,920
				644,283
Operating Expenses	(77,566,347)	(51,328,405)	-	-
Reinsurance Expenses	24,250,311	19,175,036	-	-
Underwriting Expenses	4,763,372	4,036,932	-	-
Cost of Sales	1,422,994	-	-	-
Net Claims Expenses	14,331,330	9,829,925	-	-
Changes in Claims / Annuity Reserves	32,798,340	18,286,512	-	-
				-
Other Net Operating Results	16,190,192	(2,018,755)	806,097	(901,972)
Total comprehensive income for the period, net of tax	13,009,755	6,100,813	8,197,394	3,873,132
EPS - Basic & Diluted (in kobo)	194	97	139	66
Net assets per share (in kobo)	810	743	428	334

- ▶ Report Of The Directors
- ▶ Shareholding History
- ▶ Unclaimed Dividends Table
- ▶ Report Of The Statutory Audit Committee

Report Of The Directors

For the year ended December 31, 2020

The Board of Directors is pleased to present their report on the affairs of Custodian Investment Plc (“the Company”) and its subsidiaries (“the Group”), together with the Group and Separate Audited Financial Statements for the financial year ended December 31, 2020.

Commencement Of Business

The Company commenced business on July 1, 1995

Legal Form

The Company was incorporated on August 22, 1991 as a Private Limited Liability Company under the name, Accident and General Insurance Company Limited. Approval for the change of name to Custodian and Allied Insurance Limited was granted on February 5, 1993, while approval for conversion to a Public Limited Liability Company was given on September 29, 2006. The Company’s name was changed to Custodian and Allied Plc in March 2013. Following a Special Resolution, the Company’s name change to Custodian Investment Plc was approved by the Corporate Affairs Commission on May 24, 2018.

Vision

To be the preferred partner in creating and preserving wealth.

Principal Activities

Custodian Investment Plc is an Investment Holding Company having interests in Life Insurance, General Insurance, Pensions, Trustees, Property and Financial Services Business.

Report Of The Directors Contd

Property, Plant And Equipment

Information relating to changes in property and equipment is given in Note 18 to the consolidated and separate financial statements. In the opinion of the Directors, the market value of the Company’s properties is not less than the value shown in the financial statements.

Dividend

The Board of Directors proposed and paid Interim Dividend of 10kobo per ordinary share of 50kobo each (HY2019: 10kobo), which was paid to shareholders on the Register of Members at the closure date.

The Directors recommend the payment of a Final Dividend of 45 kobo per ordinary share of 50kobo each (bringing the Total Dividend on the results for financial year ended December 31, 2020 to 55 kobo (2019: 45kobo per share), payable to shareholders on the Register of Members at the closure date. Withholding tax would be deducted at the time of payment.

Events After Reporting Date

There are no events after the reporting date, which could have had a material effect on the financial position of the Group as at December 31, 2020 and the profit for the year then ended.

Directors And Their Interests

The Directors who held office during the period, together with their direct and indirect interests in the issued share capital of the Company as recorded in the register of Directors shareholdings and/or as notified by them for the purposes of section 301 of the Companies and Allied Matters Act, 2020 and the listing requirements of The Nigerian Stock Exchange are noted below:

Report Of The Directors Contd

Number of 50 kobo ordinary shares held as at December 31, 2020:

Directors	Designation	December 31, 2020 Direct Holding	December 31, 2020 Indirect Holding	% of Holding	December 31, 2019 Direct Holding	December 31, 2019 Indirect Holding	% of Holding
Dr.(Mrs.) Omobola Johnson	Chairman [Independent]	80,000	-	0.001	80,000	-	0.001
*Mr. Wole Oshin	Managing Director	238,674,353	1,322,363,150	26.54	238,674,353	1,322,363,150	26.54
Mr. Ibrahim Dikko	Non-Executive Director [Independent]	-	-	-	-	-	-
**Mr. Richard Asabia	Non-Executive Director	21,712,847	36,576,438	0.99	21,712,847	36,576,438	0.99
***Dr. Toni Ogunbor	Non-Executive Director	8,198,201	101,575,672	1.87	8,198,201	101,575,672	1.87
Mr. Ravi Sharma	Non-Executive Director [Independent]	-	-	-	-	-	-
****Mr. Olakunle Ade-Ojo	Non-Executive Director	1,229,365	924,907,141	15.74	1,229,365	924,907,141	15.74
Mrs. Mimi Ade-Odiachi	Non-Executive Director	4,000,000	-	0.07	-	-	0.07

Report Of The Directors Contd

The following Directors have indirect shares in:

*Indirect shares held by Mr. Wole Oshin are in respect of Gratitude Capital Limited.

**Indirect shares held by Mr. Richard Asabia are in respect of Interstate Securities Limited.

*** Indirect shares held by Dr. Toni Ogunbor are in respect of Grand Union Limited.

**** Indirect shares held by Mr. Olakunle Ade-Ojo are in respect of Mikeade Investments Limited.

Directors' Interest In Contracts

For the purpose of Section 303 of the Companies and Allied Matters Act, 2020, none of the Directors had direct or indirect interest in contracts or proposed contracts with the Company during the year.

Substantial Shareholding

According to the Register of Members, the following shareholders of the Company held more than 5% of the issued share capital* as at December 31, 2020:

Ordinary shares of 50 kobo each

Shareholder	2020 Number	%	2019 Number	%
Gratitude Capital Limited	1,322,363,150	22.48	1,322,363,150	22.48
Mikeade Investments Limited	924,907,141	15.72	924,907,141	15.72

*No other individual Shareholder held up to 5% of the Company's Issued Share Capital as at December 31, 2020.

Report Of The Directors Contd

Analysis of shareholding

The range analysis of the distribution of the shares of the Company as at December 31, 2020 is as follows:

Range	No. of Holders	%	Units	Units %
1 - 1,000	14,994	39.23	9,043,677	0.15
1,001 - 5,000	13,352	34.93	35,988,636	0.61
5,001 - 10,000	4,360	11.41	33,694,886	0.57
10,001 - 50,000	3,956	10.35	88,105,679	1.50
50,001 - 100,000	722	1.89	53,851,540	0.92
100,001 - 500,000	560	1.47	122,438,887	2.08
500,001 - 1,000,000	94	0.25	71,051,584	1.21
1,000,001 - 5,000,000	113	0.30	269,480,128	4.58
5,000,001 - 10,000,000	19	0.05	131,993,883	2.24
10,000,001 - 50,000,000	31	0.08	783,673,149	13.32
50,000,001 - ABOVE	20	0.05	4,282,542,146	72.81
GRAND TOTAL	38,221	100.00	5,881,864,195	100.00

Category	Number of Shareholder	Total Holdings	%
Local	38,171	5,879,282,227	99.96
Foreign	50	2,581,968	0.04

Report Of The Directors Contd

Custodian's Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and the Company at the end of each financial period and of the profit or loss for that period and comply with the Companies and Allied Matters Act, 2020. In so doing, the Directors ensure that:

- Suitable accounting policies are adopted and consistently applied.
- Applicable accounting standards are followed.
- Adequate internal control procedures are established which as far as is reasonably possible, safeguard the assets, prevent and detect fraud and other irregularities.
- Judgements and estimates made are reasonable and prudent.
- Proper accounting records are maintained.
- The going-concern basis is used, unless it is inappropriate to presume that the Company shall continue in business.

Personnel

a. Employee Involvement and Training

Custodian encourages participation of employees in arriving at decisions in respect of matters affecting their well-being through various forums. Towards this end, employees are provided opportunities to deliberate on issues affecting the Company and employees interests, with a view to making inputs to decisions thereon.

Report Of The Directors Contd

In accordance with the Company's policy of continuous development, employees of the Company are nominated to attend regular training programmes. These are complemented by on-the-job training.

b. Health, Safety and Welfare

The Company ensures health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The Company provides subsidy to all levels of employees for medical care and treatment.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises, while occasional fire drills are conducted to create awareness amongst staff.

The Company operates Group Life and Group Personal Accident Insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act, 2014.

c. Employment of Physically Challenged Persons

Custodian has a policy of giving fair consideration to the application for employment made by physically challenged persons with due regard to their abilities and aptitude. The Company's policy prohibits discrimination against physically challenged persons in the recruitment, training, and career development of its employees. In the event members of staff become disabled, efforts will be made to ensure that their employment continues, and appropriate training arranged to ensure that they fit into the Company's working environment.

d. Research and Development

The Company encourages Research and Development in all companies within the Group, in its quest to maintain high standards.

Report Of The Directors Contd

Auditors

Messrs Deloitte & Touche were the Auditors of the Company for the year ended December 31, 2020, and they would be considered for re-appointment in line with Section 401 of the Companies and Allied Matters Act, 2020.

Shareholding History

Date Issued	No. of Shares	Nominal Value	Naration
1996	18,337,858	9,168,929	CASH
1997	18,318,066	9,159,033	CASH
1998	920,400	460,200	CASH
1998	3,665,594	1,832,797	BONUS
1999	26,853,566	13,426,783	BONUS
2000	121,904,516	60,952,258	CASH
2001	10,000,000	5,000,000	BONUS
2002	100,000,000	50,000,000	CASH
2003	120,000,000	60,000,000	BONUS
2004	125,000,000	62,500,000	BONUS
2004	180,000,000	90,000,000	CASH
2005	275,000,000	137,500,000	BONUS
2005	500,000,000	250,000,000	CASH
2006	583,333,332	291,666,666	BONUS
2006	121,608,110	60,804,055	MERGER
2006	1,186,727,478	593,363,739	CASH
2007	165,079,364	82,539,682	MERGER
2007	443,251,716	221,625,858	CASH
2008	790,744,328	395,372,164	CASH
2009	348,027,267	174,013,134	CONVERSION OF LOAN STOCK
2010	37,924,787	18,962,393	SHARE BUYBACK
2013 TILL DATE	781,017,387	390,873,583	MERGER
TOTAL	5,881,864,195	2,940,932,098	

Report Of The Directors Contd

E-dividends

Experience has shown that many shareholders do not receive their dividend warrants several weeks after the dividend warrants were dispatched.

To prevent and facilitate the prompt receipt of your future dividends and bonus certificates in line with good corporate governance, the Company encourages its shareholders to embrace the e-dividend opportunity which is a fast, reliable and efficient way of receiving dividends and bonus directly into Bank and personal Accounts with the Central Securities Clearing System [CSCS]. This will substantially reduce the incidence of unclaimed dividends.

To benefit from the e-dividend and e-bonus system, you need to have a Bank Account as well as a CSCS Account to be opened with the assistance of a Stockbroker of your choice. We thus implore our shareholders to complete the detachable forms in the Annual Report indicating their preferred Bank Accounts and forward same to the Company's Registrars for necessary action.

The Registrars

Meristem Registrars & Probate Services Limited
 213 Herbert Macaulay Way,
 Yaba,
 Lagos.
 Website: www.meristemregistrars.com
 Tel: +234 [1]8920491-2, +234 [1] 2809250-3

Unclaimed Dividends Table as at December 31, 2020

S/NO	Dividend Number	Date Of Payment	Dividend Type	Amount Of Dividend Declared ₦	Dividend Per Share	Unclaimed Dividend ₦
1	1	05/05/08	FINAL	480,000,000.00	0.12	5,374,297.76
2	2	23/10/08	INTERIM	359,305,824.69	0.08	6,382,083.18
3	3	23/06/09	FINAL	455,120,711.16	0.10	13,160,441.00
4	4	29/10/09	INTERIM	239,537,216.40	0.05	7,165,593.42
5	5	06/07/10	FINAL	616,652,591.40	0.12	17,458,044.72
6	6	20/10/10	INTERIM	306,050,808.48	0.06	9,064,269.83
7	7	14/06/11	FINAL	561,093,148.88	0.11	13,910,630.08
8	8	20/10/11	INTERIM	357,059,276.56	0.07	9,671,142.75
9	9	17/05/12	FINAL	408,067,744.64	0.08	8,947,651.80
10	10	21/10/12	INTERIM	255,042,340.40	0.05	5,842,503.98
11	11	07/11/13	FINAL	470,549,135.60	0.08	25,757,845.56
12	12	28/11/13	INTERIM	294,093,209.75	0.05	15,359,816.38
13	13	09/05/14	FINAL	647,005,061.00	0.11	36,844,034.26
14	14	12/09/14	INTERIM	352,911,851.70	0.06	28,818,292.07
15	15	14/05/15	FINAL	705,823,703.40	0.12	54,550,062.77
16	16	15/09/15	INTERIM	352,911,851.70	0.06	29,485,220.61
17	17	03/05/16	FINAL	823,460,987.30	0.14	63,702,453.10
18	18	01/09/16	INTERIM	411,730,493.65	0.07	30,041,528.75
19	19	05/03/17	FINAL	1,058,735,605.10	0.18	89,553,088.04
20	20	05/09/17	INTERIM	588,186,419.50	0.10	48,509,540.76
21	21	24/04/18	FINAL	1,882,196,542.40	0.32	94,429,356.10
22	22	05/09/18	INTERIM	588,186,419.50	0.10	29,062,463.06
23	23	23/04/19	FINAL	2,058,652,518.25	0.35	107,231,567.49
24	24	04/09/19	INTERIM	588,186,419.50	0.10	32,712,516.32
25	25	04/30/20	FINAL	2,058,652,468.25	0.35	108,507,841.92
26	26	01/09/20	INTERIM	588,186,419.50	0.10	35,411,015.03

Gross Amount Declared (N)	Unclaimed Div. Balance (N)	Amount Returned to the Company (N)
17,507,398,768.71	926,953,300.74	686,416,536.10

Report Of The Directors Contd

Unclaimed Dividend Warrants and Share Certificates

Notice is hereby given to our numerous shareholders that some dividends have remained unclaimed as the Registrars records show. A number of share certificates have also been returned as unclaimed because the addresses on them could not be traced or the shareholders have changed their addresses without informing the Registrars. The affected shareholders should please get in touch with Meristem Registrars & Probate Services Limited.

The Registrars are e-dividend payment ready. Shareholders are kindly requested to take advantage of this, to reduce the unclaimed dividend problems. The unclaimed dividend list is on the Registrars website and copies are displayed at the venue of the AGM.

Please contact Meristem Registrars & Probate Services Limited, 213 Herbert Macaulay Way, Adekunle, Yaba, Lagos, P.O.Box 51585, Ikoyi, Lagos.

Phone 01-2809250-4 **Email** info@meristemregistrars.com **Website** www.meristemregistrars.com

By order of the Board

CUSTODIAN TRUSTEES LTD

AUTHORISED

ADEYINKA JAFUJO
 FRC/2013/NBA/00000002403
 Custodian Trustees Limited
 Company Secretary

Dated this February 26, 2021

Statement Of Directors' Responsibilities

In Relation To The Preparation Of The Consolidated And Separate Financial Statements For The Year Ended December 31, 2020

The Companies and Allied Matters Act, 2020, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, the state of financial affairs of the Company and its subsidiaries at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company and its subsidiaries:

- a) keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, 2020;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates are consistently applied.

The Directors accept responsibility for the preparation and fair presentation of the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020, Pension Reform Act 2014, Insurance Act 2003 and Financial Reporting Council of Nigeria Act No. 6, 2011.

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

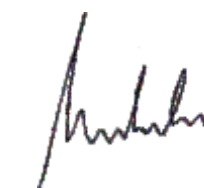
Statement Of Directors' Responsibilities Contd

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

On behalf of the Directors of the Group



Dr. (Mrs.) Omobola Johnson
Chairman
FRC/2018/IODN/00000018366



Wole Oshin
Managing Director
FRC/2013/CIIN/0000003054

Report Of The Statutory Audit Committee

For the year ended December 31, 2020

In accordance with the provision of Section 404 (4) of the Companies and Allied Matters Act, 2020, the members of the Audit Committee of Custodian Investment Plc hereby report as follows:

- We have exercised our statutory functions under Section 404 (4) of the Companies and Allied Matters Act, 2020 and acknowledge the cooperation of Management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audit for the year ended December 31, 2020, were satisfactory and reinforce the Group's internal control systems.
- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from Management in the course of their statutory audit and we are satisfied with Management's response to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Group's system of accounting and internal control.



Mr. Olaniyi Dada
Chairman, Audit Committee
FRC/2013/ICAN/00000003137
Lagos, Nigeria.

February 25, 2021

Report Of The Audit Committee Contd

Members of the Statutory Audit Committee

- Mr. Olaniyi Dada - Chairman
- Group Captain Bola Sotubo [Rtd.] - Member
- Mrs. Titilayo Olujobi - Member
- Mr. Ravi Sharma - Member
- Mr. Ibrahim Dikko - Member
- Mr. Richard Asabia - Member

Profile Of Shareholders Representatives On The Statutory Audit Committee

Mr. Olaniyi Dada - BSc. [Economics], ACA, ACTI

Mr. Olaniyi Dada holds a Bachelor degree in Economics, he is also an associate of Institute of Chartered Accountants of Nigeria and Chartered Institute of Taxation of Nigeria. He started his career at the Securities and Exchange Commission and proceeded to KPMG Audit [formerly Peat Marwick Ani Ogunde & Chartered Accountants] from 1987 –1992. He joined Olukayode Akindele & Co [Chartered Accountants] in 1993. On resigning from Olukayode Akindele & Co in 2001, he established the accounting firm of Niyi Dada Chartered Accountants. He is also the principal partner at SDG Consulting Associates.

He is Chairman of the Statutory Audit Committee of Custodian Investment Plc.

Report Of The Audit Committee Contd

Group Captain Bola Sotubo (Rtd.) BSc, MBA, LL. B, LL.M


Group Captain Sotubo [rtd] studied Business Administration at the University of Nigeria, Nsukka and graduated in 1973. He has an MBA from Indiana University Bloomington Indiana [1976]. He joined the Nigerian Air Force in 1977 from where he retired in 1999. In 2002, he graduated from the Faculty of Law University of Lagos and was called to the Nigerian Bar in 2004. He also has an LLM degree from the University of London.

He started his legal career with the firm of Dapo Abudu & Co as counsel before moving to Yomi Sotubo & Co as the principal partner.

Mrs. Titilayo Olujobi BS.c (Economics), FCA

Mrs. Titilayo Olujobi is a well-rounded and experienced professional with over seventeen years banking experience across critical functions and over ten years training and business consulting experience. She holds a Bachelor of Economics degree from the University of Ife (now Obafemi Awolowo University) and is a Fellow of the Institute of Chartered Accountants of Nigeria as well as a certified professional Coach of the International Coaching Federation.

She started her career with Cooper & Lybrand (now Pricewaterhouse Coopers) in October 1987, before proceeding to the Nigeria International Bank Limited (now Citibank Nigeria Limited), where she rose to the rank of Deputy General Manager. She resigned from Citibank in December 2007 and thereafter joined IBFC Augusto Training Limited in 2008 as Managing Director until December 2017, when she was appointed an Executive Director. She was subsequently appointed a Non-Executive Director on the Board of IBFC Augusto in 2018 and presently serves in the same capacity.

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- ▶ **Corporate Governance**
 - ▶ **Board Evaluation Report**
 - ▶ **Certification Pursuant**
 - ▶ **Independent Auditors' Report**
 - ▶ **Financials**

Corporate Governance



Custodian Investment Plc's corporate governance framework is designed to deliver an alignment of management's actions with the interest of shareholders while ensuring an appropriate balance with the interest of other stakeholders.

Custodian has in place a framework to ensure effective shareholders participation. Our shareholders approve the appointments of members of the Board of Directors, who in turn supervise the activities of Management. The confidence of investors, clients, employees and stakeholders is reinforced by this governance framework.

At Custodian, regulatory compliance is central to our corporate governance framework which is designed to ensure on-going compliance with the Nigerian Code of Corporate Governance as well as the Post-Listing requirements of the Nigerian Stock Exchange. This is in addition to the Board Charter and the Company's Memorandum and Articles of Association which collectively provide the foundation for sound corporate governance. Our Internal control checks ensure that the Company meets the legal and ethical standards required of the Board, Management and staff in the day-to-day activities of the Company.

At Custodian, we believe that the input of stakeholders improve our competitiveness and overall performance. We therefore encourage teamwork and recognise contributions from shareholders, employees, clients, creditors, and suppliers. Our Corporate Governance framework encapsulates our effective management and promotion of stakeholders engagement in achieving our objectives.

Ethical Standards

The Company is devoted to acting with utmost integrity and expects same of every employee in the Company. The Board has adopted the Nigerian Code of Corporate Governance, 2018, which sets out the Corporate Governance best practice framework for the Company and incorporates the laws, rules and regulations it is required to comply with. Noting also that the Company is also expected to comply with:

Corporate Governance contd

- Companies and Allied Matters Act, 2020
- The Nigerian Stock Exchange Rules and Regulations.
- The Investments and Securities Act, 2007.
- Financial Reporting Act, 2011.
- International best practice.
- The Company's Memorandum and Articles of Association.
- The Securities and Exchange Commission Consolidated Rules and Regulations, 2013.
- Financial Reporting Council Audit Regulations, 2020

Custodian's Code of Conduct and Board Charter corroborates the Company's policy to conduct its affairs in compliance with all applicable laws and regulations and to observe the highest standards of business ethics. The Company expects that the spirit as well as the letter of these standards are followed by Directors, Officers and Employees of the Company, its Subsidiaries and Affiliates. This is transmitted to every new Director, Officer and Employee and was communicated to those in office at the time the Standards of Business Conduct were adopted.

Corporate Governance contd

Corporate Legal Structure

Custodian Investment Plc is a public limited liability Company as defined under the Companies and Allied Matters Act [the Act]. Corporate powers reside in the Board of Directors and the Shareholders at the Annual General Meeting. The functions and powers of both bodies are stipulated by the Act and the Company's Memorandum and Articles of Association.

Annual General Meeting

Annual General Meetings are vital to Custodian's Corporate Governance framework and are duly convened in line with the Company's Articles of Association and existing statutory requirements. Attendance at Annual General Meetings is open to all Shareholders or their proxies while the principle of 'one share, one vote' applies.

Representatives of the Nigerian Stock Exchange, the Securities and Exchange Commission and the Corporate Affairs Commission usually monitor proceedings at the Company's Annual General Meetings as well as representatives of Shareholders Associations.

The Board

The Board acts on behalf of Shareholders and is responsible for promoting the long-term success of the Company and for setting the Group's strategy, against which Management's performance is monitored. It sets the Group's risk appetite and satisfies itself that financial controls and risk management systems are robust, whilst ensuring the Group is adequately resourced. It is also responsible for setting the values and supporting the culture of the Group and ensures appropriate dialogue with Shareholders on strategy and remuneration.

Corporate Governance contd

The Company's Board consists of persons of diverse discipline and skills, chosen on the basis of professional background and expertise, business experience and integrity as well as knowledge of the Company's business.

The Company's Board ensures regular training of Directors on issues pertaining to their oversight functions and Corporate Governance. The Board or a Committee of the Board receives and reviews Management's reports.

The Company's Board is accountable to Shareholders and ensures that the conduct of the Company's activities are within the applicable regulatory framework. The Board is responsible for reviewing the Company's performance, setting objectives, and determining strategy. In doing this, the Board safeguards the Company's interests and aspires to achieve a long-term increase in the Company's values.

Delegation of Authority

The ultimate responsibility for the Company's operations rests with the Board. The Board retains effective control through a well-developed Committee structure that provides in-depth focus on the Board's responsibilities. Each Board Committee has a written term of reference and presents regular reports to the Board on its activities. The Board delegates the responsibility for the day-to-day operations of the Company to Management.

Directors' Independence

The Company's Directors are expected to contribute views and judgment at Board deliberations that are independent of Management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgment, having regard to the best interest of the Company.

Corporate Governance contd

Meetings of the Board

The Board meets quarterly. Meetings are held at such times and places as determined by the Board, while special meetings are convened as may be required.

All Directors are provided with notices, agenda and meeting documents ahead of each meeting to enable them prepare adequately for meetings. Directors are also provided with regular updates on developments in the regulatory and business environment.

Change in a Director's Occupation

The Board does not believe that Directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. However, promptly following such an event, the Director must notify the Board of such event and the Board may take such event into consideration when determining whether to re-nominate such Director.

Appointment Process, Orientation and Training of Board Members

The Company's Board Succession Policy ensures that the Company is managed and overseen by knowledgeable, capable and trustworthy individuals. In making Board appointments, the Board recognises knowledge, experience and skill of prospective Directors as well as other qualities considered necessary for the role. The Board Establishment and Governance Committee is responsible for Directors succession planning and recommends new appointments to the Board.

Upon appointment to the Board, newly appointed Directors are given adequate orientation regarding the Group's businesses, Corporate Governance and reporting procedures and are updated on such matters on a continuing basis. Directors are briefed on policies and procedures

Corporate Governance contd

applicable to Board and Board Committees as well as on the rights and responsibilities of Directors. Various information reports are sent to the Board in order to keep them informed of the Group's undertakings.

The Company attaches great importance to training its Directors and for this purpose, continuously offers training and education to its Directors, in order to enhance their performance on the Board and the various committees to which they belong.

Election and Re-Election of Directors

Consistent with Custodian's objective to broaden the experience base of the Board and frequently refreshing its composition, the Board effected the appointment of Mrs. Mimi Ade-Odiachi as Non-Executive Director subject to approval of the shareholders at the Annual General Meeting.

Mrs. Mimi Ade-Odiachi is a seasoned professional and entrepreneur with over three decades experience in Non-Bank Financial Services (Insurance), Hospitality Management and Landscape Architecture. She is a chartered insurer with a Bachelor degree in Insurance from the University of Lagos. She serves as an Executive Director on the Board of Whispering Palms Hotels & Resort. She is also the Founder and Chief Executive Officer of Omar Gardens Floral Company. She currently serves as the Chairman of Custodian Social Responsibility Foundation. She was appointed to the Board of Custodian Investment Plc on July 29, 2020.

In accordance with the Company's Articles of Association, one third of all Non-Executive Directors are offered for re-election every year together with Director appointed by the Board since the last Annual General Meeting. In keeping with this requirement, Mr. Olakunle Ade-Ojo and Mr. Ravi Sharma will retire at this Annual General Meeting and being eligible for re-election will submit themselves for re-election. The Board confirms that following a formal evaluation, these Directors continue to demonstrate commitment to their duties and roles as Non-Executive Directors.

Corporate Governance contd

The Board is convinced that the Directors standing for re-election and election will continue to add value to the Company. The Board believes that they are required to maintain the balance of skill, knowledge, and experience on the Board.

The biographical details of Directors standing for re-election and election are set in the Annual Report.

Access to Management and Independent Advisers

Custodian recognises the importance of the free flow of complete, adequate and timely information to the Directors to enable them make informed decisions in the discharge of their responsibilities. There is ongoing engagement between Executive Management and the Board. The Company's External Auditors attend the Statutory Audit Committee meetings to make presentations on the audit of the Group's Financial Statements. Directors have unrestricted access to Management and Company's information in addition to the necessary resources to carry out their responsibilities.

The Board has the authority to retain, terminate and determine the fees and terms of Consultants, legal counsel and other advisers to the Board as the Board may deem appropriate in its discretion.

Board Structure and Composition

The Board is made up of a Non-Executive Chairman, five (5) Non-Executive Directors and one (1) Executive Director. Three (3) of the Non-Executive Directors are Independent Directors, appointed in compliance with the criteria laid down in the Nigerian Code of Corporate Governance and the Company's Code of Conduct & Board Charter and met the requirement that an Independent Director should not have any significant shareholding interest in the Company.

The Managing Director/Chief Executive is responsible for the day to day running of the Company.

Corporate Governance contd

The Board exercises oversight responsibility through its standing Committees, each of which has a Charter that clearly defines its purpose, composition, structure, frequency of meetings, duties, tenure and reporting lines to the Board. In line with best practice, the Chairman of the Board is not a member of any Committee. The Board has four Committees, namely: the Board Audit, Compliance and Risk Management Committee, the Board Finance, Investment and General Purpose Committee, the Board Establishment and Governance Committee and the Statutory Audit Committee.

While the various Board Committees have the authority to examine issues within their terms of reference and report back to the Board with their decisions and/or recommendations, the ultimate responsibility for all matters lies with the Board.

Board Audit, Compliance and Risk Management Committee

Mr. Richard Asabia - Chairman
Mr. Ravi Sharma
Mr. Ibrahim Dikko
Mr. Olakunle Ade-Ojo

Board Finance, Investment and General Purpose Committee

Mr. Ibrahim Dikko - Chairman
Mr. Wole Oshin
Mr. Ravi Sharma
Mr. Olakunle Ade-Ojo
Dr. Toni Ogunbor

Board Establishment and Governance Committee

Mr. Richard Asabia - Chairman
Dr. Toni Ogunbor
Mr. Ravi Sharma
Mr. Ibrahim Dikko

Statutory Audit Committee

Mr. Olaniyi Dada - Chairman
Group Captain Bola Sotubo [Rtd.]
Mrs. Titilayo Olujobi
Mr. Ravi Sharma
Mr. Ibrahim Dikko
Mr. Richard Asabia

Corporate Governance contd

A record of attendance at Board of Directors meetings are provided below:

DIRECTORS	February 27, 2020	April 28, 2020	July 29, 2020	October 27, 2020
Dr. (Mrs.) Omobola Johnson	✓	✓	✓	✓
Mr. Wole Oshin	✓	✓	✓	✓
Mr. Richard Asabia	✓	✓	✓	✓
Mr. Ibrahim Dikko	✓	✓	✓	✓
*Dr. Toni Ogunbor	✓	X	X	X
Mr. Ravi Sharma	✓	✓	✓	✓
Mr. Kunle Ade-Ojo	✓	✓	✓	✓
**Mrs. Mimi Ade-Odiachi	X	X	X	✓

* Dr. Toni Ogunbor retired from the Board during the year.

** Mrs. Mimi Ade-Odiachi's appointment was approved by the Board on July 29, 2020

Board Audit, Compliance and Risk Management Committee

The Committee supports the Board in performing its oversight responsibility relating to the integrity of the Company's Financial Statements and the financial reporting process, as well as the independence and performance of the Company's Internal and External Auditors. It also oversees the Company's system of internal control.

The Committee has oversight of Management's process for the identification of significant risks across the Company and prevention, detection and reporting mechanisms. The Committee is charged with overseeing the Enterprise Risk Management framework of the Company and ensures the

Corporate Governance contd

adequacy of provisions made for possibilities of any adverse changes in the industry and the economy. The Committee has the responsibility for the approval and review of the Company's risk management policy in line with the Company's risk appetite and risk strategy.

The Committee oversees the Company's compliance level with applicable laws and regulatory requirements. The Committee reviews the report on audit, compliance and risk management on a quarterly basis.

The record of attendance at the Board Audit, Compliance and Risk Management Committee meetings are provided below:

MEMBERS	February 21, 2020	April 21, 2020	July 27, 2020	October 23, 2020
Mr. Richard Asabia	✓	✓	✓	✓
Mr. Ibrahim Dikko	✓	✓	✓	✓
*Mr. Wole Oshin	✓	✓	✓	X
Mr. Ravi Sharma	✓	✓	✓	✓
Mr. Kunle Ade-Ojo	✓	✓	✓	✓

*Mr. Wole Oshin's membership of the Committee ended on July 27, 2020.

Board Finance, Investment and General-Purpose Committee

The Committee is responsible for ensuring that guidelines for investment comply with legal and regulatory requirements and that investment activities reflect the goals/strategy of the Company. The Committee provides strategic assistance to Management and the full Board on Finance, Administration, Human Resources and General matters concerning the Company. The Committee periodically reviews changes in the economic and business environment, including emerging trends and other factors relevant to the Company's business. It has the responsibility for reviewing the Company's Accounts and it is also charged with the oversight of Management's compliance with budget.

Corporate Governance contd

The record of attendance at Board Finance, Investment and General Purpose Committee meetings are provided below:

MEMBERS	February 21, 2020	April 24, 2020	July 28, 2020	October 26, 2020
*Dr. Toni Ogunbor	✓	X	X	X
Mr. Ibrahim Dikko	✓	✓	✓	✓
Mr. Wole Oshin	✓	✓	✓	✓
Mr. Ravi Sharma	✓	✓	✓	✓
Mr. Kunle Ade-Ojo	✓	✓	✓	✓

* Dr. Toni Ogunbor retired from the Board during the year

Statutory Audit Committee

The Committee is established in accordance with statutory requirement and in compliance with Section 404 [2] of the Companies and Allied Matters Act, 2020. The Statutory Audit Committee has oversight responsibility for the Company's Financial Statements and ensures that they comply with applicable financial reporting standards. The Committee also reviews the scope and planning of audit requirements; reviews the findings on Management matters in conjunction with the External Auditor; makes recommendations to the Board in regard to the appointment, removal and remuneration of the Company's External Auditors; and authorises the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee.

The Statutory Audit Committee comprises of six members, three Shareholders Representatives and three Non-Executive Directors.

Corporate Governance contd

The record of attendance at Statutory Audit Committee meetings are provided below:

MEMBERS	February 21, 2020	April 24, 2020	July 27, 2020	October 23, 2020
Mr. Olaniyi Dada	✓	✓	✓	✓
Group Capt. Bola Sotubo	✓	X	✓	✓
*Mr. Oladipo Lambo	✓	✓	X	X
Mr. Ravi Sharma	✓	✓	✓	✓
Mr. Ibrahim Dikko	✓	✓	✓	✓
Mr. Richard Asabia	✓	✓	✓	✓
**Mrs. Titilayo Olujobi	X	X	✓	✓

* Mr. Oladipo Lambo was not re-elected to the Statutory Audit Committee at the Company's Annual General Meeting held in 2020.

**Mrs. Titilayo Olujobi was elected as a new member of the Statutory Audit Committee at the Company's Annual General Meeting held in 2020.

Board Establishment and Governance Committee

The Board Committee is charged with the responsibility for implementing the Company's policy on Directors appointment, remuneration of Directors and Executive Management and succession planning. The Committee also ensures compliance with the Code of Corporate Governance adopted by the Company.

Corporate Governance contd

The record of attendance at Board Establishment and Governance Committee meetings are provided below:

MEMBERS	February 26, 2020	July 27, 2020	October 23, 2020
Mr. Richard Asabia	✓	✓	✓
Mr. Ibrahim Dikko	✓	✓	✓
*Dr. Toni Ogunbor	X	X	X
Mr. Ravi Sharma	✓	✓	✓

*Dr. Toni Ogunbor retired from the Board during the year

Communication with Shareholders

Custodian is committed to an open and consistent Communication Policy with Shareholders and other Stakeholders. The guiding principle is that all Shareholders should be given equal treatment in equal situations. As a result, price sensitive information is published timely in full, simple and transparent format to the public at the same time.

Furthermore, all Shareholders have equal opportunity at the Annual General Meeting to present questions to the Board and make comments on any aspect of the financial statements.

The Company's website www.custodianplc.com.ng remains an excellent resource to members who require constant information on the Company.

Corporate Governance contd

Communication with Third Parties

Custodian's Directors are of the opinion that it is Management's responsibility to speak for the Company regarding communications with third parties, such as Investors, the Press and Public in general. Directors only engage in such communications at the request of or after consultation with Management.

Performance Monitoring and Evaluation

The Board has established a system of independent annual evaluation of its performance, that of its Committees and individual Directors. The evaluation is done by an Independent Consultant approved by the Board. In this regard, the Society for Corporate Governance Nigeria was engaged to conduct the Board performance evaluation for the Financial Year Ended December 31, 2020. The Board believes that the use of an independent consultant promotes the objectivity and transparency of the evaluation process.

The annual appraisal covered all aspects of the Board's composition, structure, responsibilities, relationships, processes, individual members competencies and respective roles in the overall performance of the Board, as well as the Company's compliance status with the provisions of the Code of Corporate Governance. The result also confirmed that the individual Directors and the Board continue to operate at a high level of effectiveness and efficiency.

The result of the Board performance evaluation was presented to the Board at the Board Meeting which took place on February 26, 2021 and is contained in the Annual Report.

Board Evaluation Report

For the Board of Custodian Investment Plc



Executive Summary

The Society for Corporate Governance Nigeria was engaged to conduct an independent evaluation/assessment of the performance of the Board of Custodian Investment Plc for 2020 as part of stipulated regulatory requirement.

SCOPE

The scope of the evaluation covered the following areas:

- Composition, commitment, and alignment of the skills/qualifications of directors to business requirement and performance
- Composition/effectiveness of the committees
- Compliance with existing regulatory requirement
- Effectiveness of directors in delivery of their fiduciary responsibilities
- Effective transparency and disclosure channels

Below is a summary of our findings:

Leadership: The Board Chairman exhibits a leadership style that promotes an environment that encourages and supports the active participation and contribution of Board members at meetings. The position of the chairman and managing director are held by separate individuals which shows clear separation of powers between both offices. The Chairman is also not a member of any board committee in line with regulatory requirements.

Board Meetings: The Board met four (4) times with an aggregate attendance of 97% in the period under review. Meetings held were constructive, aligned to the agenda and directors gave useful contributions. Board packs were circulated to directors to better prepare for meetings.

Board Composition & Capacity: The Board had one (1) Executive director and six (6) Non-Executive directors whose knowledge and understanding span across their diversity, experience, resounding knowledge of the business, financial and economic environment.

Board Committees: The Board has four (4) committees namely: Finance, Investment & General Purpose; Board Audit & Compliance; Board Establishment & Governance; Statutory Audit Committee which met regularly with all members in attendance.

Board Oversight Functions: All policy documents sighted were assessed for content and relevance and were found to be detailed, relevant, comprehensive, and articulate in efficiently guiding business processes and mitigating risk exposures.

Board Evaluation Report contd

Strategy & Planning: The Board takes its strategic oversight seriously setting the strategic initiatives and direction for the company. There was a strategy session in the year under review and all directors were in attendance, participated & contributed effectively.

Transparency and Accountability: Company communications are in plain language, readable, and understandable and stakeholders have a true picture of the company's financial position. Directors duly complete the code of conduct & conflict of interest/disclosure form when necessary.

Director Appointment & Development: Directors have shown commitment to regular trainings to update their knowledge and skill. Board members participated in relevant trainings beneficial to the quality of contributions during board meeting discussions.

Risk Management & Compliance: The Board has a Risk Management framework for adequately managing risk exposures and ensuring effective internal control systems.

Based on the analysis of the result, the Board of Directors have demonstrated its dedication and commitment to the growth and success of the company. This is demonstrated by their contributions, individual performance, attendance at Board and Committee meetings and the depth of discussions and resolutions arrived at during these meetings. There is also an alignment between the competencies of directors and the requirements / needs of the company.

In line with SEC code and NCCG, we have found Custodian Investment Plc to a large extent compliant in regulatory requirements and recommended best practices for the period under review (2020). We have rated the Board 'Excellent' in its overall effectiveness.

We commend the Board of Custodian Investment Plc and recommend that the Board continue to maintain its current practices on effective regulatory compliance and stay abreast of current trends in the regulatory and business environment.

In as much as there is still room for improvement and continuous director development, we are happy to state that the Board of Custodian Investment Plc conducted its affairs in an acceptable and satisfactory manner in 2020.

SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

Chioma Mordi (Mrs.)

Chief Executive Officer

FRC/2014/NIM/00000007899

Corporate Governance contd

Skills, knowledge and characteristics of the Board

The profile and qualifications of Board members are periodically reviewed to ensure that the Board possesses diverse and varying expertise in the performance of its functions and a balanced mix of attributes and experiences enabling them to evaluate the Company's related and core business.

Roles of the Chairman and the Managing Director

Consistent with best practice, there is separation of powers between the Chairman and the Managing Director; the roles of the Chairman and the Managing Director are separate and distinct. The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information to enable the Board take informed decisions and provide advice to promote the success of the Company.

The Board has delegated the responsibility for the day-to-day management of the Company to the Managing Director/Chief Executive Officer, who is supported by Executive Management. The Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board of Directors.

Company Secretariat and access to Independent Professional Advice

Custodian Trustees Limited acts as Company Secretary to the Company.

The Company Secretary works closely with the Chairman to manage the flow of information between the Board, its Committees and Senior Executives across the Group. The Company Secretary is also responsible for providing advice and support to the Board on governance related matters. The appointment and removal of the Company Secretary is subject to Board approval and all Directors have a right of access to information and advice, facilitated through the Company Secretary.

Corporate Governance contd

The Company Secretary is responsible for keeping Directors abreast of statutory requirements relating to Corporate Governance and providing guidance when required in relation to Directors roles and responsibilities. The Secretariat maintains the register and other records of the Company and generally acts as a liaison between the Board and Shareholders.

In addition to the assistance provided by the Company Secretary, the Board reserves the right to obtain advice and assistance from relevant independent external professional advisers and experts at the expense of the Company.

Anti-Bribery and Corruption Policy

Custodian is committed to high ethical standards and integrity. The Company's Anti-Bribery & Corruption policy prohibits offering of or giving something valuable for the purpose of persuading an official or any person to misuse his office to benefit the Company or its Employees. The Policy also prohibits receiving something valuable for the purpose of influencing an official action. The Company's Board of Directors and Senior Management are charged with the responsibility of ensuring that the Company complies with the Policy.

Board Compensation

Consistent with the Company's policy, remuneration of Executive Directors is fixed by the Establishment and Governance Committee of the Board, which also has the responsibility of making recommendations to the Board on all payments made to Executive Directors.

Non-Executive Directors are remunerated in line with the Company's policy of providing them with fixed annual fees and sitting allowances for their service on the Board and Committees.

Shareholders Rights

The Board ensures the protection of the rights of shareholders at all times, particularly their right to vote at general meetings. All shareholders are treated equally, regardless of volume of shareholding or social status. The Company ensures that all Shareholders receive notices of meetings.

Corporate Governance contd

E-Dividend

Custodian encourages its Shareholders to embrace the e-dividend opportunity in accordance with good Corporate Governance practice. This will enable the Company pay dividend due to Shareholders by directly crediting their designated Bank accounts. It will also significantly lessen the incidences of unclaimed dividend.

The Company's Shareholders are implored to complete the detachable forms in the Annual Report stating their preferred Bank Accounts and make same available to the Company's Registrars, Meristem Registrars and Probate Services Limited.

External Auditors

Deloitte & Touche acted as the Company's External Auditors for the 2020 financial year. The firm ensures that its responsibilities to the Company are carried out in an independent manner.

The Board confirms that the Company has complied with the regulatory requirement as enshrined in the Code of Corporate Governance on the rotation of audit firm and audit partners.

Internal Controls

The Company's internal audit function provides oversight on significant compliance issues and guide strategies, policies and practices for assessing and managing risk across the Company. The head of the Department is a competent professional Accountant with high integrity.

Accounting Principles, Disclosure and Reporting

Custodian's accounting practices are fundamental to the information required by its investors, customers, regulators and other stakeholders to facilitate objective evaluation of the Company and its future prospects. Custodian's accounting records are presented in a concise and transparent manner so that the Company's financial position at any given time is adequately disclosed.

Corporate Governance contd

Reporting and disclosure requirements are in accordance with International Financial Reporting Standards [IFRS]. The Company ensures prudent financial reporting and maximum disclosure in the Annual Reports & Accounts.

Securities Trading by Interested Parties

The Company has in place a policy regarding trading in its shares by its Directors and Employees with terms and conditions similar to the standards set out by the Securities and Exchange Commission and the Nigerian Stock Exchange.

Directors, Insiders and their related persons in possession of confidential price sensitive information ("insider information") are prohibited from dealing with the securities of the Company where such would amount to insider trading.

Detailed enquiries has been made regarding all Directors to ascertain whether they have complied with or whether there has been any non-compliance with the Listings Rules [relating to Securities Trading] and Custodian's Code of Conduct on Securities transactions. Full compliance by Directors in the 2020 financial year was established.

Diversity

The Company acknowledges that a diverse workforce is of significant social and commercial value and important to being an inclusive Employer. Custodian accepts the value that diversity can bring, which includes:

- Providing greater alignment to customer needs.
- Improving creativity and innovation.
- Broadening the skills and experience of the labour pool from which Custodian can draw and attract top talent to our businesses.

Corporate Governance contd

The Company strives to create a work environment which is inclusive to all people regardless of gender, age, race, disability, cultural background, religion, family responsibilities or any other area of potential difference. All areas of diversity are important and Custodian pays particular attention to gender diversity.

Succession Planning

The Board Establishment and Governance Committee is tasked with the responsibility for the Group's succession planning process. The Committee identifies critical positions on the Board and Executive Management level that are deemed important to the achievement of the Company's business objectives and strategies and have a significant impact on the operations of the Company.

Custodian has a robust policy which is aligned to the Company's performance management process. The policy seeks to identify the competency requirements of critical and key positions, assess potential candidates, and develop required competency through planned development and learning initiatives.

Code of Ethics

The Company prioritises high ethical standards and expects its Board, Executives and Employees to observe such standards in all their dealings within the Group. The Company's Code of Ethics outlines the minimum standards of conduct expected in the management of the Company's businesses. All stakeholders are expected to comply with these standards in the discharge of their duties.

Whistle-blowing Procedure

In line with the Board's commitment to instill the best corporate governance practices, a Whistle-blowing Policy ("Policy") was adopted by the Company. The Policy provides a channel for the Company's Employees and other relevant Stakeholders to raise concerns about workplace malpractices confidentially to enable the relevant authorities investigate and deal with such in a manner consistent with the Company's policies and relevant regulations. The policy also provides for protection against harassment or victimization of Employees who report genuine concerns, malpractice or illegal acts or omissions by Directors and Employees.

Corporate Governance contd

Custodian's Whistle-blowing policy ensures that whistle-blowing would assist in uncovering significant risks in line with best practices. Under the policy, a whistle-blower who in good faith, reports suspected violations or attempted violation of the Policy or who reports a request or offer of a corrupt payment is protected. A form for this purpose is available on the Company's website.

Complaints Management Policy

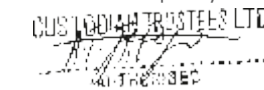
Custodian is committed to responding to feedback from Clients, Investors and other Stakeholders and has established a Complaints Management Policy which lay the guidelines to effectively and efficiently respond to feedbacks in order to improve client experience, exceed customer's expectations and deliver better services.

The Policy aims to establish a fair, impartial and objective mechanism for the handling and management of complaints by clients or investors and to establish a mechanism for implementation and monitoring of compliance with this Policy. The Policy and the Complaints Lodgment Form can be accessed on the Company's website.

Statement of Compliance

Custodian Investment Plc is a Public Limited Liability Company and is subject to the jurisdiction of the Nigerian Code of Corporate Governance. The Board of Directors charged with the responsibility of ensuring compliance has submitted that the Company was in compliance with the provisions of the Code in the 2020 financial year as well as the Post-Listing requirements of the Nigerian Stock Exchange.

The Company also complied with all the relevant laws of Nigeria.


ADEYINKA JAFUJO

ADEYINKA JAFUJO
FRC/2013/NBA/00000002403
Custodian Trustees Limited
Company Secretary
Dated this February 26, 2021

Certification

Pursuant To Section 60[2] Of The Investment And Securities Act No. 29 Of 2007

We the undersigned hereby certify the following with regards to our Consolidated Financial Statements for the year ended December 31, 2020 that:

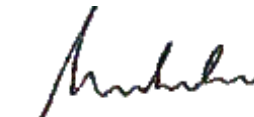
- (a) We have reviewed the report;
- (b) To the best of our knowledge, the report does not contain:
 - (i) Any untrue statement of a material fact, or
 - (ii) Omit to state a material fact, which would make the statements misleading in the light of the circumstances under which such statements were made;
- (c) To the best of our knowledge, the financial statement and other financial information included in the report fairly present in all material respects the financial condition and results of operation of the Company as of, and for the period presented in the report.
- (d) We:
 - (i) Are responsible for establishing and maintaining internal controls.
 - (ii) Have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiaries are made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
 - (iii) Have evaluated the effectiveness of the Company's internal controls, as of date, within 90 days prior to the report;
 - (iv) Have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation;

Certification Pursuant Contd

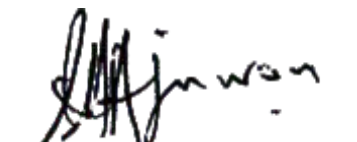
- (e) We have disclosed to the auditors of the Company and audit committee:
 - (i) All significant deficiency in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weakness in internal controls, and
 - (ii) Any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;
- (f) 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.



Dr. (Mrs.) Omobola Johnson
Chairman
FRC/2018/IODN/00000018366



Mr. Wole Oshin
Managing Director
FRC/2013/CIIN/0000003054



Mr. Ademola Ajuwon
Chief Financial Officer
FRC/2013/ICAN/00000002068



Independent Auditors' Report To The Shareholders Of Custodian Investment Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Custodian Investment Plc and its subsidiaries (the Group and Company) which comprise the consolidated and separate statement of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statements of cash flows for the year then ended, the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Custodian Investment Plc as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate statement of cash flows for the year then ended in accordance with International Financial Reporting Standards, Companies and Allied Matters Act, the Insurance Act, CAP 117 LFN 2004 and relevant policy guidelines issued by the National Insurance Commission (NAICOM), the Pension Reform Act 2014, the Financial Reporting Council of Nigeria Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for

Independent Auditors' Report Contd

Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of consolidated Financial Statements in Nigeria.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditors' Report Contd

Key Audit Matter	How the matter was addressed in the audit
<p>Acquisition of UPDC Plc "Consolidated and Separate"</p> <p>During the year, Custodian Investment Plc acquired 51% equity stake in UACN Property Development Company Plc through a step acquisition process completed in November 2020. This led to an increase in the value of investment in subsidiary, a recognition of bargain purchase and a subsequent receipt of shares from UPDC REITs as result of their interest in UPDC Plc.</p> <p>We focused on this acquisition of during the audit because the material impact of the transaction. The purchase consideration transferred was N6.6b, bargain purchase was N1.17b and UPDC REITs unbundled and received by Custodian Investment Plc was worth N0.7b on initial recognition. There were also material judgement calls that are required with the initial recognition and subsequent recording of these transactions in line with the provisions of IFRS 10 (Consolidated Financial Statements), IFRS 3 (Business Combination), and IFRS 9 (Financial Instruments) which were all referenced in the treatment of this business acquisition.</p>	<p>Our procedures included the following among others:</p> <ul style="list-style-type: none"> • We reviewed the methodology adopted by management in assessing control in line with the standards • We reviewed the methodology and processes adopted by management for arriving at the net asset of the company as at acquisition date • We validated the data used in the determination of the fair value of the net assets on acquisition date. • We involved Deloitte Valuation experts in determination of the adequacy and accuracy of the fair valuation of net assets. • We ensured the appropriateness of the journals posted, footed and agreed the figures disclosed in the financial statements to the figures stated. • We confirmed receipt of the REIT's upon unbundling. • We validated the fair value price at which the REIT's units was sold to the subsidiary • We recomputed the realised fair value gain on disposal of the REIT's units.

Independent Auditors' Report Contd

Key Audit Matter	How the matter was addressed in the audit
<p>Key areas of judgement of include</p> <ul style="list-style-type: none"> • Determination of the net identifiable assets of UPDC Plc on acquisition • Establishing the presence of control of UPDC Plc by CIP Plc and consolidating in line with the provisions of IFRS 3. • Recognition of unbundled shares of UPDC REITs in CIP. <p>Under IFRS 3- Business Combination, upon acquisition of a business in which the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is less than the aggregate of the consideration transferred, amount of non-controlling interest in the acquire and in a business combination achieved in stages the acquisition-date fair value of the acquirer's previously held equity interest in the acquire, this implies that the acquirer made a bargain purchase.</p> <p>As a follow up of the acquisition of UPDC Plc, UPDC REIT's is a subject clause included in the shares purchase agreement on acquisition of UPDC Plc. The REIT was unbundled after the completion of the acquisition of UPDC Plc and the total units of 772,905,928 was received by Custodian Investment Plc.</p>	<p>We found that the assumptions used by management were in the recognition of the transactions associated with the business acquisition, in consolidation the financial statements of UPDC Plc, recognizing a bargain purchase and subsequent recording of UPDC REITs were both reasonable and consistent with the provisions of the applicable International Financial Reporting Standards.</p> <p>We consider the disclosure requirements and noted the disclosures were adequate, relevant and useful to the users of the financial statements.</p>

Independent Auditors' Report Contd

Key Audit Matter	How the matter was addressed in the audit
<p>Valuation of Insurance and investment Contracts- "Consolidated"</p> <p>Under IFRS 4, the Company is required to perform liability adequacy test on its insurance contract liabilities and investment contract liabilities to ensure the carrying value of the liabilities is adequate.</p> <p>As disclosed in notes 22 and 23 to the Consolidated and Separate financial statements, the insurance contract liabilities and investment contract liabilities for the Group amounted to N89.542 billion [2019:N59.072billion] and N6.072 billion [2019:N3.985 billion] respectively. This represents about x% of the of the Group total liabilities as at 31 December 2020.</p> <p>Determination of the fair value of the contracts is an area that involves exercise of significant judgement and use of key inputs and assumptions. Some of these include operating assumptions in relation to uncertain future outcomes like mortality, morbidity, lapse and surrender, etc., and also economic assumptions relating to interest rates, inflation rates, expenses, return on investments, discount rates, future growth rates etc. are the key inputs used to estimate these long-term liabilities</p>	<p>Our procedures included the following among others:</p> <ul style="list-style-type: none"> We reviewed the methodology and processes adopted by management for making reserves in the books of the company. We tested entity's control around reserving process and maintenance of data for valuation of insurance contract liabilities. We considered the validity of management's liability adequacy testing which a key test is performed to check that the liabilities are adequate in the context of expected experience. Our work on the liability adequacy test includes assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience data and specific product features. We validated the data used in the valuation of the insurance contract liabilities. We involved Deloitte Actuary in the review of the assumptions and estimates used by management and assessment of the adequacy of the insurance contract liabilities in line with Liability Adequacy Test ("LAT") based on requirement of IFRS 4.

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Key Audit Matter	How the matter was addressed in the audit
<p>The Group has an in-house actuary who assesses, on periodic basis, an estimate of the insurance liabilities for the various portfolio managed by the company. At the end of each financial year, management employ the services of an external actuary in the determination of its insurance liability after considering the accuracy and integrity of data used in the valuation. Necessary adjustments are made in the financial statements to reflect the liabilities determined by the actuary.</p>	<ul style="list-style-type: none"> We ensured the appropriateness of the journals posted, footed and agreed the figures disclosed in the financial statements to the figures stated in the actuarial valuation after thorough review of the basis and assumptions. <p>We found that the assumptions used by management were comparable with the market, accord with best practices, the key input data used in estimating the fair value of the insurance and investment contracts liabilities were appropriate in the circumstances. We consider the disclosure of the liabilities to be adequate, relevant and useful.</p>

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Other Matter

The consolidated and separate financial statements of the Group and Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 27 February 2020.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Report, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, the Insurance Act 2003 and relevant policy guidelines issued by the National Insurance Commission (NAICOM), the Pension Reform Act 2014, the Financial Reporting Council of Nigeria Act and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report Contd

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and or the Company or to cease operations, or have 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 consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditors' Report Contd

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the 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, actions taken to eliminate threats or safeguards applied.

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

Independent Auditors' Report Contd

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.

Report on Other Legal and Regulatory Requirements

In accordance with the Companies and Allied Matters Act we expressly state that:

- i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) The Group has kept proper books of account, so far as appears from our examination of those books.
- iii) The Group and Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.



Joshua Ojo, FCA
FRC/2013/ICAN/00000000849

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
26 February, 2021



Consolidated And Separate Statements Of Financial Position

As at 31 December, 2020

	Notes	Group		Company	
		31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Assets					
Cash and cash equivalents	5	13,743,138	9,362,870	1,654,286	1,524,554
Trade receivables	7	417,905	134,664	-	-
Financial assets:	6	112,826,983	81,219,628	2,567,836	3,094,589
- Fair value through profit or loss		71,957,967	40,129,402	1,279,837	354,563
- Fair value through OCI		1,615,682	807,979	-	-
- Debt securities at amortised cost		39,253,334	40,282,247	1,287,999	2,740,026
Reinsurance assets	8	7,877,994	9,151,153	-	-
Inventories	9	4,270,906	-	-	-
Deferred acquisition costs	10	662,830	667,740	-	-
Other receivables and prepayments	11	7,045,422	2,592,331	2,468,286	3,268,155
Right-of-use-assets	20	80,275	3,278	-	-
Investment in subsidiaries	12	-	-	15,254,287	8,410,669
Investments in joint ventures	14	130,393	-	-	-
Investment in associates	13	4,730,728	547,847	525,364	525,364
Investment properties	15	11,063,550	9,276,977	4,636,980	4,636,980
Assets of disposal group classified as held for sale	16	8,140,686	-	-	-
Property, plant and equipment	18	4,445,995	4,278,501	56,776	62,582
Intangible assets	17	159,108	222,781	-	-
Statutory deposits	19	560,000	560,000	-	-
Total assets		176,155,912	118,017,770	27,163,815	21,522,893
Liabilities and equity					
Liabilities					
Insurance contract liabilities	22	89,542,143	59,072,075	-	-
Investment contract liabilities	23	6,072,622	3,985,348	-	-
Interest bearing Loans and Borrowings	24	5,422,500	-	-	-
Lease liability	21	-	744	-	-
Trade payables	25	4,627,571	3,323,126	-	-
Liabilities of disposal group classified as held for sale/distribution to owners	26	946,620	-	-	-
Other payables	27	8,685,008	3,385,347	1,035,072	939,164
Current income tax payable	28	1,694,459	2,114,754	563,773	629,711
Deferred tax liabilities	29	1,658,606	1,397,066	367,398	307,001
Total liabilities		118,649,529	73,278,460	1,966,243	1,875,876
Equity					
Issued share capital	30	2,940,933	2,940,933	2,940,933	2,940,933
Share premium	31	6,412,357	6,412,357	6,412,357	6,412,357
Retained earnings	32	25,379,762	23,132,865	15,844,282	10,293,727
Contingency reserve	32	11,679,092	10,315,451	-	-
Fair value reserves	32	538,075	364,235	-	-
Revaluation reserve	32	698,693	550,273	-	-
Equity attributable to owners of the parent		47,648,911	43,716,114	25,197,572	19,647,017
Non-controlling interests		9,857,472	1,023,196	-	-
Total equity		57,506,383	44,739,310	25,197,572	19,647,017
Total equity and liabilities		176,155,912	118,017,770	27,163,815	21,522,893

The accounts were approved by the Board of directors on 26 February 2021 and signed on its behalf by:

Dr. (Mrs.) Omobola Johnson
Chairman
FRC/2018/IODN/00000018366

Mr. Wole Oshin
Managing Director
FRC/2013/CIIN/00000003054

Mr. Ademola Ajuwon
Chief Financial Officer
FRC/2013/ICAN/00000002068

Consolidated And Separate Statements Of Profit Or Loss And Other Comprehensive Income

For the year ended 31 December, 2020

	Notes	Group		Company	
		2020 N'000	2019 N'000	2020 N'000	2019 N'000
In thousands of naira					
Gross Revenue		75,062,202	61,416,733	7,398,301	5,698,352
Interest income	34	10,186,605	8,891,954	297,114	644,283
Operating and Investment Income	33	64,875,597	52,524,779	7,101,187	5,054,069
Operating Expenses	35	(77,566,347)	(51,328,405)	-	-
Net income		(2,504,144)	10,088,328	7,398,301	5,698,352
Net fair value gains/(losses)	36	15,800,190	4,269,933	19,752	(18,415)
Net realised gains	37	6,215,804	962,938	1,596,035	200
Credit gain/(loss expense)	39	253,125	(72,981)	6,738	(20,730)
Finance costs	40	(270,353)	-	-	-
Management expenses	38	(7,023,275)	(7,182,464)	(816,428)	(863,027)
Bargain purchase	12	1,209,925	-	-	-
Share of result of associates	13	4,776	3,819	-	-
Profit before taxation		13,686,047	8,069,573	8,204,398	4,796,380
Income tax expenses	28	(896,935)	(2,057,794)	(7,004)	(923,248)
Profit from continuing operation		12,789,112	6,011,779	8,197,394	3,873,132
Discontinued operations					
Loss from discontinued operation	43	(101,617)	-	-	-
Profit for the year		12,687,495	6,011,779	8,197,394	3,873,132
Other comprehensive income (OCI):					
Items that will not be reclassified to profit or loss					
Share of gains on equity instruments at FVTOCI of associate	13	2,079	562	-	-
Net gain on equity instrument at FVOCI	41	320,181	27,784	-	-
Revaluation surplus on freehold property	42	-	86,697	-	-
Income tax effect	42	-	(26,009)	-	-
Other comprehensive income for the year net of tax		322,260	89,034	-	-
Total comprehensive income for the year		13,009,755	6,100,813	8,197,394	3,873,132
Profit for the year attributable to:					
- Owners of the parent		11,416,555	5,733,163	8,197,394	3,873,132
- Non-controlling interests		1,270,940	278,616	-	-
		12,687,495	6,011,779	8,197,394	3,873,132
Total comprehensive income attributable to:					
- Owners of the parent		11,706,533	5,822,197	8,197,394	3,873,132
- Non-controlling interests		1,303,222	278,616	-	-
		13,009,755	6,100,813	8,197,394	3,873,132
Earnings/(loss) per share:					
From continuing operations					
Basic/diluted earnings per share (kobo)	44	196	97	139	66
From continuing and discontinued operations					
Basic/diluted earnings per share (kobo)	44	194	97	139	66

See accompanying notes to the consolidated and separate financial statements which form an integral part of these financial statements.

Consolidated And Separate Statement Of Changes In Equity

For the year ended 31 December, 2020

GROUP	Attributable to owners of the Parent							Non-Controlling Interests	Total Equity
	Issued Share Capital	Share Premium	Retained Earnings	Contingency Reserve	Revaluation Reserve	Fair Value Reserve	Total		
In thousands of naira	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2020	2,940,933	6,412,357	23,132,865	10,315,451	550,273	364,235	43,716,114	1,023,196	44,739,310
Profit for the period	-	-	11,416,555	-	-	-	11,416,555	1,270,940	12,687,495
Share of OCI	-	-	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	148,420	-	148,420	-	148,420
Share of profit	-	-	-	-	-	2,079	2,079	-	2,079
Arising on acquisition of UPDC	-	-	(5,159,179)	-	-	171,761	(4,987,418)	7,737,718	2,750,300
Post Acquisition NCI	-	-	-	-	-	-	-	23,762	23,762
Transfer between reserves	-	-	(1,363,641)	1,363,641	-	-	-	-	-
	2,940,933	6,412,357	28,026,601	11,679,092	698,693	538,075	50,295,750	10,055,616	60,351,365
Dividend Paid	-	-	(2,646,839)	-	-	-	(2,646,839)	(198,143)	(2,844,982)
At 31 December 2020	2,940,933	6,412,357	25,379,762	11,679,092	698,693	538,075	47,648,911	9,857,472	57,506,383
At 1 January 2019	2,940,933	6,412,357	20,366,543	9,175,506	489,585	1,155,831	40,540,755	958,449	41,499,204
	2,940,933	6,412,357	20,366,543	9,175,506	489,585	1,155,831	40,540,755	958,449	41,499,204
Profit for the period	-	-	5,733,163	-	-	-	5,733,163	278,616	6,011,779
Other Comprehensive Income	-	-	-	-	60,688	28,346	89,034	-	89,034
Reclassification to retained earnings	-	-	819,942	-	-	(819,942)	-	-	-
Transfer between reserves	-	-	(1,139,945)	1,139,945	-	-	-	-	-
Dividends Paid	-	-	(2,646,838)	-	-	-	(2,646,838)	(213,869)	(2,860,707)
At 31 December 2019	2,940,933	6,412,357	23,132,865	10,315,451	550,273	364,235	43,716,114	1,023,196	44,739,310

Consolidated And Separate Statements Of Changes In Equity Cont'd

For the year ended 31 December, 2020

COMPANY	Attributable to owners of the Company						
	Issued Share Capital	Share Premium	Retained Earnings	Contingency Reserve	Revaluation Reserve	Fair Value Reserve	Total
In thousands of naira	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2020	2,940,933	6,412,357	10,293,727	-	-	-	19,647,017
Profit for the period	-	-	8,197,394	-	-	-	8,197,394
Dividend Paid	-	-	(2,646,839)	-	-	-	(2,646,839)
Other comprehensive income	-	-	-	-	-	-	-
At 31 December 2020	2,940,933	6,412,357	15,844,282	-	-	-	25,197,572
At 1 January 2019	2,940,933	6,412,357	9,067,433	-	-	-	18,420,723
	2,940,933	6,412,357	9,067,433	-	-	-	18,420,723
Profit or loss for the period	-	-	3,873,132	-	-	-	3,873,132
Dividend paid	-	-	(2,646,838)	-	-	-	(2,646,838)
At 31 December 2019	2,940,933	6,412,357	10,293,727	-	-	-	19,647,017

Consolidated And Separate Statements Of Cash Flows

For the year ended 31 December, 2020

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Cash flows from operating activities				
Profit/(loss) before taxation	13,686,047	8,069,573	8,197,394	4,796,380
Adjustments for non-cash items:				
– Impairment losses/(fair value gain)	39 (253,125)	(4,266,816)	(9,443)	18,415
– Depreciation	18 578,317	420,312	33,719	35,704
– right-of-use assets	-	7,233	-	-
– Impairment of goodwill	-	-	-	-
– Amortisation of intangible assets and deferred expenses	17 371,705	86,602	-	-
– Profit on disposal of property, plant and equipment	-	(7,279)	-	(200)
– (Gain)/loss on disposal equities & other investment	36 (922,558)	(922,558)	-	-
– Fair value gains on investment properties	-	(3,117)	-	-
– Exchange rate differential	(547,378)	21,054	-	(18)
– Revaluation	-	-	-	-
– Share of result of associate	(4,776)	(3,819)	-	-
– Credit loss write back	-	72,981	(5,829)	20,730
– Dividend income	-	(164,254)	-	(3,823,149)
– Interest income	-	(8,891,954)	-	(644,283)
Gain on bargain purchase	(1,209,925)	-	-	-
– Income Tax Expense	28 -	-	7,004	-
– Credit loss write back - Tax	28 -	-	-	-
– Investment income	-	-	-	-
– Net gain/(losses) on fair value through OCI assets	-	-	-	-
Changes in working capital:				
(Increase)/Decrease in reinsurance assets	1,273,159	62,147	-	-
(Increase)/Decrease in other receivables and prepayment	(4,453,091)	(191,733)	805,698	(2,436,129)
Decrease in trade receivables	(283,241)	239,483	-	-
Increase/(Decrease) in deferred acquisition cost	4,910	60,700	-	-
Increase/ (Decrease) in insurance contract liabilities	30,470,068	17,013,798	-	-
Increase / (Decrease) in investment contract liabilities	2,087,274	895,690	-	-
Increase / (Decrease) in financial assets	-	-	536,196	-
Increase / (Decrease) in other liabilities	(1,304,445)	(1,564,632)	95,908	133,890
Increase / (Decrease) in trade payable	5,299,661	-	-	-
Increase / (Decrease) in inventories	(4,270,906)	-	-	-
Increase / (Decrease) in statutory deposit	-	-	-	-
Increase/(Decrease) in lease liability	(744)	-	-	-
Increase / (Decrease) in borrowings	5,422,500	-	-	-
Increase / (Decrease) in AFHS	946,620	-	-	-
Income tax paid	(1,159,354)	(885,655)	(12,545)	(29,114)
Net cash provided/(utilised) by operating activities	<u>46,838,432</u>	<u>10,047,756</u>	<u>9,648,103</u>	<u>(1,927,774)</u>

Consolidated And Separate Statements Of Cash Flows Cont'd

For the year ended 31 December, 2020

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Cash flows from investing activities				
Purchase of property, plant and equipment	18 (593,821)	(696,487)	(27,914)	(582)
Payment for right of use asset	20 (76,997)	-	-	-
Proceeds on disposal of property, plant and equipment	-	8,512	-	200
Proceed on disposal of AHFS	(8,140,686)	-	-	-
Purchase of intangible	(308,059)	(9,045)	-	-
Net (Purchase)/redemption to investments (financial assets)	(31,607,580)	(17,830,503)	-	1,439,917
Purchase of investment in associate/subsidiary	12&13 (4,616,340)	-	(6,843,618)	-
Investment in Joint Ventures	-	-	-	-
Purchase of investment properties	15 (2,391,167)	(126,955)	-	-
Arising on acquisition of subsidiary less impact in Retained Earnings	(918,974)	-	-	-
NCI	8,834,276	8,891,954	-	644,283
Dividend received	-	164,254	-	3,823,149
Net cash provided/(used) in investing activities	(39,649,705)	(9,598,270)	(6,871,532)	5,906,967
Cash flows from financing activities				
Dividend Paid in the year				
	(2,844,982)	(2,864,901)	(2,646,839)	(2,646,839)
	<u>(2,844,982)</u>	<u>(2,864,901)</u>	<u>(2,646,839)</u>	<u>(2,646,839)</u>
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of the year	4,343,745	(2,415,415)	129,732	1,332,354
Effect of change in exchange rate	9,362,870	11,745,027	1,524,554	192,180
Cash and cash equivalents at end of the period	<u>36,522</u>	<u>33,258</u>	<u>-</u>	<u>18</u>
	<u>13,743,138</u>	<u>9,362,870</u>	<u>1,654,286</u>	<u>1,524,552</u>

See notes to the consolidated financial statements

Notes To The Consolidated And Separate Financial Statements

1 Corporate information

a) Custodian Investment Plc.

("the Company") is the investment holding company that resulted from the successful merger of Custodian and Allied Insurance Plc and Crusader (Nigeria) Plc. Custodian Investment Plc was incorporated on 22 August 1991 as a private limited liability company under the name Accident and General Insurance Company Limited. It changed its name to Custodian and Allied Insurance Plc on 5 February 1993, became a public limited liability company on 29 September 2006 and later changed its name to Custodian Investment Plc on 24 May 2018.

The Company is quoted on the Nigerian Stock Exchange and has its registered office at 16A Commercial Avenue, Sabo Yaba Lagos, Nigeria.

The financial statements of Custodian Investment Plc have been prepared on a going concern basis. The Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The financial statements of the Company and the consolidated and separate financial statements of the Group are as at, and for the year ended, 31 December 2020.

b) Principal activities

Custodian Investment Plc is an investment holding company with significant interests in life and non-life insurance, pension fund administration, trusteeship and property holding companies. The subsidiaries are:

- Custodian and Allied Insurance Limited - a wholly owned subsidiary that carries on general insurance business,
- Custodian Life Assurance Limited - a wholly owned subsidiary that underwrites life insurance risks, such as those associated with death, disability and health liability. The Company also issues a diversified portfolio of investment contracts to provide its customers with fund management solutions for their savings and other long-term needs.
- Custodian Trustees Limited - a wholly owned subsidiary that carries on the business of Trusteeship and Company Secretarial services.
- CrusaderSterling Pensions Limited - a subsidiary that is involved in the administration and management of Pension Fund Assets. This is not a wholly owned subsidiary.

Notes To The Consolidated And Separate Financial Statements Cont'd

c) Going Concern

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

d) Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB).

The consolidated and separate financial statements comply with the requirement of the Companies and Allied Matters Act CAP C20 LFN 2004, Insurance Act, CAP 117 LFN 2004, the Financial Reporting Council Act, 2011 and the Guidelines issued by the National Insurance Commission to the extent that they are not in conflict with the International Financial Reporting Standards (IFRS).

2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and measurement

The financial statements comprise the consolidated and separate statements of financial position, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, the consolidated and separate statements of cash flows and summary of significant accounting policies and notes to the consolidated and separate financial statements which have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets measured at fair value through profit or loss, investment properties, investment in equity instruments at fair value through other comprehensive income and property plant and equipment, which have been measured at fair value.

Notes To The Consolidated And Separate Financial Statements Cont'd

The Group and the Company classifies their expenses by the nature of expense method.

The figures shown in the consolidated and separate financial statements are stated in thousands unless otherwise indicated.

The disclosures on risks from financial instruments are presented in the financial risk management report.

The consolidated and separate statements of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The cash flows from operating activities are determined by using the indirect method and the net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables and liabilities in the corresponding note. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Fees and commission received or paid, income tax paid are classified as operating cash flows.

The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model (management approach).

Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate statements of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

2.2 Basis of consolidation

Subsidiaries

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Notes To The Consolidated And Separate Financial Statements Cont'd

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

For the purpose of these financial statements, subsidiaries are entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities.

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

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

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 and associates are measured at cost.

Loss of Control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsequently, that retained interest is accounted for as an equity-accounted investee or as a financial asset at fair value through other comprehensive income (FVTOCI) depending on the level of influence retained.

Notes To The Consolidated And Separate Financial Statements Cont'd

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as Share of profit of an associate in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on the proportionate amount of the net assets of the subsidiary.

Notes To The Consolidated And Separate Financial Statements Cont'd

Non-controlling interests are measured at their proportionate share of the acquirer'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.

2.3 Functional and presentation currency

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

2.4 Summary of significant accounting policies

a) Insurance contracts

Classification of Insurance contracts

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

Recognition, valuation and measurement

Insurance contract liabilities are recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract.

b) Premiums

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

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

Notes To The Consolidated And Separate Financial Statements Cont'd

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

c) Reinsurance

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

Premium ceded, claims reimbursed, and commission recovered are presented in the profit or loss and statement of financial position separately from the gross amounts. Premiums, losses and other amounts relating to reinsurance treaties are recognized over the period from inception of a treaty to expiration of the related business. The actual profit or loss on reinsurance business is therefore not recognized at the inception but as such profit or loss emerges.

In particular, any initial reinsurance commissions are recognized on the same basis as the acquisition costs incurred. Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date.

Such assets are deemed impaired if there is objective evidence, as result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

d) Claims incurred

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

Notes To The Consolidated And Separate Financial Statements Cont'd

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material. The liability for Incurred but not Reported (IBNR) claims is calculated at the end of the reporting period, using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability was discounted for time value of money; and no further provision was made for equalisation or catastrophe reserves (as prohibited by IFRS 4).

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

e) Acquisition costs

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

f) Deferred expenses

Deferred acquisition costs (DAC)

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

Subsequent to initial recognition, DAC for general insurance are amortized over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortized in the same manner as the underlying asset amortization is recorded in the profit or loss. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the profit or loss.

Notes To The Consolidated And Separate Financial Statements Cont'd

DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognized when the related contracts are either settled or disposed of.

Deferred expenses - Reinsurance commissions

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

g) Interest

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

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

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

Revenue from contract with customers

The Group is also in the business of acquiring, developing, selling and managing high quality, serviced commercial and residential accommodation and retail space. These contracts are divided into three revenue streams namely:

- Sales of Goods - Sale of property stock
- Facilities management services provided to the customer: Rendering of services - Management fees and service charge surcharge

Notes To The Consolidated And Separate Financial Statements Cont'd

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Group reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The Group has been able to take a reasonable approach to determine the portfolios that would be representative of its types of customers and business lines. This has been used to categorise the different revenue stream detailed below:

Sale of goods - Sale of Property Stock

Revenue from Sale of Property Stock is recognised at the point in time when control of the asset is transferred to the customer, generally on transfer of the property. The normal credit term is 30 to 90 days upon transfer. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of property, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any)

Significant financing component

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component since it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Contract Balances

Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Notes To The Consolidated And Separate Financial Statements Cont'd

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

h) Rental income

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

i) Income tax expenses

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

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in Nigeria. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income and not in the statement of profit or loss.

Current tax assets and current tax liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income 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 realized simultaneously.

Notes To The Consolidated And Separate Financial Statements Cont'd

Deferred tax

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

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

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

In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Notes To The Consolidated And Separate Financial Statements Cont'd

Deferred tax assets and deferred tax liabilities are off set if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income 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 realized simultaneously.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

i) Foreign Currency Translation

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

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

Notes To The Consolidated And Separate Financial Statements Cont'd

k) Dividends

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other investment and sundry income

l) Earnings Per Share

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

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

m) Cash and Cash Equivalents

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

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

n) Financial Instrument

Initial recognition and measurement
Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Notes To The Consolidated And Separate Financial Statements Cont'd

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies on Revenue from non-insurance contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Business model assessment

There are three business models available under IFRS 9:

- Hold to collect Financial assets with objective to collect contractual cash flows.
- Hold to Collect and sell (Financial assets held with the objective of both collecting contractual cash flows and selling financial assets).
- Other Financial Assets held with trading intent or that do not meet the criteria of either "Hold to Collect" or "Hold to Collect and sell."

The Assessment of the business model requires judgment based on the facts and circumstances as at the date of the assessment. Custodian Investment Plc has considered quantitative factors (e.g. expected frequency and volume of sales) and qualitative factors such as how the performance of the business model and financial assets held within the business model are evaluated and reported to management; the risk that affect the performance of the business, model and the

Notes To The Consolidated And Separate Financial Statements Cont'd

financial assets held within the business model. In particular, the way in which those risks are managed; and how management received returns on the assets (i.e. whether the returns are based on fair value of the assets managed or on contractual cash flows collected).

Solely Payments of Principal and Interest (SPPI)

If a financial asset is held in either a Hold to Collect or Hold to Collect and Sell model, then an assessment is determined whether contractual cash flows are solely payments of principal and interest on principal amount outstanding at initial recognition is required to determine the classification.

Contractual cash flows that are SPPI on the principal amount outstanding are considered as basic lending arrangement with interest as consideration for the time value of money and the credit risk associated with the principal amount outstanding during the tenor of the agreed arrangement. Other basic lending risks like Liquidity risk and cost of administration associated with holding the financial asset for the specified tenor and the profit margin that is consistent with a basic lending arrangement.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets At Amortised Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

Notes To The Consolidated And Separate Financial Statements Cont'd

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes debt instruments (bonds), loans to staff, fixed deposits with banks and other receivables.

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

During the year under consideration, the Group did not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

Notes To The Consolidated And Separate Financial Statements Cont'd

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred

Notes To The Consolidated And Separate Financial Statements Cont'd

control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at amortised cost, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the credit rating of the debt instrument by international credit rating agencies like S&P, Moodys and Fitch as well as local ratings by Agosto and Co. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. Where the credit risk of any bond deteriorates, the Group will sell the bond and purchase bonds meeting the required investment grade.

The Group's debt instruments at amortised cost comprise solely of quoted bonds that are graded in the top investment category and the credit ratings are tracked by the finance and investment teams via publications by International Credit Rating Agencies and trading exchange platforms.

The Group's fixed income investment portfolio consists of Investment grade and high speculative bonds and, therefore, are considered to be low credit risk

Notes To The Consolidated And Separate Financial Statements Cont'd

investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the International Credit Rating Agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in the following:

- Disclosures for significant estimates Judgements and assumptions - Note 3
- Financial assets at amortised cost - Note 6.2 to the financial statements
- Other receivables and prepayments - Note 11

Write off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises its receivables for write off when a debtor fails to make contractual payments greater than 360 days past due. Where financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The gross carrying amount of an asset is written off (either fully or partially) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the counterparty does not have assets or sources of income that could generate sufficient cashflows to repay the amount subject to write off. However, the financial assets that are subjected to write off could still be subject to enforcement activities in other to comply with the Group's procedures for recovery of amount due.

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o) Financial liabilities and equity instruments

Classification as Debt or Equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs. Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Compound Instruments

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Notes To The Consolidated And Separate Financial Statements Cont'd

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method. Once the convertible security is not convertible to fixed numbers of ordinary shares, it cannot be considered a compound instrument.

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss (FVTPL)' or 'other financial liabilities'.

The Group does not have any financial liability that is measured at fair value through profit or loss during the period under review.

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are extinguished- ie when the obligation specified in the contract is discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes To The Consolidated And Separate Financial Statements Cont'd

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

p) Fair Value Measurement

The Group measures financial instruments such as equity instruments, and non-financial assets such as investment properties, at fair value at each reporting date. IFRS 13 defines fair value as 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 (i.e. an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Notes To The Consolidated And Separate Financial Statements Cont'd

The principal or the most advantageous market must be accessible to the group.

The fair value of an asset or a liability is measured using the assumption that market participant would use when pricing the asset or liability, assuming that market participant's act in their economic best interest.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

External valuers are involved for valuation of significant assets, such as investment properties. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions.

Notes To The Consolidated And Separate Financial Statements Cont'd

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

The fair value of floating rate and overnight deposits with credit institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

q) Impairment of Non-Financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there have separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are considered, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. The Group assesses at each reporting date whether there is any objective evidence that non-financial asset or group of non-financial assets are impaired.

Notes To The Consolidated And Separate Financial Statements Cont'd

r) Reinsurance Assets

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

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

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the insurance 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 held at amortised cost. The impairment loss is calculated using the incurred loss model for these financial assets.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party. These are deposit assets that are recognized based on the consideration paid less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

s) Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited independent external valuer applying a valuation model.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal

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proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. The amount of consideration to be included in the gain or loss arising from derecognition of investment property is determined in accordance with the requirements for determining the transaction prices in IFRS 15.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If a property initially classified as property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings: the transfer is not made through profit or loss.

t) Intangible Assets

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

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

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

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

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

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

u) Property, Plant and Equipment

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

Recognition and Measurement

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

Subsequent Costs

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

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Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term lives.

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

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

- Freehold property 33.3 years
- Furniture and fittings 5 years
- Motor vehicles 4 years
- Computer equipment 4 years
- Office equipment 4 years

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

Derecognition

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.

v) Leases

The Group As Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months

Notes To The Consolidated And Separate Financial Statements Cont'd

or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise :

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Notes To The Consolidated And Separate Financial Statements Cont'd

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

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As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or nonlease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

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w) Statutory Deposit

Statutory deposit represents a percentage of the paid-up capital of some of the subsidiary companies' deposit with Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at amortised cost. The deposit is however restricted.

x) Insurance Contract Liabilities

Non-life Insurance Contract Liabilities

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

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

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

Provision 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. This practice is consistent with the requirement of IFRS.

Notes To The Consolidated And Separate Financial Statements Cont'd

Provision 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.

Provision For Unexpired Risk

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

Life insurance Contract Liabilities

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts where a party (the policy holder) transfers significant insurance risk to another party (insurer) and the latter agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary. Such contracts may also transfer financial risk when the insurer issues financial instruments with a discretionary participation feature.

Types Of Insurance Contracts

These contracts insure events associated with human life (for example, death). These are divided into the individual life, group life and Annuity contracts.

-Individual life contracts are usually long-term insurance contracts and span over one year while the group life insurance contracts usually cover a period of 12 months. A liability for contractual benefits that are expected to be incurred in the future when the premiums are recognised. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and administration expenses based on the valuation assumptions used. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued.

Annuity contracts

These contracts insure customers from consequences of events that would affect the ability of the customers to maintain their current level of income. There are no maturity or surrender benefits. The annuity contracts are fixed annuity plans. Policy holders make a lump sum payment recognised as part of premium in the period when the payment was made. Constant and regular payments are made to annuitants based on terms and conditions agreed at the inception of the contract and

Notes To The Consolidated And Separate Financial Statements Cont'd

throughout the life of the annuitants. The annuity funds are invested in long tailed government bonds and reasonable money markets instruments to meet up with the payment of monthly/quarterly annuity payments. The annuity funds liability is actuarially determined based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued.

Group life insurance contracts premium and claims

Life insurance contracts protects the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the insured. There is no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims expenses are charged to income as incurred based on the sum assured agreed at the inception of the policy. They include direct claims that arise from death or disability that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

(i) Annuity premium and claims

Annuity premiums relate to single premium payments and recognised as earned premium income in the period in which payments are received. Claims are made to annuitants in the form of monthly/quarterly payments based on the terms of the annuity contract and charged to income statement as incurred. Premiums are recognised as revenue when they become payable by the contract holders. Premium are shown before deduction of commission.

(ii) Deferred policy acquisition costs (DAC)

Acquisition costs comprise all direct and indirect costs arising from the writing of life insurance contracts. Deferred acquisition costs represent a proportion of commission which are incurred during a financial period and are deferred to the extent that they are recoverable out of future revenue margins. For the group life contracts, it is calculated by applying to the acquisition expenses the ratio of unearned premium to written premium: while no assets are established in respect of deferred acquisition cost for individual life and annuity contracts.

Notes To The Consolidated And Separate Financial Statements Cont'd

(iii) Deferred income

Deferred income represents a proportion of commission received on reinsurance contracts which are booked during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. It is calculated by applying to the reinsurance commission income the ratio of prepaid reinsurance to reinsurance cost.

(iv) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance companies (as coinsurers) and reinsurance companies.

Receivables and payables to agents, brokers and insurance companies (as coinsurers)

The Group's receivables and payables to agents, brokers and insurance companies (as coinsurers) relate to premium and commission. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same methodology adopted for financial assets held at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

Reinsurance And Coinsurance Contracts Held

Contracts entered into by the Group with reinsurers and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Reinsurance assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Group has the right to set-off re-insurance payables against amount due from re-insurance and brokers in line with the agreed arrangement between both parties.

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

Notes To The Consolidated And Separate Financial Statements Cont'd

Liability Adequacy Test

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

y) Investment Contract Liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, the investment contract liabilities are measured at fair value through profit or loss.

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 statement of profit or loss.

Fair values are determined at each reporting date and fair value adjustments are recognised in the statement of profit or loss in "Gross change in contract liabilities".

Non-unitised contracts are subsequently also carried at fair value. The liability is derecognised when the contract expires, discharged or cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

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.

Notes To The Consolidated And Separate Financial Statements Cont'd

z) Retirement Benefit Obligations Defined Contributory Scheme

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the Pension Reform Act 2014, the Group operates a defined contribution scheme: employees are entitled to join the scheme on confirmation of their employment. The employee and the Group contribute a minimum of 8% and 10% respectively of the employee's emoluments (basic, housing and transport allowances). The Group's contribution each year is charged in profit or loss income and is included in staff cost. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

aa) Provisions

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

Notes To The Consolidated And Separate Financial Statements Cont'd

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

ab) Share Capital And Reserves
Share Issue Costs

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

Dividend On Ordinary Shares

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

Treasury Shares

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

ac) Share Premium Equity Reserve

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

ad) Contingency Reserve

The Group maintains Contingency reserves for non-life business in accordance with the provisions of S. 21 of the insurance Act 2003 to cover fluctuations in securities and valuations in statistical estimates at the rate equal to the higher of 3% of total premium and 20% of the net profits; until the reserves reaches the greater of minimum paid up capital (N3billion) or 50% of net premium.

ae) Segment Reporting

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

Notes To The Consolidated And Separate Financial Statements Cont'd

af) Fees And Commission Income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised 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 recognised over those future periods.

Fees and commission income consists primarily of agency and brokerage commission, reinsurance and profit commissions, policyholder administration fees and other contract fees. Reinsurance commission receivables are deferred in the same way as acquisition costs. All other fees and commission income are recognized as the services are provided.

ag) Investment Income

Interest income is recognised in the income statement 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 recognised as an adjustment to the effective interest rate of the instrument.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Investment income consists of dividend, interest and rent received, movements in amortized cost on debt securities and other loans and receivables, realized gains and losses, and unrealized gains and losses on fair value assets.

Notes To The Consolidated And Separate Financial Statements Cont'd

2.5 Changes in accounting policies and disclosures

New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Notes To The Consolidated And Separate Financial Statements Cont'd

The Group acquired a new business during the year, the amendment did not have any material impact on the Group financial statements.

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and amended IFRS Standards that are effective for the current year

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Group given that it does not apply hedge accounting to its benchmark interest rate exposures.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Notes To The Consolidated And Separate Financial Statements Cont'd

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has not applied the amendment to IFRS 16 (as issued by the IASB in May 2020) as it did not receive any COVID-19 related rent concession on its leases.

3 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

The preparation of financial statements requires management to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Notes To The Consolidated And Separate Financial Statements Cont'd

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

i. Impairment on receivables

In accordance with the accounting policy, the Group tests annually whether premium receivables have suffered any impairment. The recoverable amounts of the premium receivables have been determined based on the incurred loss model. These calculations required the use of estimates based on passage of time and probability of recovery.

ii. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

iii. Valuation of investment properties estimates

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

iv. Non-life insurance contract liabilities estimates

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

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

Notes To The Consolidated And Separate Financial Statements Cont'd

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Going Concern

The financial statements have been prepared on the going concern basis and there is no intention to curtail business operations. Capital adequacy, profitability and liquidity ratios are continuously reviewed and appropriate action taken to ensure that there are no going concern threats to the operation of the Group. The Directors have made assessment of the Group's ability to continue as a going concern and have no reason to believe that the Group will not remain a going concern in the next 12 months ahead.

Insurance product classification and contract liabilities

The Group's non-life insurance contracts are classified as insurance contracts. As permitted by IFRS 4, assets and liabilities of these contracts are accounted for under previously applied GAAP.

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Notes To The Consolidated And Separate Financial Statements Cont'd

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Valuation of liabilities of non-life insurance contracts

Estimates are made for both the expected ultimate cost of claims reported and claims incurred but not reported (IBNR) at the statement of financial position date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder, Stochastic reserving (Bootstrap) and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The carrying amount for non-life insurance contract liabilities at the reporting date is N11.814million (2018: N11.958million).

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Valuation of liabilities of life insurance contracts and investment contracts

The liability for life insurance contracts and investment contracts is based either on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group bases mortality and morbidity on standard industry mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide range changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders.

The carrying value at the reporting date of life insurance contract liabilities is N77.727million (2019: N47.114million) and of investment contract liabilities is N6.073million (2019:N3.985million). Further details are as disclosed in Notes 22 and 23 to the financial statements.

Fair value of financial instruments using valuation techniques

The Directors use their judgment in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In the current market environment, such price information is typically not available for all instruments and the company uses valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Group estimates the non-market observable inputs used in its valuation models.

Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

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Valuation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2020 for Investment properties and revalued land and buildings. For investment properties, a valuation methodology based on discounted cash flow model was used as there is a lack of comparable market data because of the nature of the properties. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in OCI. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 15.

Deferred tax assets

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors such as experience of previous tax audits and differing interpretations by the taxable entity.

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 judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying value at the reporting date of deferred tax asset is disclosed in Note 29.

Impairment under IFRS 9

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost and trade receivables. The determination of impairment loss and allowance moves from the incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under IAS 39, to expected credit loss model under IFRS 9, where expected credit losses are recognised upon initial recognition of the financial asset based on expectation of potential credit losses at the time of initial recognition.

Staged Approach to the Determination of Expected Credit Losses

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition. These stages are as outlined below:

Notes To The Consolidated And Separate Financial Statements Cont'd

Stage 1: The Group recognises a credit loss allowance at an amount equal to the 12 month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after the initial recognition.

Stage 2: The Group recognises a credit loss allowance at an amount equal to the lifetime expected credit losses (LTECL) for those financial assets that are considered to have experienced a significant increase in credit risk since initial recognition. This requires the computation of ECL based on Lifetime probabilities of default that represents the probability of a default occurring over the remaining lifetime of the financial assets. Allowance for credit losses is higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in stage 1.

Stage 3: The Group recognises a loss allowance at an amount equal to life-time expected credit losses, reflecting a probability of default (PD) of 100% via the recoverable cash flows for the asset. For those financial assets that are credit impaired. The Company's definition of default is aligned with the regulatory definition. The treatment of the loans and other receivables in stage 3 remains substantially the same as the treatment of impaired financial assets under IAS 39 except for the portfolios of assets purchased or originated as credit impaired.

The Group does not originate or purchase credit impaired loans or receivables.

The determination of whether a financial asset is credit impaired focuses exclusively on default risk, without taking into consideration the effect of credit risk mitigants such as collateral or guarantees. Specifically, the financial asset is credit impaired and in stage 3 when: the Group considers the obligor is unlikely to pay its credit obligations to the company. The termination may include forbearance actions, where a concession has been granted to the borrower or economic or legal reasons that a qualitative indicators of credit impairment; or contractual payments of either principal or interest by the obligor are pass due by more than 90 days.

For financial assets considered to be credit impaired, the ECL allowance covers the amount of loss the Company is expected to suffer. The estimation of ECLs is done on a case by case basis for non- homogenous portfolios, or by applying portfolio based parameters to individual financial assets in this portfolios by the Company's ECL model for homogenous portfolios.

Forecast of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability — weighted present value of the difference between:

Notes To The Consolidated And Separate Financial Statements Cont'd

- 1) The contractual cash flows that are due to the Company under the contract: and
- 2) The cash flows that the Company expects to receive.

Elements of ECL models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The development of ECL models, including the various formulas and the choice of inputs Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Expected Lifetime:

The expected life time of a financial asset is a key factor in determine the life time expected credit losses. Lifetime expected credit losses represents default events over the expected life of a financial asset. The company measures expected credit losses considering the risk of default over the maximum contractual period (including any borrower's extension option) over which it is exposed to credit risk.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment using the loss rate model.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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4. Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

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Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

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Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Notes To The Consolidated And Separate Financial Statements Cont'd

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date

Notes To The Consolidated And Separate Financial Statements Cont'd

of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Notes To The Consolidated And Separate Financial Statements Cont'd

5 Cash and cash equivalents

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Cash-in-hand	222	229	20	20
Balances held with local banks	2,899,145	1,182,323	68,130	46,250
Balances held in domiciliary accounts	394,563	107,856	-	-
Reserve with Pension Custodian	1,473,938	44,039	-	-
Placements with banks	9,167,863	8,187,001	1,620,653	1,504,267
	13,935,731	9,521,448	1,688,803	1,550,537
Less: Allowance for credit losses	(192,593)	(158,578)	(34,517)	(25,983)
	13,743,138	9,362,870	1,654,286	1,524,554

Bank placements are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. Reserve with Pension Custodian relates to mandatory cash reserve placed with First Pension Custodians Limited the custodian for group's pension subsidiary's managed assets.

Included in Cash and cash equivalents is N686,417,000 (2019: N616,299,000) being part of unclaimed dividend that has been returned to the Company by the registrars to be held against claims by the beneficiaries.

Allowance for credit losses represents amount determined in accordance with the Expected Credit Loss (ECL) model under IFRS 9 Financial Instruments

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

Cash and cash equivalent is the same for cash flow purpose as presented.

Notes To The Consolidated And Separate Financial Statements Cont'd

5.1 Gross carrying amount and impairment allowance loss on cash and cash equivalents (excluding cash-on-hand)

An analysis of changes in the gross carrying amount and corresponding ECLs is as follows:

Group	Stage 1		Stage 2		Stage 3		Total	
	Gross N'000	ECL N'000	Gross N'000	ECL N'000	Gross N'000	ECL N'000	Gross N'000	ECL N'000
As at 1 January 2020	9,521,219	158,578	-	-	-	-	9,521,219	158,578
New assets purchased	19,486,097	413,265	-	-	-	-	19,486,097	413,265
Assets derecognised or matured	(19,862,349)	(426,167)	-	-	-	-	(19,862,349)	(426,167)
Changes to models and inputs used for ECL calculations	68,803	16,044	-	-	-	-	68,803	16,044
Foreign exchange adjustments	(571,204)	(773)	-	-	-	-	(571,204)	(773)
At 31 December 2020	13,935,731	192,593	-	-	-	-	13,935,731	192,593
As at 1 January 2019	11,863,670	118,770	-	-	-	-	11,863,670	118,770
New assets purchased	2,902,048	67,294	-	-	-	-	2,902,048	67,294
Assets derecognised or matured	(5,235,336)	(93,697)	-	-	-	-	(5,235,336)	(93,697)
Changes to models and inputs used for ECL calculations	-	66,475	-	-	-	-	-	66,475
Foreign exchange adjustments	(9,163)	(264)	-	-	-	-	(9,163)	(264)
At 31 December 2019	9,521,219	158,578	-	-	-	-	9,521,219	158,578
Company								
As at 1 January 2020	1,550,517	25,983	-	-	-	-	1,550,517	25,983
New assets purchased	18,378,718	377,661	-	-	-	-	18,378,718	377,661
Assets derecognised or matured	(18,309,255)	(376,233)	-	-	-	-	(18,309,255)	(376,233)
Changes to models and inputs used for ECL calculations	68,803	7,107	-	-	-	-	68,803	7,107
Foreign exchange adjustments	-	-	-	-	-	-	-	-
At 31 December 2020	1,688,783	34,517	-	-	-	-	1,688,783	34,517
As at 1 January 2019	193,901	1,741	-	-	-	-	193,901	1,741
New assets purchased	1,362,606	25,505	-	-	-	-	1,362,606	25,505
Assets derecognised or matured	(5,990)	(1,263)	-	-	-	-	(5,990)	(1,263)
Changes to models and inputs used for ECL calculations	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-	-	-	-
At 31 December 2019	1,550,517	25,983	-	-	-	-	1,550,517	25,983

Notes To The Consolidated And Separate Financial Statements Cont'd

6. Financial assets

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

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Fair value through profit or loss	71,957,967	40,129,402	1,279,837	354,563
Fair value through OCI (see note 6.1 below)	1,615,682	807,979	-	-
Debt securities at amortised cost (see note 6.2 below)	39,253,334	40,282,247	1,287,999	2,740,026
Total financial assets	112,826,983	81,219,628	2,567,836	3,094,589

6.1 Fair value through OCI

Quoted equity securities
Unquoted securities
Total Fair value through OCI

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Quoted equity securities	733,774	-	-	-
Unquoted securities	881,908	807,979	-	-
Total Fair value through OCI	1,615,682	807,979	-	-

The quoted equity securities are majorly equities which are traded on the Nigerian Stock Exchange (NSE).

- i The unquoted securities are majorly equities which are not traded or quoted on any stock exchange. The Group has no intention to dispose the securities in the foreseeable future.
- ii The Group holds equity instruments designated at fair value through other comprehensive income include investments in equity shares of non listed companies and other OTC traded equities. The Company holds non controlling interest (between 2% and 9%) in these companies. These investments were irrevocably designated at fair value through OCI as the Company considers these investments to be strategic in nature.

The fair values of the non listed equities are determined using either income or market approach (See Note 44.1- Valuation bases) while fair value of OTC listed equities are determined by reference to the published price quotation in the active market. The resulting fair value adjustments of all equities designated at fair value through other comprehensive income (FVTOCI) are recorded in other comprehensive income.

The Group received dividends of N41.7million on equity shares designated as FVTOCI during the year(2019: N40.3million).

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		Group	
		2020	2019
		N'000	N'000
6.1	ARM Properties Plc.	11,000	11,000
	Friesland Wamco Nig. Plc.	6,143	5,758
	ARM Hospitality Fund	108,342	99,022
	African Reinsurance Corporation	247,304	204,620
	Energy and Allied Insurance Pool of Nigeria	212,233	172,326
	Mainstreet Technologies Limited	160,804	171,003
	WSTC Financial Services Limited	24,579	22,250
	Nigerian Liability Insurance Pool	-	17,200
	Investment in Healthcare International Limited	43,910	50,395
	Investment in Kakawa Guaranteed Fund	13,907	13,907
	Investment in Paramount Equity Fund	320	252
	Investment in Afrinvest Nigeria International Debt Fund	53,366	40,246
		881,908	807,979

The Group has elected to classify its investment in quoted equities of 133,413,475 UPDC REIT's at fair value through OCI

		Group		Company	
		2020	2019	2020	2019
		N'000	N'000	N'000	N'000
6.2	Debt securities at amortised cost				
	Federal Government Bonds	22,851,243	20,105,552	537,182	541,947
	State Government Bonds	1,514,003	1,218,955	-	-
	Corporate Bonds	13,706,044	12,714,761	-	-
	Treasury Bills and Tenor Deposits Greater than 90 days and Others	424,932	5,137,726	-	1,607,407
	Loan to policy holders	94,950	76,266	-	-
	Loan to third parties	-	385,442	243,380	385,442
	Staff Loans and other advances	846,551	288,668	508,676	215,912
	Commercial papers	220,857	630,928	-	-
		39,658,580	40,558,298	1,289,238	2,750,708
	Less: Allowance for credit losses	(405,246)	(276,051)	(1,239)	(10,682)
	Total held-to-maturity	39,253,334	40,282,247	1,287,999	2,740,026

Notes To The Consolidated And Separate Financial Statements Cont'd

6.3 Gross carrying amount and impairment for debt instruments at amortised cost

Group	Stage 1		Stage 2		Stage 3		Total	
	Gross N'000	ECL N'000	Gross N'000	ECL N'000	Gross N'000	ECL N'000	Gross N'000	ECL N'000
As at 1 January 2020	40,558,298	276,051	-	-	-	-	40,558,298	276,051
New assets purchased	14,735,057	100,291	-	-	-	-	14,735,057	100,291
Assets derecognised or matured	(15,706,003)	(106,899)	-	-	-	-	(15,706,003)	(106,899)
Changes to models and inputs used for ECL calculations	-	139,555	-	-	-	-	-	139,555
Foreign exchange adjustments	1,031,861	(2,424)	-	-	-	-	1,031,861	(2,424)
At 31 December 2020	40,619,213	405,246	-	-	-	-	40,619,213	405,246
As at 1 January 2019	35,566,548	247,825	-	-	-	-	35,566,548	247,825
New assets purchased	13,312,459	95,382	-	-	-	-	13,312,459	95,382
Assets derecognised or matured	(8,312,397)	(83,537)	-	-	-	-	(8,312,397)	(83,537)
Changes to models and inputs used for ECL calculations	-	16,523	-	-	-	-	-	16,523
Foreign exchange adjustments	(8,312)	(141)	-	-	-	-	(8,312)	(141)
At 31 December 2019	40,558,298	276,051	-	-	-	-	40,558,298	276,051

Company

As at 1 January 2020	2,750,708	10,682	-	-	-	-	2,750,708	10,682
New assets purchased	-	-	-	-	-	-	-	-
Assets derecognised or matured	(1,461,470)	(8,822)	-	-	-	-	(1,461,470)	(8,822)
Changes to models and inputs used for ECL calculations	-	(621)	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-	-	-	-
At 31 December 2020	1,289,238	1,239	-	-	-	-	1,289,238	1,239
As at 1 January 2019	4,214,562	13,888	-	-	-	-	4,214,562	13,888
New assets purchased	1,811,697	5,970	-	-	-	-	1,811,697	5,970
Assets derecognised or matured	(3,275,551)	(10,644)	-	-	-	-	(3,275,551)	(10,644)
Changes to models and inputs used for ECL calculations	-	1,468	-	-	-	-	-	1,468
Foreign exchange adjustments	-	-	-	-	-	-	-	-
At 31 December 2019	2,750,708	10,682	-	-	-	-	2,750,708	10,682

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6.4 Maturity profile of total financial assets:	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Within one year	12,172,487	10,143,099	544,619	2,599,455
More than one year	101,613,803	71,013,490	2,023,217	495,134
	<u>112,826,983</u>	<u>81,219,628</u>	<u>2,567,836</u>	<u>3,094,589</u>

The corporate bonds are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding. Hence the corporate bonds are classified as at FVTPL. The investments in listed corporate bond details are as below:

CORPORATE BONDS	Transaction date	Settlement date	Face value N'000	Coupon rate %	Maturity date	Fair Value N'000
FCMB S1 BOND (6NOV 2021) VIA STANBIC	11/3/2014	11/7/2014	100,000	0.14	11/20/2021	106,706
MIXTA NIGERIA 17% BOND	12/28/2016	12/28/2016	66,667	0.17	1/16/2022	77,376
NMRC BOND SERIES 1	7/29/2015	7/29/2015	253,508	0.15	7/29/2030	342,290
UPDC BOND 2023 SERIES 1 (VIA UBA)	4/23/2018	4/26/2018	214,000	0.16	4/26/2023	238,450
UPDC BOND 2023 SERIES 1 (STANBIC)	4/23/2018	4/26/2018	286,000	0.16	4/26/2023	318,676
FLOURMILLS OF NIG 3Y BOND S1 - 2021 (VIA UBA)	10/17/2018	10/17/2018	230,000	0.16	10/30/2021	260,879
STANBIC IBTC BOND S1 2023 VIA UBA	12/5/2018	12/5/2018	295,000	0.16	12/5/2023	383,084
STANBIC IBTC BOND S1 2023 (VIA CSCS)	12/5/2018	12/5/2018	205,000	0.16	12/5/2023	266,211
ACCESS BANK GREEN BOND 2024 (VIA UBA)	7/19/2019	7/23/2019	110,000	0.16	3/18/2024	136,031
FBNQ BOND 2023 VIA UBA	1/24/2020	1/24/2020	132,000	0.11	1/24/2023	153,371
LAPO MFB BOND 2025 VIA UBA	3/5/2020	3/5/2020	300,000	0.13	3/30/2025	378,443
DANGOTE CEMENT 5 YR BOND (VIA UBA)	4/17/2020	4/17/2020	141,000	0.13	4/17/2025	164,572
NOVAMBL INVESTMENT SPV PLC BOND 2027 (VIA UBA)	7/15/2020	7/17/2020	35,000	0.12	7/17/2027	39,695
NIGERIA EUROBOND 2049 9.248% (VIA UBA)	9/8/2020	9/10/2020	910	0.09	1/29/2049	420,524

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7. Trade receivables	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Insurance receivables	145,136	134,664	-	-
Other trade receivables	1,019,593	-	-	-
Impairment on trade receivables	(746,824)	-	-	-
	<u>417,905</u>	<u>134,664</u>	<u>-</u>	<u>-</u>
7.1 Insurance receivables				
Brokers	141,420	134,664	-	-
Agents	-	-	-	-
Insurance companies	3,716	-	-	-
	<u>145,136</u>	<u>134,664</u>	<u>-</u>	<u>-</u>
7.2 Impairment on trade receivables				
Arising from acquisition	536,144	-	-	-
Charge for the year	210,680	-	-	-
At 31 December 2020	<u>746,824</u>	<u>-</u>	<u>-</u>	<u>-</u>

All trade receivables including insurance receivable are carried at values that are approximately their fair value at the statement of financial position date. The Group reviews individual receivable account to determine its collectivity. For insurance products, the Group issues policies only to clients who pay in advance or are backed by registered brokers' credit notes that are payable within thirty days. All uncollected amounts after due date are deemed impaired. There was no impairment charge for the year as no objective evidence for impairment exists for insurance receivables.

For trade receivables on revenue from contract with customers- property sales and maintenance, the Group applied the simplified approach in computing ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security.

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	Group				
	Trade Receivables Date Past Due				
	1-3months N'000	4-6 months N'000	7-12 months N'000	Above 12 months N'000	Total N'000
31 December 2020					
Expected credit loss rate	32%	92%	100%	100%	
Estimated total gross carrying amount at default	402,107	-	87,092	530,394	1,019,593
Expected credit loss	129,338	-	87,092	530,394	746,824
31 December 2019					
Expected credit loss rate	32%	50%	59%	100%	
Estimated total gross carrying amount at default	78,997	91,221	97,190	407,344	674,752
Expected credit loss	25,032	46,012	57,756	407,344	536,144

8.	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Reinsurance Assets				
Prepaid reinsurance premium (see note 8.1 below)	4,272,491	5,563,468	-	-
Reinsurance share of claims (see note 8.2 below)	2,488,622	2,911,082	-	-
	6,761,113	8,474,550	-	-
Due from reinsurance brokers (see note 8.3 below)	1,061,473	628,646	-	-
Minimum deposit on premium paid	55,408	47,957	-	-
	7,877,994	9,151,153	-	-
Reinsurance share of prepaid premium and outstanding claims				
Non life insurance	6,663,705	7,657,883	-	-
Life insurance	97,408	816,667	-	-
	6,761,113	8,474,550	-	-

Notes To The Consolidated And Separate Financial Statements Cont'd

8.1	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Prepaid reinsurance premium				
At 1 January	5,563,468	5,372,691	-	-
Reinsurance ceded during the year	22,959,334	19,365,813	-	-
Charged during the year	(24,250,311)	(19,175,036)	-	-
At 31 December	4,272,491	5,563,468	-	-
8.2 Reinsurer's share of claims				
At 1 January	2,911,082	3,209,800	-	-
(Decrease)/charged to profit or loss	(422,460)	(298,718)	-	-
At 31 December	2,488,622	2,911,082	-	-

8.3 Amount due from reinsurance brokers represent net claims and commission recoverable from reinsurance brokers. They are valued after an allowance for their recoverability, and the carrying amount is a reasonable approximation of fair value.

9.	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Inventories				
Non trade stock	162	-	-	-
Properties under construction (see note 9.1 below)	4,270,744	-	-	-
	4,270,906	-	-	-
All Inventory above are carried at lower of cost or net realisable value at all the periods reported.				
9.1 Properties under construction				
Arising on acquisition	5,715,859	-	-	-
Additions	8,454	-	-	-
Disposal	(1,055,866)	-	-	-
Writedown of inventories	(397,703)	-	-	-
Balance 31 December 2020	4,270,744	-	-	-

Notes To The Consolidated And Separate Financial Statements Cont'd

Property	Location	Nature of Construction
Parkview Estate Lagos	Plots 12,13 & 14, Olusegun Olusemo Crescent, Ikoyi, Lagos	15 units of 4 Bedroom town houses
Canes Plaza Abuja	Plot No.1013, Samuel Ademulegun Avenue, Cadastral Zone A00, Central Business District, Abuja	Vacant parcel of land
Pineville Estate	Along Dr. Isaac Ede St., Off Hight Court Rd., Okpanam Rd., GRA Asaba	6 Units of 4-Bedroom Semi-detached House, with adjacent plot of land all enclosed in fenced curtilage.
VMP 3	30, Aboyade Cole St., Victorial Island, Lagos	Uncompleted structure at ground Carcass concrete level for shopping mall, car park and flats
Residence Apartment Block	Festival Hotel/Mall Compound Avenue, Amuwo Odofin, Lagos	14 units of 1-bedroom apartments and 17 units of 2-bedroom apartments
James Pinnock	Pinnock beach estate Ajiran, Jakande Lekki Lagos (Phase 3)	1 Unit of 5-Bedroom Detached House

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
10. Deferred acquisition costs				
At 1 January 2020	667,740	728,440	-	-
Movement during the year	(4,910)	(60,700)	-	-
At 31 December 2020	<u>662,830</u>	<u>667,740</u>	-	-
At 1 January 2020	667,740	728,440	-	-
Commission expense paid	4,438,540	3,693,808	-	-
Charged to profit or loss	(4,443,450)	(3,754,508)	-	-
At 31 December 2020	<u>662,830</u>	<u>667,740</u>	-	-

Notes To The Consolidated And Separate Financial Statements Cont'd

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
11. Other receivables and prepayments				
Administration fee receivable	-	9,165	-	-
Management fee receivable	624,185	302,384	-	-
Deposit for shares	969,639	1,051,896	969,639	1,551,896
Deposit for assets (see note 11.1 below)	15,079	43,720	15,079	-
Due from related parties	887	-	712,684	253,015
Other receivables	2,648,461	-	-	-
Mobilization payment to contractors*	740,788	-	-	-
Other debit balances	913,207	699,613	16,178	10,690
	<u>5,912,246</u>	<u>2,106,778</u>	<u>1,713,580</u>	<u>1,815,601</u>
WHT receivables	900,825	350,819	762,246	326,876
Dividend receivable	-	-	-	1,100,000
Prepayment	309,162	265,844	13,239	52,286
	1,209,987	616,663	775,485	1,479,162
	7,122,233	2,723,441	2,489,065	3,294,763
Less: Allowance for Impairment loss on other receivables (see note 11.2 below)	(76,811)	(131,110)	(20,779)	(26,608)
	<u>7,045,422</u>	<u>2,592,331</u>	<u>2,468,286</u>	<u>3,268,155</u>

Deposit for shares represents strategic investment commitment in companies currently undergoing incorporation/registration and amounts placed with stockbrokers for the purchase of securities.

*Mobilization payment to contractors represents payments made to contractors on projects, which have not been completed. This consists mainly payment made to United Integrated Construction Limited in respect of the development described as VMP3 at Bishop Aboyade Cole, Victoria Island, Lagos

Notes To The Consolidated And Separate Financial Statements Cont'd

11.1 Gross carrying amount and impairment loss on other receivables

Group	Stage 1		Stage 2		Stage 3		Total	
	Gross N'000	ECL N'000	Gross N'000	ECL N'000	Gross N'000	ECL N'000	Gross N'000	ECL N'000
As at 1 January 2020	2,058,810	23,783	-	-	111,007	107,327	2,169,817	131,110
New assets purchased	3,852,548	44,504	-	-	-	-	3,852,548	44,504
Assets derecognised or matured (excluding write-offs)	-	-	-	-	-	-	-	-
Changes to models and inputs used for ECL	-	(98,803)	-	-	-	-	-	(98,803)
At 31 December 2020	<u>5,911,359</u>	<u>(30,516)</u>	-	-	<u>111,007</u>	<u>107,327</u>	<u>6,022,366</u>	<u>76,811</u>
As at 1 January 2019	1,532,280	21,789	-	-	111,007	107,327	1,643,287	129,116
New assets purchased	721,220	3,192	-	-	-	-	721,220	3,192
Assets derecognised or matured (excluding write-offs)	(194,690)	(1,198)	-	-	-	-	(194,690)	(1,198)
Changes to models and inputs used for ECL	-	-	-	-	-	-	-	-
At 31 December 2019	<u>2,058,810</u>	<u>23,783</u>	-	-	<u>111,007</u>	<u>107,327</u>	<u>2,169,817</u>	<u>131,110</u>
Company								
As at 1 January 2020	1,804,911	15,918	-	-	10,690	10,690	1,815,601	26,608
Assets derecognised or matured (excluding write-offs)	(804,015)	(5,829)	-	-	-	-	(804,015)	(5,829)
At 31 December 2020	<u>1,000,896</u>	<u>10,089</u>	-	-	<u>10,690</u>	-	<u>1,011,586</u>	<u>20,779</u>
As at 1 January 2019	826,140	16,225	-	-	10,690	10,690	836,830	26,915
New assets purchased	1,065,000	8	-	-	-	-	1,065,000	8
Assets derecognised or matured (excluding write-offs)	(86,229)	(315)	-	-	-	-	(86,229)	(315)
Foreign exchange adjustments	-	-	-	-	-	-	-	-
At 31 December 2019	<u>1,804,911</u>	<u>15,918</u>	-	-	<u>10,690</u>	<u>10,690</u>	<u>1,815,601</u>	<u>26,608</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

12. Investment in subsidiaries	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Custodian and Allied Insurance Limited	-	-	3,584,607	3,584,607
Custodian Life Assurance Limited	-	-	3,184,717	3,184,717
Crusader Sterling Pensions Limited	-	-	1,139,460	1,139,460
Custodian Trustees Limited	-	-	300,885	300,885
Crusader Hotels and Apartments Limited	-	-	1,000	1,000
Custodian Asset Management Limited	-	-	200,000	200,000
UPDC Plc	-	-	6,843,618	-
At 31 December 2020	<u>-</u>	<u>-</u>	<u>15,254,287</u>	<u>8,410,669</u>

Custodian Investment Plc is the ultimate holding company with significant equity interests in the subsidiary companies as follows:

Subsidiary	Equity Interest	Segment	Place of Incorporation/Activity
Custodian and Allied Insurance Limited	100%	Property / Casualty Insurance	Nigeria
Custodian Life Assurance Limited	100%	Life Insurance	Nigeria
Crusader Sterling Pension Limited	76.55%	Pension Asset Management	Nigeria
Custodian Trustees Limited	100%	Trusteeship/company Secretarial Services	Nigeria
Crusader Hotels and Apartments Limited*	100%	Hospitality	Nigeria
Custodian Asset Management Limited*	100%	Asset Management	Nigeria
UACN Property Development Company Plc (UPDC)	51%	Property development and management	Nigeria

* These companies are yet to commence operation

The Company along with its subsidiaries make up the Custodian Group.

Significant Restrictions

The Group does not have any significant restrictions on its ability to access or use its assets and settle liabilities that exist within the group

Notes To The Consolidated And Separate Financial Statements Cont'd

Non Controlling interest in subsidiaries

Apart from UPDC Plc, the Group does not have any subsidiary that has material non-controlling interest

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests for the year		Non-controlling interests	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Custodian and Allied Insurance Limited	0%	0%	-	-	-	-
Custodian Life Assurance Limited	0%	0%	-	-	-	-
Crusader Sterling Pension Limited	23.45%	23.45%	1,249,580	1,148,356	293,026	278,616
Custodian Trustees Limited	0%	0%	-	-	-	-
Crusader Hotels and Apartments Limited*	0%	0%	-	-	-	-
Custodian Asset Management Limited*	0%	0%	-	-	-	-
UAC Property Development Company Plc (UPDC)	49%	N/A	1,995,742	-	977,914	-
			<u>3,245,322</u>	<u>1,148,356</u>	<u>1,270,940</u>	<u>278,616</u>

Acquisition of UPDC Plc

On 17 November 2020, the Group acquired 51% of the voting shares of UPDC Plc, a listed company based in Nigeria and specialising in real estate development and management. Contemporaneously with the acquisition, the company was entitled to 772,905,928 units of UPDC REITS shares that were previously held by UPDC Plc but unbundled and distributed to its shareholders .

The Group has elected to measure the non-controlling interests in the acquiree at their proportionate share of the acquirer's identifiable net assets at the acquisition date.

Notes To The Consolidated And Separate Financial Statements Cont'd

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of UPDC Plc as at the date of acquisition were:

	Fair value recognised on acquisition N'000
Assets	32,202
Property, plant and equipment	7,020
Intangible assets	1,946,550
Investment properties	129,589
Investments in joint ventures	5,582,168
Inventories	3,666,765
Trade and other receivables	6,265,878
UPDC REITs held for distribution to others	2,227,278
Cash at bank and in hand	8,189,132
Assets of disposal group classified as held for sale/distribution to owners	<u>28,046,581</u>
Liabilities	
Interest bearing loans and borrowings	5,721,398
Deferred taxation liabilities	72,537
Deferred revenue	3,528
Trade and other payables	5,150,966
Current income tax liabilities	78,763
Dividend Payable	325,549
Indirect non controlling interest	(67,385)
Deferred revenue	109,005
Liabilities of disposal group classified as held for sale/distribution to owners	860,959
	<u>12,255,320</u>
Total identifiable net assets at fair value	15,791,261
Non-controlling interest measured at fair value	7,737,718
Gain on Bargain purchase	1,209,925
Cash consideration, (note 12.1)	<u>6,843,618</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

12.1 Analysis of carrying amount	Fair value recognised on acquisition N'000
Cash Consideration for the purchase of 51% of UPDC shares	6,843,618
Carrying Cost of Investment in UPDC Plc at 31 Decmeber 2020	<u>6,843,618</u>
12.2 Non controlling interest at acquisition	N'000
Non controlling interest measured at fair value	7,737,718
Less: Distribution in specie	-
Net non controlling interest at acquisition	<u>7,737,718</u>

The non-controlling interest (49 per cent ownership interest in UPDC Plc) recognised at the acquisition date was measured by reference to the fair value of the net attributable asset and amounted to N7.7B.

Acquisition related costs (included in administrative expenses) amount to N57m

UPDC Plc contributed N1.18billion revenue and N1.995billion to the Group's profit for the period between the date of acquisition and the reporting date. If the acquisition of UPDC Plc had been completed on the first day of the financial year, Group revenues for the year would have been N75.57billion and Group profit would have been N10.09billion"

12.3 Value of REITs 772,905,928 units unbundled to the company and re-classified as FVTPoL investment

During the year, the The Board of UPDC Plc on 2 September, 2019 decided to unbundle UPDC's interest in UPDC REIT to UPDC shareholders via allocation of REIT units directly to shareholders of UPDC in proportion to their post-Rights Issue holding in UPDC. UPDC carried its interest in the REIT at N20.6bn (Group - UPDC's share of REIT's Net Asset Value) and N16.5bn (Company - UPDC's initial investment in in REIT). The REIT was listed at N10 per unit in July 2013 and traded at N5.50 per unit as at 31 December, 2020. At the date of unbundling, the market value of UPDC shares were N3.79.

Notes To The Consolidated And Separate Financial Statements Cont'd

13. Investment in associate	Principal activities	Group		Company	
		31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Interstate Securities Limited - Ordinary shares	Stockbroking and Issuing House	447,452	440,597	418,114	418,114
Interstate Securities Limited - Preference shares	Stockbroking and Issuing House	107,250	107,250	107,250	107,250
UPDC REITS	Real Estate investments	4,176,026	-	-	-
		<u>4,730,728</u>	<u>547,847</u>	<u>525,364</u>	<u>525,364</u>
Movement on account					
	At 1 January 2020	547,847	543,466	525,364	525,364
	Addition during the year	4,176,026	-	-	-
	Group's share of profit/(loss) for the year-Interstate	4,776	3,819	-	-
	Group's share of OCI for the year-Intersate	2,079	562	-	-
	At 31 December 2020	<u>4,730,728</u>	<u>547,847</u>	<u>525,364</u>	<u>525,364</u>

On 30 September 2016 the Group invested in the equity of Interstate Securities Limited, a stock broking firm and a dealing member of the Nigerian Stock Exchange in line with its strategy to further diversify its financial service offerings. The investment is made up of 321,626,098 ordinary shares representing 46.86% of the company's issued ordinary shares; and 82,500,000 5% Convertible Preference shares.

During the year, the Company acquired 9,465,584,668 ordinary shares of UACN Property Development Company Plc "UPDC" shares accounting for 51% of issued shares of UPDC. UPDC continues to operate as an independent entity and the company does not control its operations or its board.

The Group's interest in ordinary share of Interstate Securities Limited is accounted for using the equity method in the consolidated financial statements. The reporting date and reporting period of Interstate Securities is the same as that of the Group.

Custodian Life Assurance Ltd, a member of the group acquired 755,000,000 units of the UPDC REIT units in furtherance of its strategy to invest in long term asset backed Unit Trusts and funds. The investment represents 28.3% of the total units in issue.

The following table illustrates the summarised financial information of the Group's investment in Interstate Securities Limited and it includes the carrying value of the assets and liabilities.

Notes To The Consolidated And Separate Financial Statements Cont'd

	Group	
	31-Dec-20 N'000	31-Dec-19 N'000
Current assets	968,490	1,225,831
Non-current assets	319,942	325,225
Current liabilities	151,231	418,968
Non-current liabilities	165,074	191,924
Equity	969,126	940,163
Proportion of Group's ownership (46.86%)	454,132	440,597
Carrying amount of the Investment	<u>454,132</u>	<u>440,597</u>
Revenue	114,802	157,104
Profit/(loss) for the year	10,192	8,149
Other comprehensive income for the year	4,438	1,200
Total comprehensive income/(loss) for the year	14,630	9,349
Group's share of profit/(loss) for the year	4,776	3,819
Group's share of OCI for the year	2,080	562
Group's share of total comprehensive income/(loss) for the year	<u>6,856</u>	<u>4,381</u>

The associate had no contingent liabilities or capital commitments as at 31 December 2020 (2019: nil). And no guarantees or collaterals were provided to the associate

Notes To The Consolidated And Separate Financial Statements Cont'd

14. Investments in joint ventures	Projects	% holdings 31-Dec-20	Group		Company	
			31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
	First Festival Mall limited	45%	234,217	-	-	-
	First Restoration Dev. Co. Limited	51%	318,253	-	-	-
	Transit Village Dev. Co. Ltd	40%	73,606	-	-	-
	Pinnacle Apartment Dev. Limited	51%	-	-	-	-
	Calabar Golf Estate Limited	51%	-	-	-	-
	UPDC Metro City Limited	60%	-	-	-	-
			626,076	-	-	-
	Impairment Allowance		(495,683)	-	-	-
			<u>130,393</u>	-	-	-

Nature Of Investment In Joint Venture

Name	Projects	Country Of Incorporation	Nature Of Relationship	Measurement Method	% Interest Held
First Festival Mall limited	Festival Mall	Nigeria	Joint venture	Equity	45%
First Restoration Dev. Co. Limited	Olive court	Nigeria	Joint venture	Equity	51%
Transit Village Dev. Co. Ltd	Transit Village	Nigeria	Joint venture	Equity	40%
Pinnacle Apartment Dev. Limited	Pinnacle Apartments	Nigeria	Joint venture	Equity	51%
Calabar Golf Estate Limited	Golf Estate	Nigeria	Joint venture	Equity	51%
UPDC Metro City Limited	Metrocity	Nigeria	Joint venture	Equity	60%

The Group through UPDC Plc has a joint venture arrangement with First Restoration Development Company Ltd to develop and sell Olive Court Estate in Ibadan, Oyo State. The joint venture is supported by Oyo State Government.

All joint ventures are primarily set up for projects. Transit village JV was not operational as at year end."

Notes To The Consolidated And Separate Financial Statements Cont'd

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
15. Investment properties				
At 1 January 2020	9,276,977	9,146,905	4,636,980	4,636,980
Additions	2,391,167	126,955	-	-
Fair value gains/(losses) on investment properties	(169,642)	3,117	-	-
Reclassifications	-	-	-	-
Disposals during the period	(434,952)	-	-	-
At 31 December 2020	11,063,550	9,276,977	4,636,980	4,636,980

- i. Investment properties are stated at fair value, which has been determined based on valuations performed by Barin Epega & Company and Diya Fatimilehin & Co. Barin Epega & Company are industry specialists in valuing these types of investment properties. They are registered with the Financial Reporting Council of Nigeria (FRC\2020\00000013769). Diya Fatimilehin & Co. (FRC/2013/NIESV/00000000754) who hold recognised relevant professional qualifications and have relevant experience in the locations and categories of the investment properties valued. The fair value was determined based on the capitalization of net rental income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. This is also supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with the standards issued by the International Valuation Standards Committee.

Valuations are performed on an annual basis and the fair value gains and losses are reported in income statement. There has been no change to the valuation technique during the year. The valuation reports were signed on behalf of the firm by its principal partner, Mr. Barin Epega (FRC\2012\NIESV\0000000597) and Mr. Adegboyega Fatimilehin, a partner in Diya Fatimilehin & Co (FRC/2013/NIESV/00000000754)

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

Notes To The Consolidated And Separate Financial Statements Cont'd

The rental income arising during the year amounted to ₦199m (2019: ₦192m) which is included in other operating income. Direct operating expenses arising in respect of such properties during the year are included within management expenses.

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Investment properties contd.				
Rental income derived from investment properties (Note 28.1.3)	198,600	188,243	188,243	13,296
Direct operating expenses in generating rental income	(5,759)	(5,459)	(5,459)	(951)
Profit from investment properties carried at fair value	192,841	182,784	182,784	12,345

15.1 Investment properties carried at fair value

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows

Group	Level 1	Level 2	Level 3 N'000	Total N'000
	31 December 2020			
Investment properties	-	-	11,063,550	11,063,550
31 December 2019				
Investment properties	-	-	9,276,977	9,276,977

Notes To The Consolidated And Separate Financial Statements Cont'd

Investment properties carried at fair value contd

Company	Level 1	Level 2	Level 3 N'000	Total N'000
31 December 2020				
Investment properties	-	-	4,636,980	4,636,980
31 December 2019				
Investment properties	-	-	4,636,980	4,636,980

Location of properties	Valuation technique	Significant unobservable inputs
No. 5 Bankole Cardoso Avenue, formerly Barrow Road, Old Ikoyi, Lagos	Depreciated replacement cost approach	-Construction cost/M2 : N125,000 for Main Building of 344m2, N55,000 for drive garage of 125m2, N45,000 for Gate house of 13m2, N45,000 for Generator house of 12.5m2 and land value of N300,000/m2 for land of 3400m2 Depreciation rate of 26%
39 Alfred Rewane road, formerly Kingsway Road, Ikoyi, Lagos	Depreciated replacement cost approach	- land value of N400,000/m2 for land of 7013.62m2
324 Ikorodu Road, Lagos	Depreciated replacement cost approach	- Construction cost/M2 : N75,000 for Main Building of 171.52m2, N657,160 for fence, N40,000 for Gate house of 6.98m2 and land value of N145,000/m2 for land of 4000m2
Flat 17 Block A Admiralty Towers. No8 Gerrad Road, Old Ikoyi, Lagos	Income approach (DCF Method)	- Estimated rental per annum N6,000,000 - N10,000,000 Rent growth per annum, is less than 5% Long term vacancy rate 5% Discount rate 10%

Notes To The Consolidated And Separate Financial Statements Cont'd

Location of properties	Valuation technique	Significant unobservable inputs
Plot 5, Block E, Central Business District (CBD) Alausa, Ikeja, Lagos	Market comparison approach	- Estimated price per square meter N100,000 - N130,000
Ogombo Along Ajah/Epe Dual Carriage Expressway, Lekki, Lagos	Market comparison approach	- Estimated price per square meter N1,167 - N8,333
10, Aje Road Sabo Yaba, Lagos	Market comparison approach	- Estimated price per square meter N83,333 - N100,000
23/25 Martins Street, Lagos	Income approach (DCF Method)	- N35,044,800 - N63,080,640 - Rent growth p.a 5% - Long-term vacancy rate 3% - Discount rate 10%
88, Adetokunbo Ademola Street, Victoria Island, Lagos	Depreciated replacement cost approach was adopted in arriving at the market value	-Construction cost/M2 : N180,000 for Main Building of 300.3m2, N150,000 for Domestic Staff Quarters of 47.4m2 and N100,000 for Gate house of 8.48m2 Depreciation rate of 70%
3, Aja Nwachukwu Close, Off Bourdillon Road, Ikoyi, Lagos	Income approach (DCF Method)	- Estimated rental per annum N34,200,000 – N41,040,000 - Rent growth p.a 1.14% - Long-term vacancy rate 0% - Discount rate 10%
156 Awolowo Road, Ikoyi, Lagos - Title was perfected and obtained on 29 June 1994.	Income approach (DCF Method)	- Estimated rental per annum N22,500,000 - Rent growth p.a 5% - Long-term vacancy rate 2% - Discount rate 10%

Notes To The Consolidated And Separate Financial Statements Cont'd

Location of properties	Valuation technique	Significant unobservable inputs
Plot 3243, Block 71, Peace Prayer Estate, Amuwo Odofin, Lagos	Market comparison approach	- Estimated price per square metre N35,000 - N45,000
Plot 676 Cadastral Zone, Abuja - Title was perfected and obtained on 1 September 2011.	Market comparison approach	- Estimated price per square metre N8,000 - N12,000
12 Keffi Street, Ikoyi, Lagos	Income approach (DCF Method)	- Estimated rental per annum N3,200,000 – N5,200,000 - Rent growth p.a 0.02% - Long-term vacancy rate 0% - Discount rate 15%
5 Chapel Street, Yaba, Lagos - Title perfection is ongoing with the Lagos State Government since acquisition in September 2019.	Depreciated replacement cost approach was adopted in arriving at the market value.	-Construction cost/M2 : N120,000 for Main Building of 169.4m2 Land cost/M2: N145,000 for 454.3m2 Depreciation rate of 35% (Main Building), 45% (Fence)
47/51 Sapele Road, Benin City	Investment and Depreciated Replacement Cost methods with recourse to Market Comparison	Total Cost of Construction on site 15,625,399.15. Add land value 1,814.77m2 @ N8,000 per metre square
6 Egerton Street. Enugu	Investment and Depreciated Replacement Cost methods with recourse to Market Comparison	4,356.224m2 @ N30,000 De-capitalized by 16.67 Yield rate: 6% for 31 years Unexpired term
2 Units of shops at UPDC Estate, Lekki, Lagos State	Investment and Depreciated Replacement Cost methods with recourse to Market Comparison	- Rental per annum N234,000 - Outgoings @ 5% and YP @ 4% respectively - 4% adopted, the rents are tied down because the tenants have 9-year unexpired lease terms.

Notes To The Consolidated And Separate Financial Statements Cont'd

Location of properties	Valuation technique	Significant unobservable inputs
Emerald Court 4BRT Hse, Plot 959 David Ejoor, Gudu District, FCT, Abuja	Investment and Depreciated Replacement Cost methods with recourse to Market Comparison	Well Secured Rent. Outer Terrace 2 (No) N120,000,000 Inner Terrace 4 (No) N220,000,000 Semi-detached 1 (No) N65,000,000 Looking at sales comparison Yield rate: 5% in perpetuity
4 Bedroom Terrace House at Grandville Plot14/16 Ladoke Akintola GRA, Ikeja - Lagos	Investment and Depreciated Replacement Cost methods with recourse to Market Comparison	Outer Terrace 1 (No) N140,000,000 Inner Terrace 1 (No) N120,000,000 Looking at sales comparison Yield rate: 4.6% in perpetuity
Cameron Green 2BRF - Plot 1 Cameron Road, Ikoyi, Lagos	Investment and Depreciated Replacement Cost methods with recourse to Market Comparison	N105m per unit of the 2 bedroom apartment Yield rate: 6% for 38 years Unexpired term
Vintage Gardens Porthacourt-T1 House1, 2 and 5 - NAF Harmony Estate, Elioazu, Port Harcourt, River State	Investment and Depreciated Replacement Cost methods with recourse to Market Comparison	Sales Comparison between N60,000,000 – N70,000,000 N65,000,000 adopted X 3 units of 4 bedroom terrace house
Festac land, Along Durbar Road, Mile 2, Amowo-Odofin, Lagos	Investment and Depreciated Replacement Cost methods with recourse to Market Comparison	Land value - 2,054.00m2 @ 61,500 per square metre

Notes To The Consolidated And Separate Financial Statements Cont'd

16. Assets of disposal group classified as held for sale/distribution to owners	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Fair value assets at Festival Hotel, Conference Centre & Spa	8,140,686	-	-	-
	<u>8,140,686</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Board decided to sell its investment in Festival Hotel, Conference Centre & Spa in 2017. Efforts are on going to improve the performance of the Hotel. Consequently, UHL has been classified as a disposal group held for sale and as a discontinued operation in accordance with IFRS 5.

Exception to one year requirement

IFRS 5 requires that except for certain exceptions, the sale of a non-current asset or disposal group is expected to qualify for recognition as a completed sale within one year from the date of classification. However, during the year, there were certain factors considered to be beyond the control of management which have invariably extended the sale period beyond one year. These factors include but are not limited to slow down in business activities in view of the upcoming elections. Management however, remains committed to concluding the sale within a reasonable time frame.

Analysis of the results of the discontinued operations is as follows:

	Festival Hotel	
	2020 N'000	2019 N'000
Revenue	329,735	1,354,100
Cost of Sales	(191,017)	(462,659)
Gross profit	138,718	891,441
Selling and distribution expenses	-	-
Administrative expenses	(368,171)	(1,050,840)
Net finance cost	3	68
Other operating income	1,249	16,163
Operating loss	(228,201)	(143,168)
Loss before taxation from discontinued operations	(228,201)	(143,168)
Taxation	-	-
Loss from discontinued operations	<u>(228,201)</u>	<u>(143,168.00)</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

Assets of disposal group classified as held for sale/distribution to owners contd.

Analysis of the results of the disposal group held for sale and distribution to owners is as follows:

	Festival Hotel	
	2020 N'000	2019 N'000
Noncurrent assets	11,948,615	11,912,663
Current assets	221,308	358,135
Assets of disposal group classified as held for sale/distribution to owners	12,169,923	12,270,798
Less: impairment of assets of disposal group held for sale	(4,029,237)	(4,029,237)
Fair value of disposal group held for sale	8,140,686	8,241,561
Liabilities		
Current liabilities		
Trade and other payables	946,620	802,626
Liabilities of disposal group classified as held for sale/distribution to owners	<u>946,620</u>	<u>802,626</u>

The Board of UPDC Plc on 2 September, 2019 decided to unbundle UPDC's interest in UPDC REIT to UPDC shareholders via allocation of REIT units directly to shareholders of UPDC in proportion to their post-Rights Issue holding in UPDC. Thus 1,515,501,818 units out of 1,648,915,293 units held by UPDC in UPDC REIT were unbundled leaving a balance of 133,413,475 units, representing 5% of the total issued REIT units. This is in compliance with Section 532(z) of the SEC Rules and Regulations (as amended) that requires promoters of real estate investment schemes to subscribe to a minimum of 5% of the registered units of the scheme at inception and hold such units throughout the life of the real estate investment scheme.

The REIT was listed at N10 per unit in July 2013 and traded at N5.50 per unit as at 31 December, 2020.

Notes To The Consolidated And Separate Financial Statements Cont'd

17. Intangible assets

Group

Cost:	Software N'000	Total N'000
At 1 January 2019	953,847	953,847
Additions	9,045	9,045
At 31 December 2019	962,892	962,892
At 1 January 2020	962,892	962,892
Additions	308,059	308,059
At 31 December 2020	<u>1,270,951</u>	<u>1,270,951</u>
Amortization and impairment losses		
At 1 January 2019	653,509	653,509
Amortization for the year	86,602	86,602
At 31 December 2019	740,111	740,111
At 1 January 2020	740,111	740,111
Amortization for the period	371,732	371,732
At 31 December 2020	<u>1,111,843</u>	<u>1,111,843</u>
Carrying Amount		
At 1 January 2020	222,781	222,781
At 31 December 2020	<u>159,108</u>	<u>159,108</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

18. Property, plant and equipment

i. Group

Cost/Valuation	Freehold Property N'000	Office Equipment N'000	Computer Equipment N'000	Furniture And Fittings N'000	Motor Vehicles N'000	Total N'000
At 1 January 2020	3,793,425	392,486	477,035	346,850	1,146,407	6,156,203
Additions	-	62,921	128,171	92,505	310,224	593,821
Reclassification/Revaluation	148,420	7,993	-	-	11,091	167,504
Disposals	-	(1,856)	(3,581)	(11,157)	(96,761)	(113,355)
At 31 December 2020	<u>3,941,845</u>	<u>461,544</u>	<u>601,625</u>	<u>428,198</u>	<u>1,370,961</u>	<u>6,804,172</u>
Accumulated depreciation						
At 1 January 2020	234,248	334,028	381,743	288,401	639,282	1,877,702
Charge for the period	8,358	60,140	106,714	81,900	321,206	578,317
Disposals	-	(2,272)	(3,500)	(11,039)	(81,031)	(97,842)
At 31 December 2020	<u>242,606</u>	<u>391,896</u>	<u>484,957</u>	<u>359,262</u>	<u>879,457</u>	<u>2,358,178</u>
Carrying Amount						
At 1 January 2020	3,559,177	58,458	95,292	58,449	507,125	4,278,501
At 31 December 2020	<u>3,699,239</u>	<u>69,648</u>	<u>116,668</u>	<u>68,936</u>	<u>491,504</u>	<u>4,445,995</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

18. Property, plant and equipment

ii. Company

	Office Equipment N'000	Computer Equipment N'000	Furniture And Fittings N'000	Motor Vehicles N'000	Total N'000
Cost/Valuation					
At 1 January 2020	9,452	8,009	41,246	103,500	162,207
Additions	305	3,329	280	24,000	27,914
At 31 December 2020	<u>9,757</u>	<u>11,338</u>	<u>41,526</u>	<u>127,500</u>	<u>190,121</u>
Accumulated depreciation					
At 1 January 2020	6,271	4,146	22,042	67,166	99,625
Charge for the period	2,299	2,185	6,360	22,875	33,719
At 31 December 2020	<u>8,570</u>	<u>6,331</u>	<u>28,402</u>	<u>90,041</u>	<u>133,344</u>
Carrying Amount					
At 1 January 2020	3,181	3,863	19,204	36,334	62,582
At 31 December 2020	<u>1,187</u>	<u>5,007</u>	<u>13,124</u>	<u>37,459</u>	<u>56,776</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

19. Statutory deposits

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Statutory deposit	560,000	560,000	-	-
	<u>560,000</u>	<u>560,000</u>	<u>-</u>	<u>-</u>

In line with Section 10 (3) of the Insurance Act of Nigeria, a deposit of minimum of 10% of the regulatory share capital required for non-life insurance business (N3bn) and life insurance business (N2bn) is kept with the Central Bank of Nigeria. The cash amount held is considered to be a restricted cash balance.

20. Right-of-use-assets

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Right of use assets	80,275	3,278	-	-
	<u>80,275</u>	<u>3,278</u>	<u>-</u>	<u>-</u>

Movement

At 1 January 2020	3,278	-	-	-
Impact of IFRS 16 as at 1 January 2019	-	10,511	-	-
Opening balance as at 1 January	3,278	10,511	-	-
Depreciation expense on right-of-use assets	76,997	(7,233)	-	-
At 31 December 2020	<u>80,275</u>	<u>3,278</u>	<u>-</u>	<u>-</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

21. Lease Liability

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
At 1 January 2020	744	-	-	-
Initial recognition	-	4,450	-	-
Interest expense	-	488	-	-
Less payment made during the year	(744)	(4,194)	-	-
At 31 December 2020	-	744	-	-
Movement				
At 1 January 2020	744	-	-	-
Impact of IFRS 16 as at 1 January 2019	-	4,450	-	-
Opening balance at 1 January	744	4,450	-	-
interest expense on lease liabilities	-	488	-	-
Lease payments made during the year	(744)	(4,194)	-	-
At 31 December 2020	-	744	-	-

Notes To The Consolidated And Separate Financial Statements Cont'd

22. Insurance Contract Liabilities

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Outstanding claims-non life	3,127,929	2,847,255	-	-
Outstanding claims-life	229,025	1,554,191	-	-
IBNR	3,311,212	3,745,530	-	-
Group life liabilities	1,580,209	744,972	-	-
Individual life liabilities including annuities	73,553,245	4,488,920	-	-
Annuity fund liabilities & unearned premiums	7,740,523	45,691,207	-	-
	89,542,143	59,072,075	-	-
Non life (see note 22.1 below)	11,814,478	11,957,745	-	-
Life (see note 22.2 below)	77,727,665	47,114,330	-	-
	89,542,143	59,072,075	-	-

Notes To The Consolidated And Separate Financial Statements Cont'd

Reconciliation Of Insurance Contract Liabilities

22.1 Non-life insurance	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
At 1 January 2020	11,957,745	12,826,281	-	-
Change in unearned premium	(495,402)	467,533	-	-
Current year claims provision	6,002,845	4,318,005	-	-
Claims paid during the period	(5,650,710)	(5,654,074)	-	-
At 31 December 2020	<u>11,814,478</u>	<u>11,957,745</u>	-	-
Reinsurance				
At 1 January 2020	7,657,883	7,879,436	-	-
Change in unearned premium	(1,130,066)	199,372	-	-
Current year claims provision	1,921,145	2,047,990	-	-
Claims paid during the period	(1,785,257)	(2,468,915)	-	-
At 31 December 2020	<u>6,663,705</u>	<u>7,657,883</u>	-	-
Net non-life insurance	<u>5,150,773</u>	<u>4,299,862</u>	-	-

Notes To The Consolidated And Separate Financial Statements Cont'd

22.2 Life Insurance	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
At 1 January 2020	47,114,330	29,231,996	-	-
Premium received	26,058,468	22,189,832	-	-
Liabilities paid for death benefit claims	(3,887,085)	(3,154,729)	-	-
Benefits and claims experience variations	8,441,952	(1,152,769)	-	-
At 31 December 2020	<u>77,727,665</u>	<u>47,114,330</u>	-	-
Reinsurance				
At 1 January 2020	816,667	703,055	-	-
Additions	1,381,345	1,369,167	-	-
Benefits and claims experience variations	(291,794)	(437,873)	-	-
Changes during the year	(1,263,699)	(817,682)	-	-
At 31 December 2020	<u>642,519</u>	<u>816,667</u>	-	-
Net life insurance	<u>77,085,146</u>	<u>46,297,663</u>	-	-

Notes To The Consolidated And Separate Financial Statements Cont'd

23. Investment contract liabilities	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Individual	3,849,526	1,916,350	-	-
Welfare	2,223,096	2,068,998	-	-
	<u>6,072,622</u>	<u>3,985,348</u>	-	-
Movement in investment contract liabilities				
At 1 January 2020	3,985,348	3,089,658	-	-
Deposit	2,342,375	1,346,062	-	-
Withdrawal	(443,865)	(618,934)	-	-
Guaranteed interest	188,764	168,562	-	-
At 31 December 2020	<u>6,072,622</u>	<u>3,985,348</u>	-	-

Notes To The Consolidated And Separate Financial Statements Cont'd

24. Borrowings	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
UACN Bridge Finance	1,143,421	-	-	-
5-year bond	4,279,079	-	-	-
	<u>5,422,500</u>	-	-	-
Current				
UACN Bridge Finance	1,143,421	-	-	-
5-year bond	-	-	-	-
	<u>1,143,421</u>	-	-	-
Non current				
5-year bond	4,279,079	-	-	-
	<u>4,279,079</u>	-	-	-
Total borrowings	<u>5,422,500</u>	-	-	-
Movement in total borrowings during the year				
On Acquisition during the year	20,807,170	-	-	-
Proceeds from borrowing	-	-	-	-
Interest accrued	1,512,946	-	-	-
Repayment of borrowings	-	-	-	-
Interest paid	(1,146,076)	-	-	-
Rights issue conversion	(15,751,541)	-	-	-
As at 31 December	<u>5,422,499</u>	-	-	-

5-year bond represents bond issued at 16% per annum coupon in 2019 payable semi annually in April and October. The bond matures in April 2023. The bridge finance represents balance on bridge facility issued at 9% interest payable by April 2021.

Notes To The Consolidated And Separate Financial Statements Cont'd

25. Trade Payables	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Due to reinsurance and Co-insurance Companies	506,817	404,452	-	-
Due to Brokers and Agents	1,138,163	817,076	-	-
Premium received in advance	1,614,198	2,101,598	-	-
Other Trade payables*	1,368,393	-	-	-
	<u>4,627,571</u>	<u>3,323,126</u>	<u>-</u>	<u>-</u>

Trade payables comprise amounts outstanding for reinsurance companies, brokers, deferred premium, trade purchases and ongoing costs. All amounts are payable within a year. The carrying amount approximates fair value.

Other trade payables* comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider the carrying amount of trade and other payables to approximate its fair value due to their short term maturity period and no significant discounts is expected on payments of the obligations.

26. Liabilities of disposal group classified as held for sale/distribution to owners	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Trade and other payables on Acquisition of UPDC Plc	946,620	-	-	-
	<u>946,620</u>	<u>-</u>	<u>-</u>	<u>-</u>

The liabilities relates to the assets held for disposal by UPDC Plc. See Note 16.

Notes To The Consolidated And Separate Financial Statements Cont'd

27. Other Payables	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Staff pension	1,415	1,436	1,413	1,436
Statutory payables	812,631	212,099	2,633	788
Information Technology Development levy	32,957	53,921	-	-
Unclaimed Dividend	686,417	616,299	686,417	616,299
Unearned income*	568,917	585,550	3,324	3,324
	<u>2,102,337</u>	<u>1,469,305</u>	<u>693,787</u>	<u>621,847</u>
Non Trade payable (see note 27(i) below)	1,754,058	1,034,573	-	-
Accruals (see note 27(ii) below)	1,839,205	716,611	25,073	20,786
Due to related party (Note 50)	-	-	201,000	201,000
Contract liabilities	1,818,650	-	-	-
Commission payable	-	-	6	-
Tenants' Security Deposit	25,153	17,059	25,153	17,059
Sundry creditors (see note 27(iii) below)	891,924	147,799	90,053	78,472
	<u>6,582,670</u>	<u>1,916,042</u>	<u>341,285</u>	<u>317,317</u>
	<u>8,685,008</u>	<u>3,385,347</u>	<u>1,035,072</u>	<u>939,164</u>

i. Non trade payables consist of payables to regulators and various suppliers.

ii. Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider the carrying amount of trade and other payables to approximate its fair value due to their short term maturity period and no significant discounts is expected on payments of the obligations.

iii. Accruals relate to amounts provided for audit / consulting fees and subscription/dues to various regulatory and professional bodies.

iv. Sundry creditors relate to amount due to suppliers and service providers for services rendered.

v. Unearned income represent deferred income. This is made up of consists of rental income received in advance on investment properties leased by the Company to third parties, and commissions received in advance. These are released to income in-line with the terms of the individual contract that it relates to.

Notes To The Consolidated And Separate Financial Statements Cont'd

28. Taxation	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Per Profit Or Loss Account:				
Income tax based on profit for the profit	868,387	1,836,429	72,327	778,991
Education tax for the period	36,116	85,482	7,004	2,397
NITDA	24,205	-	-	-
Over/Underprovision in prior year	(343,593)	-	(132,724)	-
Capital gains tax	109,127	26	-	-
	<u>694,242</u>	<u>1,921,937</u>	<u>(53,393)</u>	<u>781,388</u>
Deferred taxation	202,693	135,857	60,397	141,860
Tax charge to profit and loss	<u>896,935</u>	<u>2,057,794</u>	<u>7,004</u>	<u>923,248</u>
Current income tax				
Per Balance Sheet:				
At 1 January	2,114,754	1,832,292	629,711	600,875
Arising from acquisition	120,174	-	-	-
Current Income tax expense	1,013,630	1,921,937	79,331	781,388
Withholding tax (expense)/credit offset	(51,152)	(753,820)	-	(723,438)
Write back of prior period over provision	(343,593)	-	(132,724)	-
Payments during the period	(1,159,354)	(885,655)	(12,545)	(29,114)
At the end of the period	<u>1,694,459</u>	<u>2,114,754</u>	<u>563,773</u>	<u>629,711</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

29. Deferred Tax Liabilities	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Losses available for offsetting against future taxable income	-	-	-	-
Unutilized tax credit	(1,151,609)	(40,367)	-	(40,367)
Fair value gains on investment properties	1,846,556	573,739	-	356,577
Accelerated depreciation for tax purposes	476,869	210,270	356,577	8,860
Unrealised foreign exchange gains	641,508	360,795	8,800	-
Revaluation Surplus	57,333	403,769	-	-
Impairment of Financial Assets	(212,051)	(111,140)	-	(18,069)
	<u>1,658,606</u>	<u>1,397,066</u>	<u>2,021</u>	<u>307,001</u>
			367,398	
Deferred tax assets	-	-	-	-
Deferred tax liabilities	1,658,606	1,397,066	-	307,001
Net deferred tax liabilities	<u>1,658,606</u>	<u>1,397,066</u>	<u>367,398</u>	<u>307,001</u>
			367,398	
Reconciliation of deferred tax liability is as shown below:				
At 1 January 2020	1,397,066	1,235,200	307,001	165,141
Tax expense/(income) during the period recognised in P or L	202,693	135,857	60,397	141,860
Tax income during the period recognised in OCI	80,142	26,009	-	-
At 31 December 2020	<u>1,679,901</u>	<u>1,397,066</u>	<u>367,398</u>	<u>307,001</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

30. Issued Share Capital and Reserves

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Authorised				
10,000,000,000 Ordinary shares of 50k each	5,000,000	5,000,000	5,000,000	5,000,000
Issued:				
5,881,866,000 Ordinary shares of 50k each	2,940,933	2,940,933	2,940,933	2,940,933
Movement during the year is as shown below:				
At 1 January 2020	2,940,933	2,940,933	2,940,933	2,940,933
Additional Shares Issued During the period	-	-	-	-
At 31 December 2020	2,940,933	2,940,933	2,940,933	2,940,933
31. Share Premium				
At 1 January 2020	6,412,357	6,412,357	6,412,357	6,412,357
Net Movement during the year arising on acquisition of UPDC Plc	-	-	-	-
At 31 December 2020	6,412,357	6,412,357	6,412,357	6,412,357

Notes To The Consolidated And Separate Financial Statements Cont'd

32. Reserves

The nature and purpose of the reserves in equity are as follows:

Retained Earnings

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Contingency Reserve

The statutory contingency reserve has been computed in accordance with Section 21 (1) of the Insurance Act, Cap 117 LFN 2004.

Asset Revaluation Reserve

This reserve contains surplus on revaluation of property, plant and equipment. A revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Fair Value Reserve

The fair value reserve comprises the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income.

Non Controlling Interest

Custodian Investment Plc has a controlling interest of 76.55% (2019: 76.55%) in CrusaderSterling Pensions Limited (CSP), which gives rise to a non-controlling interest of 23.45% in the entity. Also, the group has 51% controlling interest in UAC Property Development Plc (UPDC) giving rise to a non-controlling interest of 49%. The balance represents the amount attributable to the non-controlling shareholders of CSP and UPDC.

Notes To The Consolidated And Separate Financial Statements Cont'd

33. Other Investment And Operating Income	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Gross Premium Income (see note 33(i) below)	58,142,892	47,203,260	-	-
Dividend income	345,367	164,254	6,277,589	3,823,149
Fees and Commission income	4,988,348	4,484,533	-	-
Sales	1,182,048	-	-	-
Other Operating Income (see note 33(ii) below)	216,942	672,732	823,598	1,230,920
	<u>64,875,597</u>	<u>52,524,779</u>	<u>7,101,187</u>	<u>5,054,069</u>
i. Gross premium income				
Non life insurance gross premium income	32,083,331	25,183,487	-	-
Life insurance gross premium income	26,059,561	22,019,773	-	-
	<u>58,142,892</u>	<u>47,203,260</u>	<u>-</u>	<u>-</u>
ii. Other operating income				
Rental income	175,542	192,418	13,296	13,296
Foreign exchange gain/loss	-	-	-	-
Sundry income	41,400	480,314	810,302	1,217,624
	<u>216,942</u>	<u>672,732</u>	<u>823,598</u>	<u>1,230,920</u>

The group operates a structured transfer pricing program where certain common expenses such as utilities, personnel salaries, travel etc can be incurred on behalf of its subsidiaries and charged back periodically to the subsidiaries in the manner specified in the approved Transfer Pricing Instrument. These refunds/reimbursements, including the approved mark-up of 10% are included in the sundry income for the company and eliminated on consolidation.

Notes To The Consolidated And Separate Financial Statements Cont'd

34. Interest Income	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Interest income on investments measured at amortised cost	9,552,337	7,508,566	210,420	503,787
Interest income on call and deposit accounts	634,268	1,383,388	86,694	140,496
	<u>10,186,605</u>	<u>8,891,954</u>	<u>297,114</u>	<u>644,283</u>
35. Operating Expenses				
Cost of sales	1,422,994	-	-	-
Reinsurance Expenses	24,250,311	19,175,036	-	-
Underwriting Expenses (see note 35(i) below)	4,763,372	4,036,932	-	-
Claims related expenses & provisions (see note 35(ii) below)	47,129,670	28,116,437	-	-
	<u>77,566,347</u>	<u>51,328,405</u>	<u>-</u>	<u>-</u>
i. Underwriting Expenses				
Acquisition costs (see note 10)	4,443,450	3,754,508	-	-
Maintenance costs	319,922	282,424	-	-
	<u>4,763,372</u>	<u>4,036,932</u>	<u>-</u>	<u>-</u>
ii. Claims related expenses & provisions:				
Gross claims expenses	16,639,383	12,437,995	-	-
Claims ceded to reinsurers	(2,308,053)	(2,608,070)	-	-
Change in Provision for Outstanding Claims and Life Fund Estimate	32,798,340	18,286,512	-	-
	<u>47,129,670</u>	<u>28,116,437</u>	<u>-</u>	<u>-</u>

The insurance claim comprises of claims expenses paid including loss adjuster fees and the movement in the insurance fund liabilities. The insurance fund liability is adjusted to reflect the movement in the estimated claims liabilities as determined by the actuary. The effect of the adjustment is reflected in the profit or loss account.

Notes To The Consolidated And Separate Financial Statements Cont'd

36. Net Fair Value Gains/(losses)	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Changes in Fair Value of Quoted Investments	15,422,454	4,266,816	19,752	(18,415)
Fair value gains/(loss) on investment property	(169,642)	3,117	-	-
Net unrealised (loss)/gain on foreign exchange	547,378	-	-	-
	<u>15,800,190</u>	<u>4,269,933</u>	<u>19,752</u>	<u>(18,415)</u>
37. Net Realized Gains / (Losses)				
On property and equipment:	5,661	7,279	-	200
Profit on disposal of property and equipment	414,664	33,101	108,455	-
Net realised gain on foreign exchange	2,636,389	-	-	-
Reversal of impairment on asset of disposal group held for sale	3,159,089	922,558	1,487,580	-
Realised gain/(loss) on equity securities	<u>6,215,804</u>	<u>962,938</u>	<u>1,596,035</u>	<u>200</u>
38. Management Expenses				
Staff cost (see note 38(i) below)	2,759,146	2,513,531	474,235	507,570
Auditors' remuneration	73,491	50,960	10,212	9,500
Amortisation of intangible assets	83,155	86,602	-	-
Depreciation of property, plant and equipment	425,052	420,312	33,720	35,704
Occupancy Expenses	315,748	199,193	23,774	-
Directors Fees and Expenses	222,923	132,272	51,724	50,711
Printing, stationery & office supplies	46,671	74,842	27,978	-
Marketing and administration expenses	1,821,136	2,734,715	57,551	37,917
AGM, Dividend Processing & Related costs	21,583	20,735	20,639	-
Fees, Levy & Assessment	1,066,477	793,299	102,525	-
Other expenses	170,493	156,003	14,070	221,625
	<u>7,023,275</u>	<u>7,182,464</u>	<u>816,428</u>	<u>863,027</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

Other operating expenses comprise of business promotion expenses, general welfare, entertainment and printing and stationeries expenses.

i. Staff Cost	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Salaries	2,216,609	1,984,994	444,976	457,266
Defined contribution pension cost	128,799	122,907	14,987	20,046
Other staff allowance	426,991	405,630	14,272	30,258
	<u>2,759,146</u>	<u>2,513,531</u>	<u>474,235</u>	<u>507,570</u>
39. Credit loss (expense) / write back				
(Charge)/write back on cash and cash equivalents	330,001	(35,014)	(8,533)	(24,243)
(Charge)/write back on financial assets at amortised costs	(95,254)	(30,554)	9,442	3,206
(Charge)/write back on other receivables	18,379	(7,413)	5,829	307
	<u>253,125</u>	<u>(72,981)</u>	<u>6,738</u>	<u>(20,730)</u>
40. Finance costs				
Finance income	(31,821)	-	-	-
Guarantee on First Festival Mall loan	163,276	-	-	-
Finance cost	138,898	-	-	-
	<u>270,353</u>	<u>-</u>	<u>-</u>	<u>-</u>
41. Net gain on fair value through OCI assets				
Gain during the year	320,181	27,784	-	-
	<u>320,181</u>	<u>27,784</u>	<u>-</u>	<u>-</u>
*Income from these instruments is exempted from tax.				
42. Revaluation surplus on freehold property				
Arising during the year	-	86,697	-	-
Income tax effect	-	(26,009)	-	-
	<u>-</u>	<u>60,688</u>	<u>-</u>	<u>-</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

43. Disposal Group Held For Sale And Discontinued Operations	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Loss from discontinued operations	(101,617)	-	-	-
	<u>(101,617)</u>	<u>-</u>	<u>-</u>	<u>-</u>
44. Earnings per share				
Profit for the period from continuing activities	12,789,112	6,011,779	8,197,394	3,873,132
Less: Non-controlling interests	1,270,940	278,616	-	-
Net profit from continuing activities attributable to ordinary shareholder	<u>11,518,172</u>	<u>5,733,163</u>	<u>8,197,394</u>	<u>3,873,132</u>
Profit for the period from continuing and discontinued activities	12,687,495	6,011,779	8,197,394	3,873,132
Less: Non-controlling interests	1,270,940	278,616	-	-
Net profit from continuing and discontinued activities attributable to ordinary shareholder	<u>11,416,555</u>	<u>5,733,163</u>	<u>8,197,394</u>	<u>3,873,132</u>
Number of ordinary share in issue as at year end				
Share capital	<u>5,881,866</u>	<u>5,881,866</u>	<u>5,881,866</u>	<u>5,881,866</u>
Basic/diluted earnings per ordinary share from continuing activities (kobo)	<u>196</u>	<u>97</u>	<u>139</u>	<u>66</u>
			<u>139</u>	<u>66</u>
Basic/diluted earnings per ordinary share from continuing and discontinued activities (kobo)	<u>194</u>	<u>97</u>		

Basic earnings/(losses) per share (EPS) amount is calculated by dividing the net profit or loss for the year attributable to ordinary shareholders by the number of ordinary shares outstanding at the reporting date.

Diluted EPS is calculated by adjusting the profit due to continuing operations attributable to ordinary shareholders and the weighted average number of shares outstanding for the effect of dilutive potential ordinary shares.

Notes To The Consolidated And Separate Financial Statements Cont'd

Non-controlling

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020 N'000	2019 N'000
Current Assets	11,185,891	11,139,109
Non-current assets	2,769,657	2,547,460
Assets of disposal group classified as held for sale/distribution to owners	8,140,686	15,249,451
Current liabilities	(7,329,152)	(21,620,331)
Non-current liabilities	(4,353,761)	(4,341,230)
Liabilities of disposal group classified as held for sale/distribution to owners	(946,620)	(802,626)
	<u>9,466,701</u>	<u>2,171,833</u>
Equity attributable to owners of the Company	9,525,214	2,350,120
Non-controlling interests	(58,514)	(178,288)
	<u>9,466,700</u>	<u>2,171,832</u>
Revenue	1,662,487	2,157,614
Expenses	2,372,800	18,040,689
Profit (loss) for the year	(710,313)	(15,883,075)
Profit (loss) attributable to owners of the Company	(719,050)	(15,875,487)
Profit (loss) attributable to the non-controlling interests	8,737	(7,588)
Profit (loss) for the year	<u>(710,313)</u>	<u>(15,883,075)</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

45. Emolument Of Directors And Key Management

Key management personnel of the Company includes all directors, executive and non-executive, and senior management.

The summary of the compensation of key management personnel for the year is as follows:

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
In thousands of naira				
Fees	33,616	29,412	22,912	17,493
Executive compensation	214,762	190,732	152,446	183,632
Other emoluments	292,956	176,543	28,812	115,000
Total	541,334	396,687	204,170	316,125
Fees and other emoluments (excluding pension contributions) disclosed above include amounts paid to:				
Chairman	6,590	6,590	6,590	6,590
Highest paid Director	72,000	48,000	72,000	48,000

Notes To The Consolidated And Separate Financial Statements Cont'd

46. Employee Remuneration

i. The number of employees of the Group, other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits), were:

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
N				
60,000 - 999,999	179	121	5	5
1,000,000 - 1,999,999	138	44	7	8
2,000,000 - 2,999,999	107	50	3	5
3,000,000 - 3,999,999	88	31	2	1
4,000,000 - 4,999,999	25	76	1	1
5,000,000 - 5,999,999	19	5	1	-
6,000,000 - and above	76	35	5	3
Total	632	362	24	23

ii. Average number of persons employed during the year were:

In thousands of naira

Executive directors	13	9	1	1
Management staff	88	17	4	2
Non-management staff	531	336	19	20
Total	632	362	24	23

iii. Staff cost excluding the Directors relating to the above

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Salaries and wages	2,067,163	2,219,316	295,530	178,859
Pension costs	125,799	122,907	11,987	20,046
Total	2,192,962	2,342,223	307,517	198,905

Notes To The Consolidated And Separate Financial Statements Cont'd

47. Fines and Penalties

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Charged during the year	12,475	750	-	-
	<u>12,475</u>	<u>750</u>	<u>-</u>	<u>-</u>

The Company did not pay any fines or penalty during the year (2019: Nil) but one of its subsidiaries were fined for breaching Section 8(2) of the Regulation on Investment of Pension Fund Assets on per issuer limit by PENCOM and another for non-rendition of weekly AML/CFT Foreign Exchange Transaction report by SEC.

48. Contingent Liabilities

No provisions in respect of legal claims and fees have been included in the Group consolidated and separate financial statements. However, one of the Group's subsidiaries has an ongoing case(2019: Nil). In 2006, the subsidiary acquired a parcel of land in Ikoyi from Wema Bank. The property was originally owned by the Federal Ministry of Works and Housing (FMWH). Subsequently, Parkview Estate was developed on the property at a carrying value of N1.5billion. However, County & City Bricks Limited (CCBL) had taken the Federal Government and UPDC Plc to court claiming that the land was leased to it in 1998 and therefore any subsequent dealing on the portion of land adverse to its interest is null and of no effect.

Judgment was delivered in June 2009 to the effect that there was indeed a contract between the FMWH and CCBL which the Ministry breached and that they were entitled to the parcel of land (including the UPDC acquired area). The court further declared that the certificates of UPDC and other parties to the suits were null and void. CCBL, with the help of police officers, but without a writ of execution from the Court and any bailiff of Court, forcefully took over the premises and ejected UPDC's contractors and workers therefrom.

UPDC appealed the judgment. The counsel (Paul Usoro SAN - FRC/2013/NBA/0000002957) opined that UPDC has a high chance of succeeding in its appeal because of inconsistencies in the judgment of the High Court and that the company is a bonafide purchaser of value without notice of any encumbrance on the property before acquiring a legal title.

Notes To The Consolidated And Separate Financial Statements Cont'd

Steve Akhigbemidu & Co. - FRC/2013/NIESV/0000001442 (Estate Surveyors & Valuers) assessed and valued the property in 2014 - fair market: N1.8billion, forced sale: N600 million, following which the directors wrote down the property to its forced sale value of N600 million. The Directors have sought professional legal counsel and are of the opinion that no significant liability is expected.

There was no capital commitment as at 31 December 2020 (2019: Nil).

The Group has entered into commercial leases on certain property and equipment. These leases have an average life of between one and two years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into the leases.

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Within one year		106,898		3,324
After one year but not more than 5 years		63,250		-
Total operating lease receivables		<u>170,148</u>		<u>3,324</u>

49. Events after Reporting Date

There were no events after the reporting date which could have a material effect on the consolidated and separate financial position of the Group as at 31 December 2020 or the financial performance for the year ended that have not been adequately provided for or disclosed.

Notes To The Consolidated And Separate Financial Statements Cont'd

50. Group Subsidiaries and Related Party Transactions

Custodian Investment Plc is a company incorporated in Nigeria and is the ultimate parent company of the Group.

Transactions between the parent and its subsidiaries have been eliminated on consolidation. Details of the Group's interests and investments in subsidiaries as at 31 December 2020 are shown in Note 12.

The following balances were outstanding at the end of the reporting year:

Receivables from related parties:

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Key Management Personnel (Loan)	743,380	750	743,380	507,381
	<u>743,380</u>	<u>750</u>	<u>743,380</u>	<u>507,381</u>

Trading Transactions

During the year, group entities entered into the following transactions with related parties and there are other companies that are related to UPDC through common shareholdings:

	Relationship	Nature of transaction	Group	
			31-Dec-20 N'000	31-Dec-19 N'000
Custodian and Allied Insurance Limited	Subsidiary	Group shared cost	509,426	583,292
Custodian Life Assurance Limited	Subsidiary	Group shared cost	283,760	287,912
Custodian Trustees Limited	Subsidiary	Group shared cost	3,309	5,042
Crusader Sterling Pensions Limited	Subsidiary	Group shared cost	27,622	32,594
Interstate Securities Limited	Associate	Stock brokerage	1,492	-

Notes To The Consolidated And Separate Financial Statements Cont'd

The Group related parties exchanged transactions with the total amount of N3.4Billion between one another during the reporting year. The transactions with related parties are made at normal market prices and conducted at arm's length.

The following amounts were outstanding at the reporting date:

	Amount owed by related parties		Amount owed to related parties	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Custodian and Allied Insurance Limited	515,385	818,244	515,385	818,244
Custodian Life Assurance Limited	74,930	445,187	74,930	445,187
Custodian Trustees Limited	912	1,033	912	1,033
Crusader Sterling Pensions Limited	7,028	6,755	7,028	6,755
Interstate Securities Limited	718,639	800,896	718,639	800,896

The Group considered the outstanding balances at the reporting date as unsecured and interest bearing loan. The settlements will involve physical delivery of cash as applicable. The loan is made up of mortgage loan and personal loan receivable from key management personnel.

In relation to the balances with related parties, there was no allowance for impairments on receivables at the end of the reporting period and no bad debt expensed in the year (2019: Nil).

Notes To The Consolidated And Separate Financial Statements Cont'd

51. Distribution Made and Proposed

	31-Dec-20 N'000	31-Dec-19 N'000
Final dividend 2019: 35kobo (2018: 35Kobo)	2,058,652	2,058,652
Interim dividend 2020: 10kobo (2019: 10kobo)	588,186	588,186
	<u>2,646,838</u>	<u>2,646,838</u>

On 30 April 2020 and 1 September 2020, the Company paid final and Interim dividend comprising of 35kobo and 10kobo per ordinary share based on the 2019 audited financial results and 2020 half year results, respectively. Payment of the total N2,646,838,000 has since been made.

The Directors proposed a final dividend of 45kobo per ordinary share of 50kobo each for the financial year 2020 making a total dividend of 55kobo per share having paid an interim dividend of 10kobo per share previously.

52. Approval of Financial Statements

The consolidated and separate financial statements were approved by the Board of Directors and authorized for issue on 26 February 2020.

53. Material Disclosure on the impact of COVID-19

The COVID-19 pandemic which started in China in December 2019 and rapidly spread across the world is impacting all aspects of life in a manner that is unprecedented. The impact cuts across businesses, the economy and social interactions. These impacts seem like they will remain for the foreseeable future. In a bid to curtail the spread the virus, the Federal Government of Nigeria imposed movement restrictions while various state governments established protocols to combat the spread of the virus.

In adapting to the government's response to COVID-19, the Group responded appropriately by activating its Business Continuity Plan to ensure continuous service to customers and safety of employees and other stakeholders. This was mostly achieved through the deployment of necessary secured technology for remote working and the observance of universally accepted Covid 19 protocols.

Notes To The Consolidated And Separate Financial Statements Cont'd

Impact of COVID-19 on Impairment (Expected Credit Loss) of Financial Assets

The Group does not see a significant impairment impact on its financial assets as a result of COVID-19. The Group's financial assets are predominantly fixed income and sovereign (treasury bills and FGN bonds) in nature and are subsequently classified as stage 1. The stage allocation remains unchanged as there is no significant increase in credit risk. The impact of forward looking information has also been considered in assessing the impact of COVID-19 on impairment of financial assets. These include GDP growth, exchange rate, country rating, bank rating, inflation and oil price. Whilst COVID-19 could potentially negatively impact all of the forward looking information, other variables in the computation ensured that the impact remains minimal.

Going Concern Assessment

The Group will continue to assess the status of the fight against the pandemic and its impact on the Groups' business. However, based on current assessment and result for the year just concluded, the Directors are confident that the Going Concern of the Group will not be threatened and would be able to continue to operate post COVID-19 and in the foreseeable future.

54. Securities Trading Policy

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule) Custodian Investment Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's shares. The Policy undergoes periodic reviews by the Board and is updated accordingly. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the period.

55. Shareholding Structure and Free Float Status

Company Name:	Custodian Investment Plc
Board listed	Main Board
Year end	31 December
Reporting period	Year ended 31 December 2020
Share price (N)	5.85

Notes To The Consolidated And Separate Financial Statements Cont'd

	31 December 2020	
	Units	Percentage
Issued Share Capital	5,881,864,195	100%
Substantial Shareholdings (5% and above):		
GRATITUDE CAPITAL LIMITED*	1,322,363,150	22.48%
MIKEADE INVESTMENTS LTD.**	924,907,141	15.72%
Total outstanding Shareholding	2,247,270,291	38.21%
Directors' Shareholding (direct and indirect) excluding substantial interest held		
Dr. Mrs. Omobola Johnson	80,000	0.00%
Mr. Wole Oshin	238,674,353	4.06%
Mr. Ibrahim Dikko	-	0.00%
Mr. Richard Asabia	58,506,067	0.99%
Mrs. Mimi Ade-Odiachi	4,000,000	0.07%
Mr. Ravi Sharma	-	0.00%
Mr. Olakunle Ade-Ojo	1,229,365	0.02%
Total Directors' Shareholding	302,489,785	5.14%
Other Influential Shareholding		
NIL		
NIL		
Total Other Influential Shareholding	-	0.00%

Notes To The Consolidated And Separate Financial Statements Cont'd

	31 December 2020	
	Units	Percentage
Free Float in Units and Percentage	3,332,104,119	56.65%
Free Float in Value (Naira)	19,492,809,096	

* Indirect shareholding of a director, Mr. Wole Oshin

** Indirect shareholding of a director, Mr. Olakunle Ade-Ojo

Declaration:

Custodian Investment Plc with a free float value of N19,492,809,096 (56.65%), is compliant with the listing rules

CUSTODIAN TRUSTEES LTD

AUTHORISED

ADEYINKA JAFUJO

FRC/2013/NBA/00000002403

Custodian Trustees Limited

Company Secretary

Notes To The Consolidated And Separate Financial Statements Cont'd

56. Segment Reporting

Identification of reportable segments

The business activities of Custodian Investment Plc Group are first organized by product and type of service: insurance activities, pension asset management activities and other activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between property & casualty (Non-Life) and life categories.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit (or loss) before income taxes, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm's length basis.

Information reported to the chief operating decision maker (the CEO) for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segments under IFRS 8 are therefore as follows:

- Non-life business
- Life business
- Pension administration
- Property development and management
- Trustees and others

Non-Life Business

The non -life reportable segment offers a wide variety of insurance products for both individual and corporate customers. The products offer range from engineering, aviation, marine liability, motor liability, oil and energy, fire and property. The main source of income in this segment is the premium received from the insured on risk covered by the entity and the investment income earned on placements and deposit with financial institutions.

The business of this segment is undertaken by Custodian and Allied Insurance Limited, a fully owned subsidiary of the Company.

Notes To The Consolidated And Separate Financial Statements Cont'd

Life Business

The life reportable segment offers a range of life insurance products on both individual and group basis, including annuity, endowment and investment oriented products, insurance products with Discretionary Participatory Features (DPF). Gross premium recurring on life policies are recognised as revenue when payable by the policy holders. The business of this segment is undertaken by Custodian Life Assurance Limited, a fully owned subsidiary of the Company.

Pension Administration

This reportable segment included the administration and management of the retirement benefits of members. The administration includes making investment decisions, collection of contribution and making payment to retirees in-line with provisions of Pension Reform Act 2014. The revenue earned includes administration and management fees received on member's contributions and the Net Asset value of Funds under Management respectively. The business of this segment is undertaken by Crusader Sterling Pensions Limited, a 76.55% owned subsidiary of the Company.

Property Development And Management

Through this reportable segment, the group engages in the acquisition, development, sale and management of a diverse mix of commercial, residential, hospitality and retail property assets across Nigeria. Core revenue stream for this segment include property sales, rental income, property management and fees/commission income. The operations of this business segment is carried out by UAC Property Development Plc (UPDC). The group owns 51% UPDC.

Trustees And Others

This reportable segment includes trustee management, corporate services, investment and property management. The businesses of this segment are undertaken by the company and Custodian Trustees Limited, a fully owned subsidiary of the Company.

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56.1 Consolidated statements of profit or loss and other comprehensive income by segment

	Non Life 2020 N'000	Life 2020 N'000	Pension Adminis- tration 2020 N'000	Property Develop- ment 2020 N'000	Holding Company & Trustees 2020 N'000	Total 2020 N'000	Elimination & Others 2020 N'000	Consolidated 2020 N'000
Gross premium written	31,587,929	26,058,468	-	-	-	57,646,397	-	57,646,397
Gross premium income	32,083,331	26,059,561	-	-	-	58,142,892	-	58,142,892
Sale	-	-	-	1,182,048	-	1,182,048	-	1,182,048
Reinsurance expenses	(22,868,966)	(1,381,345)	-	-	-	(24,250,311)	-	(24,250,311)
Cost of sales	-	-	-	(1,370,846)	-	(1,370,846)	-	(1,370,846)
Net income	9,214,365	24,678,216	-	(188,798)	-	33,703,783	-	33,703,783
Fees and commission income	1,650,205	235,653	3,097,662	-	18,578	5,002,098	-	5,002,098
Net income	10,864,570	24,913,869	3,097,662	(188,798)	18,578	38,705,882	-	38,705,882
Net claims expenses	(4,081,700)	(43,047,970)	-	-	-	(47,129,670)	-	(47,129,670)
Underwriting expenses	(2,716,871)	(2,046,501)	-	-	-	(4,763,372)	-	(4,763,372)
Interest income	4,065,999	(20,180,602)	3,097,662	(188,798)	18,578	(13,187,160)	-	(13,187,160)
Other investment and operating income	2,086,390	7,318,865	468,524	-	312,826	10,186,605	-	10,186,605
Net realised gains/(losses)	148,850	316,774	57	27,141	7,101,395	7,594,217	(7,045,658)	548,559
Net fair value gains/(losses)	450,236	1,521,492	12,296	2,635,745	1,596,035	6,215,804	-	6,215,804
Credit loss write back	613,581	15,326,834	-	(159,977)	19,752	15,800,190	-	15,800,190
Finance cost	(83,823)	(28,561)	(4,086)	369,810	(215)	253,125	-	253,125
Management expenses	-	-	-	(107,077)	-	(107,077)	-	(107,077)
Bargain purchase	(3,025,780)	(1,830,123)	(1,884,656)	(275,284)	(920,503)	(7,936,346)	860,923	(7,075,423)
Share of profit of associate	-	-	-	(163,276)	4,776	(158,500)	-	(158,500)
Profit before income tax expense	4,255,453	2,444,679	1,689,797	2,138,284	9,342,569	19,870,783	(6,184,735)	13,686,048
Income tax expenses	(578,367)	169,663	(440,217)	(40,925)	(7,089)	(896,936)	-	(896,936)
Profit from continuing operations	3,677,086	2,614,342	1,249,580	2,097,359	9,335,480	18,973,847	(6,184,735)	12,789,112
Loss from discontinued operations	-	-	-	(101,617)	-	(101,617)	-	(101,617)
Profit after tax and discontinued operations	3,677,086	2,614,342	1,249,580	1,995,742	9,335,480	18,872,230	(6,184,735)	12,687,495
SEGMENT ASSETS	37,819,224	98,151,669	5,967,703	22,292,672	27,717,069	191,948,337	(15,792,424)	176,155,912
SEGMENT LIABILITIES	17,284,319	86,425,145	1,294,787	12,650,885	2,295,818	119,950,954	(1,301,425)	118,649,529
DEPRECIATION	94,166	155,787	128,705	1,537	44,857	425,052	-	425,052
AMORTISATION	3,697	66,165	12,871	422	-	83,155	-	83,155

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Consolidated statements of profit or loss and other comprehensive income by segment

	Non Life 2019 N'000	Life 2019 N'000	Pension Adminis- tration 2019 N'000	Property Develop- ment 2019 N'000	Holding Company & Trustees 2019 N'000	Total 2019 N'000	Elimination & Others 2019 N'000	Consolidated 2019 N'000
Gross premium written	25,651,020	22,189,831	-	-	-	47,840,851	-	47,840,851
Gross premium income	25,183,487	22,019,773	-	-	-	47,203,260	-	47,203,260
Reinsurance expenses	(17,805,869)	(1,369,167)	-	-	-	(19,175,036)	-	(19,175,036)
Net premium income	7,377,618	20,650,606	-	-	-	28,028,224	-	28,028,224
Fees and commission income	1,369,440	175,820	2,939,273	-	-	4,484,533	-	4,484,533
Net income	8,747,058	20,826,426	2,939,273	-	-	32,512,757	-	32,512,757
Net claims expenses	(2,270,015)	(25,846,422)	-	-	-	(28,116,437)	-	(28,116,437)
Underwriting expenses	(2,276,897)	(1,760,035)	-	-	-	(4,036,932)	-	(4,036,932)
Interest income	4,200,146	(6,780,031)	2,939,273	-	-	359,388	-	359,388
Other investment and operating income	1,813,143	5,830,483	556,587	-	691,741	8,891,954	-	8,891,954
Net realised gains/(losses)	181,583	494,839	-	-	5,068,504	5,744,926	(4,907,940)	836,986
Net fair value gains/(losses)	434,183	527,655	700	-	400	962,938	-	962,938
Credit loss write back	9,745	4,278,603	-	-	(18,415)	4,269,933	-	4,269,933
Management expenses	(41,915)	(12,512)	4,069	-	(22,623)	(72,981)	-	(72,981)
Share of profit of associate	(3,156,354)	(2,046,364)	(1,920,465)	-	(968,120)	(8,091,303)	908,839	(7,182,464)
Profit before income tax expense	3,440,531	2,292,673	1,580,164	-	4,751,487	12,064,855	(3,995,282)	8,069,573
Income tax expenses	(461,240)	(240,000)	(431,808)	-	(924,746)	(2,057,794)	-	(2,057,794)
Profit after income tax expense	2,979,291	2,052,673	1,148,356	-	3,826,741	10,007,061	(3,995,282)	6,011,779
SEGMENT ASSETS	36,043,303	64,890,988	5,398,224	-	21,845,384	128,177,899	(10,160,129)	118,017,770
SEGMENT LIABILITIES	17,176,368	55,341,338	1,138,863	-	1,978,860	75,635,429	(2,356,969)	73,278,460
DEPRECIATION	95,276	153,660	125,255	-	46,121	420,312	-	420,312
AMORTISATION	4,100	66,703	15,799	-	-	86,602	-	86,602

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57. Risk Management Framework

Introduction and Overview

The Board of Directors appreciates that risks are inherent in all aspects of the Group's operations and that it cannot totally eliminate risks. It therefore acknowledges the critical role of risk management in the achievement of the objectives of the Group.

The Enterprise Risk Management Framework establishes the criteria within which enterprise risks are managed. The intent of the framework is to ensure the effective communication and management of risk categories across all business units. The scope of the Framework is enterprise-wide and is applicable to Board, Management and employees of the Group.

Enterprise risk management is a process, applied by our organization in a strategic setting, which enables management to identify potential risk events that may affect the entity; and provides a framework to manage risk within the organization's risk appetite in order to provide reasonable assurance regarding the achievement of the organization's objectives.

The Board is committed to managing risk in accordance with established risk management standards and has overall responsibility for the establishment and oversight of the enterprise risk management framework. There is an established Board Risk Committee, which is responsible for developing and monitoring the enterprise risk management policies. It meets quarterly to receive reports from the Management Risk Committee. The Management Risk Committee in turn meets every two months to review risk reports from the Chief Risk Officer.

The enterprise risk management policies are established to give broad guidance on how strategic objectives are to be set, and cascaded through to operational, reporting and compliance objectives. To identify and analyze the risks faced by the Group, risks are attached to objectives, core processes and key dependencies. The Group's risk policies set appropriate risk limits and appetites that form the basis for prioritizing identified risks. Risk controls are set and reviewed continually to monitor adherence to risk appetite and limits.

The Group has a policy to review the risk management policies and systems annually in order to reflect changes associated with its activities and the global economy generally. The Group, through regular risks workshops, trainings and design of standard operating procedures, aims to embed a risk culture in which all employees are aware of the risks in their respective roles and obligations.

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The Group's risk management framework functions on three lines of risk defense. Core Process owners function as the first line of risk defense and they have responsibility for risk prevention. The risk management unit assumes the second line of risk defense and is assigned responsibility to holistically coordinate the risk control functions, enterprise-wide. The internal audit function, as the last line of risk defense, functions to secure assurance that risk controls are effective and efficient.

57.1 Objectives

The Group is committed to the management of inherent risks. The Group's enterprise risk management framework aims to:

- Promote proactive recognition of external factors and anticipate uncertainties that may affect the achievement of strategy.
- Protect the interests of the Group's shareholders.
- Provide assurance to counterparts, customers, employees and the community.
- Recognize that risk is embedded in all our activities and that the underlying risk appetite is key to effective decision making.
- Provide appropriate, consistent and transparent ownership and accountability around risk mitigation.
- Enable the design and implementation of controls.
- Improve performance measurement; the Group's improved understanding of its risk profile enables appropriate allocation of risk and economic capital to individual lines of business, which allows improved performance measurement and evaluation of activities.
- Ensure better control of operations; the Group expects that increased understanding of risk activities within various business units, the Board and senior management will lead to improvements in the control of operations and the emergence of a more proactive enterprise risk management culture.

57.2 Philosophy and Principles

The continued successful safeguarding, maintenance and expansion of the Group's businesses requires a comprehensive approach to risk management.

It is the policy of the Group to identify, assess, control and monitor all risks that the business may incur to ensure that the risks are appropriate in relation to the scale and benefit of the associated project, business or practice and to ensure that no individual risk or combination of risks result in a likely material impact to the financial performance, brand or reputation of the Group.

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By acknowledging that risk and control are part of everyone's job, and by incorporating risk management into the Group's daily business practices the Group will be better equipped to achieve its strategic objectives, whilst maintaining the highest ethical standards.

The Group adopts a risk philosophy aimed at maximizing business opportunities and minimizing adverse outcomes, thereby enhancing shareholder value by effectively balancing risk and reward.

The Board of Directors is responsible for setting the enterprise risk management strategy of the Group and its implementation. All staff are expected to demonstrate the highest ethical standards of behavior in development of strategy and pursuit of objectives.

The following philosophy and principles govern the management of enterprise risk in the Group:

- The Board approves and periodically reviews the enterprise risk management framework.
- Ownership, management and accountability for risk is decentralised with business and functional units.
- There are consistent standards for defining, evaluating, measuring, monitoring and reporting risks.
- The Group's enterprise risk management practices are subject to regular independent review internally and externally.
- Enterprise risk management is governed by well-defined policies and procedures which are clearly communicated across the Group.
- Enterprise risk-related issues are taken into consideration in business decisions including new product and process designs.
- Various risk and loss events are reported openly and fully to the appropriate levels once they are identified.
- Adequate processes and systems for identifying, measuring, monitoring, reporting and controlling risks are being implemented by the Group.

57.2.1 Strategy

Failure to manage risk effectively often results in significant financial losses, regulatory fines or censure, reputational damage, brand erosion or even the loss of insurance license, all of which directly impact shareholder value. Accordingly, the Group's enterprise risk strategy aims to minimise the impact of various risks on its shareholders' value. In more specific terms, the Group's strategy is to:

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- reduce the likelihood of occurrence of unexpected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation in earnings;
- minimise the impact of unexpected and catastrophic events including related costs through risk financing strategies that support the Group's long-term growth, cash flow management and balance sheet protection; and
- make all managers responsible for the management of risk and thus minimise actual or potential losses. The Group recognises that some losses, such as operational errors, are inevitable and are normal business cost but will ensure these costs are kept within acceptable levels and potential losses are minimised.

In implementing this strategy, the Group:

- has put in place best-practice enterprise risk management policies and procedures. These include procedures to help identify, assess, control, manage and report various risks within the Group;
- ensures that roles and responsibilities are agreed and clearly understood by employees at all levels;
- ensures that all staff in business and support functions are aware of their responsibilities for risk management;
- considers the potential risk impact of its activities and products at the outset with a view to minimising these as far as possible;
- has put in place structures and processes for reporting control failures to designated individuals and escalating material issues to the Board Audit & Risk Committees respectively;
- ensures that staff are provided with appropriate enterprise risk management training that is commensurate to their roles;
- establishes a workable business continuity plan (including disaster recovery and crisis management procedures) that minimises the impact of unexpected and catastrophic events on business operations and customer service;
- minimises the financial impact of losses, through management of risk factors and utilisation of insurance and other risk transfer strategies; and
- ensures that staff responsibility with respect to enterprise risk management is communicated through on-going risk awareness workshops and management action.

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57.3 Governance and Culture

The overall responsibility for enterprise risk management in the Group resides with the Board. The responsibility of the day-to-day management has been delegated as described in this section. On a regular basis, the Board receives reports on Group's risk profile through the Board Risk Management Committee.

To ensure consistency and prudent management of risks, the responsibility for managing risk has been split as follows:

- the overall governance owned by the Board and Board Committees (Board Audit & Risk Committees) and Management Risk Committee;
- the approval of enterprise risk management policies and standards for risk identification, measurement, assessment, monitoring and reporting is the responsibility of the Board Risk Management Committee;
- the enterprise risk management framework implementation and review is owned by the Risk Management department;
- the implementation of the enterprise risk management framework within the branches, departments/business units and the day-to-day management of risks is owned by respective core processes and executed through management structure.
- The assurance role that risk management controls are effective and efficient is owned by the internal audit function.
- Legal and Compliance unit ensures that the Company adheres to laws, regulations, guidelines and specifications relevant to its business.

57.3.1 The Board and Board Committees

The Board of Directors, Board Audit & Risk Committees and the Management Risk Committee shall have overall oversight function for enterprise risk management. It shall be their responsibility to ensure effective management of risks and adherence to the approved enterprise risk policies.

57.3.1.1 Board of Directors

The Board of Directors:

- sets the Group's enterprise risk strategy and direction in line with the Group's corporate strategy;
- gives final approval for the Group's enterprise risk management framework, policies and procedures;
- periodically reviews the framework to ensure its relevance and effectiveness; and ensures that senior management is performing its risk management responsibilities; and
- sets risk appetite levels.

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57.3.1.2 Board Audit and Risk Committee

The Board Committees:

- ensures that the enterprise risk management framework is comprehensive and in line with the Group's strategy;
- approves the enterprise risk management framework and oversees its implementation;
- establishes a management structure capable of implementing the framework with clear lines of responsibility, accountability and reporting; and
- reports significant risk issues to the Board of Directors.

57.3.1.3 Management Risk Committee

The Group's Management Risk Committee:

- ensures that the framework is implemented consistently across the Group;
- ensures policies and procedures are developed for managing risk in the Group's products, activities, systems and processes;
- ensures that all levels of staff understand their responsibilities with respect to enterprise risk management;
- reviews the Group's risk dashboard and assesses potential impact on the activities of the Group or business unit;
- ensures the Group's risk profile is within established risk parameters;
- ensures that staff are adequately trained and have access to the necessary resources;
- obtains and reviews periodic reports on loss events, risk profiling, control failures enterprise-wide and monitors that corrective measures are being implemented;
- ensures that the outputs from the enterprise risk management process are factored into the day-to-day management decisions of the Group; and
- ensures that the Group's enterprise risk management policies and procedures promote the desired risk culture.

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57.3.1.4 Chief Risk Officer

The Chief Risk Officer:

- leads the development and implementation of enterprise risk management across the Group.
- develops enterprise risk management strategy, principles, framework and policy.
- implements appropriate enterprise risk management processes and methodologies.
- advises and coaches management and business units on risk management.
- coordinates the appropriate and timely delivery of risk management information.
- approves all reports, risk policy proposals, recommendations and other documents prepared for presentation to the Management Risk Committee, and

Board Audit & Risk Committees.

The Enterprise Risk Management seeks to build a strong risk management and control culture by setting the appropriate tone at the top, promoting awareness, ownership and proactive management of key risks, and promoting accountability. In short, we seek to promote a risk-conscious workforce across the enterprise.

The Group's risk culture is based on the following:

- ownership of Risk Management by top executives and senior management with appropriate delegation down the line.
- integration of risk management into all business units of the Group.
- compliance with the Group's culture and value system.
- proactive risk management process.
- risk Management training, education and awareness.
- effective risk management and controls .
- constant monitoring of risk environment and risk management process and system.
- compliance with all relevant statutory, regulatory and supervisory rules, regulations, pronouncements and requirements.
- ensuring risk management owners are responsible and accountable relative to their function and position.
- ensure crises free management of risk issue when and if it occurs.

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57.4 Capital Management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital structure . To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group trade and other payables (comprising of insurance payables, company income tax, deferred tax liabilities and others), less cash and short-term deposits, excluding discontinued operations.

	Group		Company	
	31-Dec-20 N'000	31-Dec-19 N'000	31-Dec-20 N'000	31-Dec-19 N'000
Trade and other payables	(13,312,579)	(6,708,473)	(1,035,072)	(939,164)
Less Cash and cash equivalents short term deposits	13,743,138	9,362,870	1,654,286	1,524,554
Cash surplus/ (deficit)	430,559	2,654,397	619,214	585,390
Equity	47,648,911	43,716,114	25,197,572	19,647,017
Equity less borrowings	42,226,411	43,716,114	25,197,572	19,647,017
Gearing ratio	11%	0%	0%	0%

57.5 Risk Identification and Prioritization

Risk identification is a deliberate and systematic effort to identify and document the enterprise's key risks. Risks emanate from internal or external sources which affects implementation of strategy or achievement of objectives.

The objective of risk identification is to understand what is at risk within the context of the enterprise explicit and implicit objectives and to generate a comprehensive inventory of risks based on the threats and events that might prevent, degrade or delay the achievement of the objectives. The Group adopts a rigorous and ongoing process of risk identification that also includes mechanisms to identify new and emerging risks timely. These risks form the basis of the overall risk profile for the enterprise.

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The following broad categories of risk are used to enable appropriate aggregation and to assist with the identification of inherent risks across the Group:

- Business Strategy Risk
- Credit Risk
- Compliance Risk
- Insurance Risk
- Legal/Regulatory Risk
- Liquidity Risk
- Market Risk
- Operational Risk
- Reputation/Brand Risk

57.6 Risk Appetite/Risk Tolerance

It is not always efficient to manage risks to zero residual risk or very low residual threshold because of the time, cost and effort that will be required. However, it is also poor risk management practice to accept risks which create unnecessary exposure for the enterprise.

As a result, the enterprise will not accept risks which could expose her to:

- Unacceptable levels of financial loss relative to strategic and operational targets
- Breaches of legislation or regulatory non-compliance
- Damage to its reputation
- Unacceptable interruption to the provision of services to customers
- Damage to relationships with its customers and key stakeholders

The Group's risk tolerance statement is defined below which guides strategic decision making;

The Group shall hold capital at the 99.6% Value-at-risk level. No risk driver for example, line of business or asset class must consume more than 5% of shareholder's equity when looking at the 95% Value at Risk. No extreme scenario with a probability of higher or equal to a 1 in 250 years must result in a loss which exceeds 15% of the shareholder's equity.

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57.7 Risk Reporting and Communication

Information is needed at all levels to identify, assess and respond to risks. Like any other process, the success of risk management depends on the availability of reliable information and effective communication at various levels. Pertinent information has been identified, captured and communicated in a form and time frame that enables members of staff to carry out their responsibilities.

A reporting system is designed to provide assurance that the enterprise risks are adequately managed. Information is provided on risk management status and actions taken for continuous improvement. The report provides information on the effectiveness of achieving corporate objectives; a forward looking report that anticipates emerging risks.

Information and communication channels are in place to make various business units aware of risks that fall into their area of responsibility and the expected behavior to mitigate negative outcomes.

Relevant information, properly and timely communicated is essential to equip the relevant officials to identify, assess and respond to risks. The Enterprise's risk communication and reporting process supports enhanced decision making and accountability through; dissemination of relevant, timely, accurate and complete information.

57.8 Risk Management and Controls

In the management and control of risks, the information gained during risk assessments is used to develop control measures that would be applied to ensure appropriate management of risks. It involves the implementation of new policies and standards, physical changes and procedural changes that can reduce or eliminate certain risks within the various business units.

The following are the risk control measures the enterprise employs to mitigate risk:

- Risk Avoidance: this involves committing to stop executing the activities that give rise to the risk. Risk avoidance is usually a function of consolidating business processes and implementing preventative controls to halt deviations from acceptable norms.
- Risk Reduction: The risk reduction strategy involves reorganizing business processes to reduce the risk exposure inherent in them. Risk reduction involves reducing the severity of the loss or the likelihood of the loss occurring.

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- Risk Transfer: A risk transfer strategy involves reducing risk likelihood or impact by transferring or otherwise sharing a portion of the risk. Common risk transfer techniques used includes purchasing insurance products, pooling risks and engaging in hedging transactions.
- Risk Acceptance: A risk acceptance strategy is a well-informed decision to accept loss, or benefit of gain, from a risk when it occurs. This involves making resources available internally to mitigate or accommodate such risks. An acceptance strategy is an effective way of addressing emerging risks which are those risks that are anticipated to arise in the future.

Control activities are also established to ensure that risk management decisions are carried out effectively and consistently throughout the Group. This involves formalizing risk management decisions in the Group's policies, ensuring clear accountability, utilizing self-assessment and monitoring tools and designing controls into the systems and critical business processes.

57.9 Risk Factors and Types

57.9.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

57.9.1.1 General Accident Insurance Risks

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The most significant is the long tailed nature of occupational hazards and employers liability. Estimated inflation is also a significant factor due to the long period typically required to settle these cases.

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The Group manages these risks through prudent underwriting, adequate reinsurance arrangements and proactive claims handling.

Prudent underwriting attempts to ensure that bad risks are rejected and the underwritten pool of risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting policies are in place to enforce proper risk selection. For example, the Group does not write or renew individual policies with established moral hazards. It also imposes excesses and deductibles to make the insured bear a proportion of a loss and thus check negligent or indulgent tendencies. The Group undertakes loss investigation that most times results in downward adjustments of reported claims. The Group rejects payment of fraudulent claims that are thrown up by its investigation search light. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs through its subrogation rights. Any contract in which a branch office of the Group is committed to cover risks in excess of its prescribed limits requires head office approval.

The reinsurance arrangements include excess of loss and catastrophe covers that are used to protect the Group's net account. The effect of such reinsurance arrangements is that the Group should not suffer total net insurance losses of more than N70 million in any one event.

Sources of uncertainty in the estimation of future claim payments

Claims on long-tail general accident insurance contracts are payable on a claims-occurrence basis. Coverage applies to bodily injury or property damage that occurs during the policy period, regardless of when claims for damages are made. As a result, liability claims are settled over a long period of time (long-tail), and a larger element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability covers) or members of the public (for public liability covers). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period. The amount of casualty claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Casualty contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

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The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For general accident insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. However, the Nigerian market has not had severe losses from asbestos-related diseases which is usually material and is therefore not too complicated to come up with reasonable assumptions.

The Group uses assumptions based on a mixture of internal and market data. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at year-end 2014 to derive data for the contracts held. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims.

Change In Assumptions And Sensitivity Analysis

There were no additional net insurance reserves (outstanding claims) arising in respect of prior years that has arisen due to changes in the assumptions used to estimate the ultimate cost of claims, including public liability claims.

Because the assumptions used to estimate these liabilities require judgment, they are subject to great uncertainty.

57.9.1.2 Property Insurance Contracts

Frequency and severity of claims

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding) and their consequences (for example, flood claims). For certain contracts, the Group has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

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The Group has the right to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Group has reinsurance cover for such damage to limit losses to N300 million in any one catastrophe event.

Property insurance contracts are subdivided into the following risk groups: fire, business interruption, and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Group operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings. The Group does not underwrite property insurance contracts outside Nigeria.

Sources of uncertainty in the estimation of future claim payments

The shorter settlement period for these claims allow the Group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of a flood claim make the estimation process more uncertain for these claims.

The uncertain nature of the costs of this type of claim causes greater uncertainty in the estimates than in previous years. The Group has been monitoring numbers of reported claims on a weekly basis and reflected such information in its assessment of the adequacy of the unearned premium provision held at year end. The effect of this unexpected weather may affect prior year claims, due to the re-opening of old claims and higher settlement costs for flood claims in the current market. At year-end 2014, the Group believes that its liabilities for fire claims are adequate. However, more permanent changes in the climate may produce a higher frequency and severity of claims than currently expected.

Process used to decide on assumptions

For non-subsidence-related property risks, the Group uses similar statistical methods used for general accident insurance risks that incorporate the various assumptions made in order to estimate the ultimate cost of claims.

Similar to the approach for the assumptions underlying the casualty insurance liabilities, the choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combination of techniques have been selected for individual accident years or groups of accident years within the same class of business.

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Changes in assumptions

The Group did not change its assumptions for the insurance contracts disclosed in this note other than updating the costs of rebuilding properties, replacement or indemnity for contents for time value of money.

57.9.1.3 Long-term insurance contracts

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics (such as AIDS, SARS, EBOLA and a human form of avian flu) or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected.

For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. The Group charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimize its exposure to mortality risk. Delays in implementing increases in charges and market or regulatory restraints over the extent of the increases may reduce its mitigating effect. The Group manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. Medical selection is also included in the Group's underwriting procedures, to reflect the health condition and family medical history of the applicants. The Group has a retention limit of =N= 15 million on any single life insured and reinsures the excess through a surplus treaty reinsurance arrangement. The Group does not have in place any reinsurance for contracts that insure survival risk.

Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior.

Notes To The Consolidated And Separate Financial Statements Cont'd

The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation into the actual experience of the Group over the last three years is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not the case, the best estimate of future mortality is based on standard industry tables adjusted for the Group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies. The impact of any historical evidence of selective termination behavior will be reflected in this experience. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract.

A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event. As a result, the effect of changes in the underlying variables on insurance liabilities and related assets shown in paragraph below is not symmetrical. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

The assumptions used for the insurance contracts disclosed in this note are as follows:

I. Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into the Group's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

Notes To The Consolidated And Separate Financial Statements Cont'd

ii. Morbidity

The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Group's own experience.

iii. Persistency

An investigation into the Group's experience over the most recent three years is performed, and statistical methods are used to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration. An allowance is then made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account the effective contract holders' behavior.

iv. Investment returns

Investment returns affect the assumed level of future benefits due to the contract holders and the selection of the appropriate discount rate. The Group's primary assumptions on investment returns relate to four components:

(a) Risk-free rates

The risk-free rates are the gross yields to redemption of benchmark government securities.

(b) Equity investments

The expected long-term return – dividends and capital growth – is derived by adding to the risk-free rate of return on equity risk premium percentage considered to be appropriate.

(c) Overall investment return

A weighted average rate of investment return is derived by combining different proportions of the above financial assets in a model portfolio, which is assumed to back the liabilities. These model portfolios are consistent with the long-term asset allocation strategies as set out in the Group's Asset Liability Management (ALM) framework.

v. Renewal expense level and inflation

The current level of expenses is taken as an appropriate expense base. Expense inflation is assumed to be a suitable rate above current inflation rates hovering around 8.2% per annum in Nigeria.

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vi. Tax

It has been assumed that current tax legislation and rates continue unaltered.

Change in assumptions

The Group did not change its assumptions for the insurance contracts disclosed in this note.

(a) Guaranteed annuity options

The amount of insurance risk under contracts with guaranteed annuity options 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 will exercise their options.

Available table indicates the likely changes in the carrying amount of the liability at year-end in response to changes in interest and mortality rates. The additional carrying amount is calculated on the assumption that every contract holder exercises his option at the earliest date possible.

(b) Sources of uncertainty in the estimation of future claim payments

Other than for the testing of the adequacy of the liability representing the unexpired risk at the end of the reporting period, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by reinsurers are used as well as the actual experience of the Group. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

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The concentration of non-life insurance by the location of the underlying risk is summarised below by reference to liabilities.

	GROSS		REINSURANCE		NET	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Within Nigeria	32,083,331	25,183,487	22,868,966	16,464,586	9,214,365	8,718,901
Outside Nigeria	-	-	1,728,778	1,341,283	(1,728,778)	(1,341,283)
	<u>32,083,331</u>	<u>25,183,487</u>	<u>24,597,744</u>	<u>17,805,869</u>	<u>7,485,587</u>	<u>7,377,618</u>

The concentration of non-life insurance by type of contract is summarised below by reference to gross premium and premium ceded to reinsurers.

	GROSS		REINSURANCE		NET	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Accident	2,051,688	1,837,363	842,069	627,465	1,209,619	1,209,898
Aviation	193,934	172,952	59,090	28,594	134,844	144,358
Bond	5,321	5,835	1,492	1,198	3,829	4,637
Engineering	626,574	568,333	371,707	380,654	254,867	187,679
Fire	6,092,960	4,989,617	4,573,139	3,917,343	1,519,821	1,072,274
Marine	1,103,865	982,526	385,025	318,754	718,840	663,772
Motor	3,182,841	2,733,523	165,369	189,385	3,017,472	2,544,138
Oil and Energy	18,826,148	13,893,338	16,471,075	12,342,476	2,355,073	1,550,862
	<u>32,083,331</u>	<u>25,183,487</u>	<u>22,868,966</u>	<u>17,805,869</u>	<u>9,214,365</u>	<u>7,377,618</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Group uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims, costs, ultimate claims numbers and expected loss ratios. The Group considers that the liability for non-life insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

Some results of sensitivity testing are set out below:

Discounted Inflation Adjusted Basic Chain Ladder Method

	2020	Base N'000	5% Loss Ratio N'000	(-5%) Loss Ratio N'000	1% Inflation Rate N'000	(-1)% Inflation Rate N'000	1% Discount Rate N'000	(-1)% Discount Rate N'000
Class of business								
Accident		148,270	7,580	1,728	1,544	(148)	148	148
Engineering		148,453	-	-	-	-	-	-
Fire		599,058	26,584	26,584	(804)	10,589	804	(804)
Marine		93,936	2,657	2,657	(865)	13,167	865	(865)
Motor		167,577	3,158	3,158	(712)	11,115	712	(712)
Oil and Energy		515,403	53,841	53,841	(1,115)	-	-	-
Bond		591	-	-	-	-	-	-
Aviation		16,617	2,728	2,728	(2,154)	-	-	-
Total IBNR		1,689,905	96,550	90,698	(4,105)	34,723	2,528	(2,232)
Effect of changes on IBNR								
	2019							
Accident		111,484	21,806	18,708	1,797	(1,797)	(1,797)	(1,797)
Engineering		176,691	-	-	-	-	-	-
Fire		551,289	124,228	(83,098)	6,307	(6,307)	(6,307)	6,307
Marine		80,629	28,501	(12,114)	795	(795)	(795)	795
Motor		145,399	77,149	(26,239)	1,681	(1,681)	(1,681)	1,681
Oil and Energy		538,246	51,524	(51,524)	-	-	-	-
Bond		583	-	-	-	-	-	-
Aviation		14,124	860	(860)	-	-	-	-
Total IBNR		1,618,445	304,069	(155,127)	10,580	(10,580)	(10,580)	6,986
Effect of changes on IBNR								

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Claims development table for non-life outstanding claims

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. In 2012, in the year of adoption of IFRS, only 5 years were required to be disclosed. This will be increased in each succeeding year, until 8 - 10 years of information is presented. The top half of the table shows how the estimates of total claims for each accident year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the Statement of Financial Position.

The cumulative claims estimates and payments for each accident year are translated into Nigerian Naira at the year rates that applied at the end of each accident year.

Analysis of claims development – Gross

	2012 N'000	2013 N'000	2014 N'000	2015 N'000	2016 N'000	2017 N'000	2018 N'000	2019 N'000	2020 N'000	Total N'000
Estimate of ultimates: End of accident year										
1 year later	1,390,979	1,452,032	1,478,339	1,496,704	1,503,375	1,503,375	1,503,725	1,503,725	3,505,260	
2 years later	1,599,852	1,524,255	1,844,216	2,785,178	2,257,150	3,448,359	2,478,834	3,641,427	-	
3 years later	1,601,677	3,105,505	3,200,095	3,377,010	3,233,541	5,124,868	3,301,692	-	-	
4 years later	2,244,761	3,208,370	3,594,841	3,311,769	3,298,238	7,487,174	-	-	-	
5 years later	1,976,699	3,882,475	3,599,845	3,481,731	2,479,857	-	-	-	-	
6 years later	1,935,662	3,715,487	3,508,298	2,271,062	-	-	-	-	-	
7 years later	1,932,292	3,772,635	2,470,554	-	-	-	-	-	-	
8 years later	2,208,644	2,146,442	-	-	-	-	-	-	-	
9 years later	2,010,827	-	-	-	-	-	-	-	-	
10 years later	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	
Current estimate of ultimate claims	2,010,827	2,146,442	2,470,554	2,271,062	2,479,857	7,487,174	3,301,692	3,641,427	3,505,260	29,314,295
Cumulative payments	(2,005,746)	(2,143,184)	(2,463,923)	(2,252,506)	(2,395,132)	(7,410,960)	(3,069,096)	(2,980,880)	(1,465,246)	(26,186,673)
Outstanding claims	5,081	3,258	6,631	18,556	84,725	76,214	232,596	660,547	2,040,014	3,127,622

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57.9.2 Credit Risks

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. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The key areas of exposure to credit risk for the Group are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries. Key areas where the Group is exposed to credit risk are:

Principal Credit Risks

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries;
- Amounts due from loans and receivables;
- Amounts due from debt securities; and
- Amounts due from money market and cash positions.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the Group uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

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The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

57.9.2.1 Credit Risk Measurement, Control and Mitigation

i. Premium and Reinsurance Receivables

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Credit Control Committee works closely with the Underwriting and Reinsurance departments to assess the creditworthiness of all reinsurers and intermediaries by setting and reviewing regularly the credit rating of each reinsurer using internal records and other publicly available financial information.

Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the group procedures on credit. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Group's risk department.

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The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

ii. Investments

The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have a credit rating of at least BBB- from rating agencies. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Industry analysis

31 December 2020 - Group	Financial Services N'000	Government N'000	Consumers N'000	Construction & Materials N'000	Manufacturing & Petroleum N'000	Others N'000	Total N'000
Cash and cash equivalents	13,743,138	-	-	-	-	-	13,743,138
Debt instruments at amortised costs	13,946,587	24,365,246	941,501	-	-	-	39,253,334
Trade receivables	-	-	-	-	-	417,905	417,905
Other receivables	-	-	-	-	-	5,983,753	5,983,753
Reinsurance assets	-	-	-	-	-	3,550,095	3,550,095
Statutory deposits	-	560,000	-	-	-	-	560,000
	<u>27,689,725</u>	<u>24,925,246</u>	<u>941,501</u>	<u>-</u>	<u>-</u>	<u>9,951,753</u>	<u>63,508,225</u>
31 December 2019 - Group							
Cash and cash equivalents	9,362,641	-	-	-	-	-	9,362,641
Debt instruments at amortised costs	22,215,940	17,746,581	256,686	-	-	-	40,219,208
Trade receivables	-	-	-	-	-	134,664	134,664
Other receivables	-	-	-	-	-	2,169,817	2,169,817
Reinsurance assets	-	-	-	-	-	3,539,728	3,539,728
Statutory deposits	-	560,000	-	-	-	-	560,000
	<u>31,578,581</u>	<u>18,306,581</u>	<u>256,686</u>	<u>-</u>	<u>-</u>	<u>5,844,209</u>	<u>55,986,058</u>

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31 December 2020 - Company	Financial Services N'000	Government N'000	Consumers N'000	Construction & Materials N'000	Manufacturing & Petroleum N'000	Others N'000	Total N'000
Cash and cash equivalents	1,654,286	-	-	-	-	-	1,654,286
Debt instruments at amortised costs	-	537,182	508,676	-	-	-	1,045,858
Other receivables	-	-	-	-	-	1,713,580	1,713,580
	<u>1,654,286</u>	<u>537,182</u>	<u>508,676</u>	<u>-</u>	<u>-</u>	<u>1,713,580</u>	<u>4,413,724</u>
31 December 2019 - Company							
Cash and cash equivalents	1,524,534	-	-	-	-	-	1,524,534
Debt instruments at amortised costs	2,264,751	356,213	119,062	-	-	-	2,740,026
Other receivables	-	-	-	-	-	-	1,815,601
	<u>3,789,285</u>	<u>356,213</u>	<u>119,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,080,161</u>

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The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Company's credit ratings of counter parties:

31 December 2020 - Group	Investment Grade N'000	Non Investment Grade: Satisfactory N'000	Unrated N'000	Total N'000
Debt instruments at amortised cost	22,851,243	16,402,091	-	39,253,334
Cash and cash equivalents	-	13,743,138	-	13,743,138
Other receivables	-	-	5,983,753	5,983,753
Trade receivables	-	-	417,905	417,905
Reinsurance assets	-	-	3,550,095	3,550,095
	<u>22,851,243</u>	<u>30,145,229</u>	<u>9,951,753</u>	<u>62,948,225</u>
31 December 2019 - Group				
Debt instruments at amortised cost	20,105,552	20,113,656	-	40,219,208
Cash and cash equivalents	-	9,362,641	-	9,362,641
Other receivables	-	-	2,169,817	2,169,817
Trade receivables	-	-	134,664	134,664
Reinsurance assets	-	-	3,539,728	3,539,728
	<u>20,105,552</u>	<u>29,476,297</u>	<u>5,844,209</u>	<u>55,426,058</u>
31 December 2020 - Company				
Cash and cash equivalents	-	1,654,286	-	1,654,286
Other receivables	-	-	1,713,580	1,713,580
Debt instruments at amortised costs	-	1,045,858	-	1,045,858
	<u>-</u>	<u>2,700,144</u>	<u>1,713,580</u>	<u>4,413,724</u>
31 December 2019 - Company				
Cash and cash equivalents	-	1,524,534	-	1,524,534
Other receivables	-	-	1,815,601	1,815,601
Debt instruments at amortised costs	-	2,740,026	-	2,740,026
	<u>-</u>	<u>4,264,560</u>	<u>1,815,601</u>	<u>6,080,161</u>

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Impairment Assessment

The Group's ECL assessment and measurement method is set out below.

Significant increase in credit risk, default and cure

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due, In addition, the Group also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- The counterparty having past due liabilities to public creditors or employees
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

The Group considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. In such cases, the Group recognises a lifetime ECL.

There has been no significant increase in credit risk or default for financial assets during the year.

Expected credit loss

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

Notes To The Consolidated And Separate Financial Statements Cont'd

Impairment losses on financial investments subject to impairment assessment

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on Moody's credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are also provided.

Moody's Rating

	Group	2020			2019		
		12mECL N'000	LTECL N'000	Total N'000	12mECL N'000	LTECL N'000	Total N'000
Performing							
Cash and cash equivalents							
AAA-A+		13,935,731	-	13,935,731	9,521,219	-	9,521,219
BBB-B+		-	-	-	-	-	-
C-CCC		-	-	-	-	-	-
Total Gross Amount		13,935,731	-	13,935,731	9,521,219	-	9,521,219
ECL		(192,593)	-	(192,593)	(158,578)	-	(158,578)
Total Net Amount		13,743,138	-	13,743,138	9,362,641	-	9,362,641
Financial assets - amortised cost							
AAA-A+		-	-	-	-	-	-
BBB-B+		39,658,580	-	39,658,580	40,495,259	-	40,495,259
C-CCC		-	-	-	-	-	-
Total Gross Amount		39,658,580	-	39,658,580	40,495,259	-	40,495,259
ECL		(405,246)	-	(405,246)	(276,051)	-	(276,051)
Total Net Amount		39,253,334	-	39,253,334	40,219,208	-	40,219,208
Unrated							
Other receivables							
		5,801,239	111,007	5,912,246	2,058,810	111,007	2,169,817
Total Gross Amount		5,801,239	111,007	5,912,246	2,058,810	111,007	2,169,817
ECL		30,516	(107,327)	(76,811)	(23,783)	(107,327)	(131,110)
Total Net Amount		5,831,755	3,680	5,835,435	2,035,027	3,680	2,038,707

Notes To The Consolidated And Separate Financial Statements Cont'd

Moody's Rating Performing Cash and cash equivalents	Company	2020			2019		
		12mECL N'000	LTECL N'000	Total N'000	12mECL N'000	LTECL N'000	Total N'000
AAA-A+		-	-	-	-	-	-
BBB-B+		1,688,803	-	1,688,803	1,550,537	-	1,550,537
C-CCC		-	-	-	-	-	-
Total Gross Amount		1,688,803	-	1,688,803	1,550,537	-	1,550,537
ECL		(34,517)	-	(34,517)	(25,983)	-	(25,983)
Total Net Amount		1,654,286	-	1,654,286	1,524,554	-	1,524,554
Financial assets - amortised cost							
AAA-A+		-	-	-	-	-	-
BBB-B+		1,289,238	-	1,289,238	2,750,708	-	2,750,708
C-CCC		-	-	-	-	-	-
Total Gross Amount		1,289,238	-	1,289,238	2,750,708	-	2,750,708
ECL		(1,239)	-	(1,239)	(10,682)	-	(10,682)
Total Net Amount		1,287,999	-	1,287,999	2,740,026	-	2,740,026
Unrated							
Other receivables		1,697,402	(10,690)	1,686,712	1,804,911	(10,690)	1,815,601
Total Gross Amount		1,697,402	(10,690)	1,686,712	1,804,911	(10,690)	1,815,601
ECL		(10,089)	(10,089)	(20,779)	(15,918)	(10,690)	(26,608)
Total Net Amount		1,687,313	(20,779)	1,665,933	1,788,993	-	1,788,993

Notes To The Consolidated And Separate Financial Statements Cont'd

Collateral for other receivables

Some of the Group's receivables (e.g. mortgage loans and car loans) are collateralised with assets ranging from properties and cars. As at 31 December 2020, the value of assets accepted as collateral that the Group is permitted to repossess or sell in the occurrence of default in respect of the staff loans exceeds the receivables balances.

As at 31 December 2020, the Group had no asset re-possessed as security against asset. The Group policy is to pursue timely realisation of collateral in an orderly manner in the case of default. The Group does not generally use the non cash collateral for its own operations.

As at 31 December 2020, the Group has not pledged any of its assets as collateral for any liability or payable balance (2019: nil)

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

When determining whether the credit risk (i.e. Risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost of effort, This includes both qualitative and quantitative information analysis based on the Group's experience, expert credit assessment and forward looking information. The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by using days past due and assessing other information obtained externally.

Whenever available, the Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in the published rating, the group also reviews changes in Bond yields together with available press and regulatory information about issuers.

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

Notes To The Consolidated And Separate Financial Statements Cont'd

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

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

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

Modified Financial Assets

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

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

Definition of Default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or the financial asset is more than 90 days past due.

Notes To The Consolidated And Separate Financial Statements Cont'd

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant and the other indicators of financial distress;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of Forward Looking Information

The Group incorporates forward-looking information into its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Group's Investment and Risk committee, economic experts and consideration of a variety of external actual and forecast information. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Nigeria, supranational organizations such as the Organisation for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a best estimate and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes.

Notes To The Consolidated And Separate Financial Statements Cont'd

Measurement of ECL

The calculation of the expected credit loss is based on the key risk parameters of Probability of default(PD), Loss given default(LGD) and Exposure at default (EAD).

To determine the Lifetime and 12-month PDs, the Group uses the PD tables supplied by Moodys based on the default history of sovereign and corporate obligors with the same credit rating. The Group adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. The PDs are recalibrated and adjusted to reflect forward looking information as described below. changes in the rating for counterparties and exposure lead to a change in estimate of the associated PD.

Loss Given Default is the magnitude off the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against the defaulted counterparties. The LGD for sovereign fixed income exposures are based on publications by Moody's and the models consider the structure, collateral, seniority of claims and recovery of any collateral that is integral to the financial asset. For loans secured with properties or asset, loan to value ratios are key parameter in determining LGD. LGDs are calculated on discounted cash flow basis using effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount. As described in the accounting policy, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The modelling of parameter is carried out on an individual basis.

An overview of the approach to estimating ECLs is set out in Note 2 and in Note 3 judgements, estimates and assumptions. To ensure completeness and accuracy, the Group obtains the data used from third party sources (Moodys, Standards and Poor, Economist associate etc.) and its investment team verifies the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Group's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios for Nigeria, as at 31 December 2019.

The Group has identified and documented key divers of credit risk amd ECL for each portfolio of financial instruments and , using an anlysis of historical data, has estimated relationships between macro economic variables and credit risk and credit losses. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

Notes To The Consolidated And Separate Financial Statements Cont'd

Analysis of inputs to the ECL model under multiple economic scenarios

31 December 2020

Key Drivers

Macroeconomic Variable	ECL Scenario	Assigned Probabilities	2020	2021	2022	2023	2024
GDP Growth rate (%)	Upside	11%	0.84	7.26	6.76	7.46	8.16
	Base case	80%	-3.62	2.80	2.30	3.00	3.70
	Downside	8%	-9.09	-2.67	-3.17	-2.47	-1.77
Inflation rates (%)	Upside	11%	10.90	11.41	10.71	9.51	8.01
	Base case	80%	14.89	15.40	14.70	13.50	12.00
	Downside	8%	19.35	19.86	19.16	17.96	16.46
Oil Prices "USD"(price per barrel)	Upside	11%	83.13	86.13	92.13	94.28	96.52
	Base case	80%	41.00	44.00	50.00	52.15	54.39
	Downside	8%	14.68	17.68	23.68	25.83	28.07
Unemployment rates (%)	Upside	11%	22.76	24.76	25.26	25.76	26.26
	Base case	80%	30.00	32.00	32.50	33.00	33.50
	Downside	8%	44.91	46.91	47.41	47.91	48.41

31 December 2019

Key drivers

Macroeconomic variable

GDP Growth rate (%)	Upside	11%	2.56	2.56	2.77	2.65	2.68
	Base case	81%	2.52	2.52	2.73	2.61	2.64
	Downside	8%	2.48	2.48	2.69	2.57	2.60
Inflation rates (%)	Upside	11%	11.69	11.27	11.36	11.10	10.96
	Base case	81%	11.73	11.31	11.40	11.14	11.00
	Downside	8%	11.78	11.36	11.45	11.19	11.05
Oil Prices "USD"(price per barrel)	Upside	11%	92.98	94.44	95.97	97.41	98.85
	Base case	81%	53.50	54.96	56.49	57.93	59.38
	Downside	8%	27.20	28.66	30.19	31.63	33.07
Unemployment rates (%)	Upside	11%	29.95	32.45	34.45	36.57	38.82
	Base case	81%	30.00	32.50	34.50	36.62	38.88
	Downside	8%	30.10	32.60	34.60	36.72	38.98

Notes To The Consolidated And Separate Financial Statements Cont'd

The following tables outline the impact of multiple scenarios on the allowance

31 December 2020	Group		Cash and cash equivalents N'000	Financial assets - amortised cost N'000	Other receivables N'000	Total N'000
Upside		11%	21,185	44,577	8,449	74,212
Base case		81%	156,000	328,249	62,217	546,467
Downside		8%	15,407	32,420	6,145	53,972
			192,593	405,246	76,811	674,650
	Company					
Upside		11%	3,797	136	2,286	6,219
Base case		81%	27,959	1,004	16,831	45,793
Downside		8%	2,761	99	1,662	4,523
			34,517	1,239	20,779	56,535
31 December 2019	Group					
Upside		11%	17,444	30,366	14,422	62,231
Base case		81%	128,448	223,602	106,199	458,249
Downside		8%	12,686	22,084	10,489	45,259
			158,578	276,051	131,110	565,739
	Company					
Upside		11%	2,858	1,175	2,927	6,960
Base case		81%	21,046	8,652	21,552	51,251
Downside		8%	2,079	855	2,129	5,062
			25,983	10,682	26,608	63,273

Notes To The Consolidated And Separate Financial Statements Cont'd

The following tables outline the impact of multiple scenarios on the allowance

31 December 2020	Group		Cash and cash equivalents N'000	Financial assets - amortised cost N'000	Other receivables N'000	Total N'000
Upside		11%	21,185	44,577	8,449	74,212
Base case		81%	156,000	328,249	62,217	546,467
Downside		8%	15,407	32,420	6,145	53,972
			192,593	405,246	76,811	674,650
	Company					
Upside		11%	3,797	136	2,286	6,219
Base case		81%	27,959	1,004	16,831	45,793
Downside		8%	2,761	99	1,662	4,523
			34,517	1,239	20,779	56,535
31 December 2019	Group					
Upside		11%	17,444	30,366	14,422	62,231
Base case		81%	128,448	223,602	106,199	458,249
Downside		8%	12,686	22,084	10,489	45,259
			158,578	276,051	131,110	565,739
	Company					
Upside		11%	2,858	1,175	2,927	6,960
Base case		81%	21,046	8,652	21,552	51,251
Downside		8%	2,079	855	2,129	5,062
			25,983	10,682	26,608	63,273

Notes To The Consolidated And Separate Financial Statements Cont'd

57.9.2.2 Liquidity Risks

Liquidity risk is the risk that the Group cannot meet its obligations associated with financial liabilities as they fall due.

The Group has adopted an appropriate liquidity risk management framework for the management of the Group's liquidity requirements. The Group manages liquidity risk by maintaining adequate liquid assets and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Group is exposed to liquidity risk arising from clients on its insurance contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers.

Liquidity management ensures that the Group has sufficient access to funds necessary to cover insurance claims. In practice, most of the Group's assets are marketable securities which could be converted to cash when required.

The following tables detail the Group's expected maturity for its non-derivative assets. The tables below have been drawn up on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except the Group anticipates that the cash flow will occur in a different period.

Notes To The Consolidated And Separate Financial Statements Cont'd

31 December 2020 - Group

Financial and insurance assets:	Up to 1 year N'000	1-3 years N'000	3-5 years N'000	Over 5 years N'000	Total N'000
Amortised cost					
- Federal	22,856,019	2,026,993	2,088,875	2,088,875	45,213,243
- State	-	-	1,013,092	1,013,092	1,512,615
- Corporate	-	7,196,238	6,034,451	6,034,451	13,267,083
- Others	349,916	505,290	117,938	117,938	973,144
Reinsurance assets	3,550,095	-	-	-	3,550,095
Trade receivables	417,905	-	-	-	417,905
Other receivables	5,983,753	-	-	-	5,983,753
Cash and cash equivalents	13,743,138	-	-	-	13,743,138
	<u>46,900,826</u>	<u>9,728,521</u>	<u>9,254,356</u>	<u>9,254,356</u>	<u>84,660,976</u>
Financial and insurance liabilities:					
Insurance contract liabilities	89,542,143	-	-	-	89,542,143
Investment contract liabilities	6,072,622	-	-	-	6,072,622
Trade payables	4,627,571	-	-	-	4,627,571
Other payables	8,685,009	-	-	-	8,685,009
	<u>19,385,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,927,345</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

31 December 2019 - Group

Financial and insurance assets:	Up to 1 year N'000	1-3 years N'000	3-5 years N'000	Over 5 years N'000	Total N'000
Amortised cost					
- Federal	10,816,022	4,680,957	-	11,823,232	27,320,211
- State	-	-	1,401,798	-	1,401,798
- Corporate	6,324,829	7,261,725	424,349	-	15,794,216
- Others	53,856	-	203,560	-	6,455,991
Reinsurance assets	3,539,728	-	-	-	3,539,728
Trade receivables	430,269	-	-	-	430,269
Other receivables	2,169,817	-	-	-	2,169,817
Cash and cash equivalents	9,362,870	-	-	-	9,362,870
	<u>32,697,392</u>	<u>11,942,682</u>	<u>2,029,708</u>	<u>11,823,232</u>	<u>66,474,900</u>
Financial and insurance liabilities:					
Insurance contract liabilities	4,289,166	3,120,897	5,458,939	407,679	13,380,868
Investment contract liabilities	449,871	1,518,063	1,121,724	-	3,089,658
Trade payables	3,323,126	-	-	-	3,323,126
Other payables	1,916,042	-	-	-	1,916,042
	<u>9,978,205</u>	<u>4,638,960</u>	<u>6,580,663</u>	<u>407,679</u>	<u>21,709,694</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

31 December 2020 - Company

Financial and insurance assets:	Up to 1 year N'000	1-3 years N'000	3-5 years N'000	Over 5 years N'000	Total N'000
Amortised cost					
Financial assets:	1,044,619	-	257,500	-	1,302,119
Amortised cost	1,713,580	-	-	-	1,713,580
Other receivables	1,654,286	-	-	-	1,654,286
Cash and cash equivalents	<u>4,412,485</u>	<u>-</u>	<u>257,500</u>	<u>-</u>	<u>4,669,985</u>

Financial liabilities:

Other payables	693,787	-	-	-	693,787
	<u>693,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693,787</u>

31 December 2019 - Company

Financial assets:					
Amortised cost	2,310,371	731,968	417,460	-	3,459,799
Other receivables	1,815,601	-	-	-	1,815,601
Cash and cash equivalents	192,180	-	-	-	192,180
	<u>4,318,152</u>	<u>731,968</u>	<u>417,460</u>	<u>-</u>	<u>5,467,580</u>

Financial liabilities:

Other payables	621,847	-	-	-	621,847
	<u>621,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>621,847</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

The table below summarises the expected utilisation of assets and liabilities

31 December 2020 - Group

Asset	Current N'000	Non Current N'000	Total N'000
Cash and cash equivalents	13,743,138	-	13,743,138
Financial assets	12,172,487	100,654,496	112,826,983
Trade receivables	417,905	-	417,905
Reinsurance assets	6,761,113	1,116,881	7,877,994
Inventory	-	4,270,906	4,270,906
Deferred acquisition costs	662,830.00	-	662,830
Other receivables and prepayments	7,045,422	-	7,045,422
Right-of-use assets	80,275	-	80,275
Investment in associate	-	4,730,728	4,730,728
Investment in joint venture	-	130,393	130,393
Investment properties	-	11,145,199	11,145,199
Assets of disposal group classified as held for sale	-	8,140,686	8,140,686
Property, plant and equipment	-	4,445,995	4,445,995
Intangible assets	-	159,108	159,108
Statutory deposits	-	560,000	560,000
Total assets	40,883,170	135,354,392	176,237,562
Liabilities			
Insurance contract liabilities	9,164,397	80,377,746	89,542,143
Investment contract liabilities	26,799	6,045,823	6,072,622
Interest bearing Loans and Borrowings	1,143,421	4,279,079	5,422,500
Lease liabilities	-	-	-
Trade payables	4,627,571	-	4,627,571
Other payables	8,685,008	-	8,685,008
Liabilities of disposal group classified as held for sale/distribution to owners	946,620	-	946,620
Current income tax payable	1,694,459	-	1,694,459
Deferred tax liabilities	-	1,658,606	1,658,606
Total liabilities	26,288,275	92,361,254	118,649,529

Notes To The Consolidated And Separate Financial Statements Cont'd

The table below summarises the expected utilisation of assets and liabilities

31 December 2019 - Group

Asset	Current N'000	Non Current N'000	Total N'000
Cash and cash equivalents	9,362,870	-	9,362,870
Financial assets	7,963,210	73,193,379	81,156,589
Trade receivables	134,664	-	134,664
Reinsurance assets	8,507,763	643,390	9,151,153
Deferred acquisition costs	667,740	-	667,740
Other receivables and prepayments	2,655,370	-	2,655,370
Right-of-use assets	3,278	-	3,278
Investment in associate	-	547,847	547,847
Investment properties	130,072	9,146,905	9,276,977
Property, plant and equipment	-	4,278,501	4,278,501
Intangible assets	-	222,781	222,781
Statutory deposits	-	560,000	560,000
Total assets	29,424,967	88,592,803	118,017,770
Liabilities			
Insurance contract liabilities	837,699	58,234,376	59,072,075
Investment contract liabilities	398,535	3,586,813	3,985,348
Lease liabilities	744	-	744
Trade payables	3,323,126	-	3,323,126
Other payables	3,385,347	-	3,385,347
Current income tax payable	2,114,754	-	2,114,754
Deferred tax liabilities	-	1,397,066	1,397,066
Total liabilities	10,060,205	63,218,255	73,278,460

Notes To The Consolidated And Separate Financial Statements Cont'd

The table below summarises the expected utilisation of assets and liabilities

31 December 2020 - Company

Asset	Current N'000	Non Current N'000	Total N'000
Cash and cash equivalents	1,654,286	-	1,654,286
Financial assets	1,045,858	1,521,978	2,567,836
Other receivables and prepayments	2,468,286	-	2,468,286
Investments in subsidiaries	-	15,254,287	15,254,287
Investments in associate	-	525,364	525,364
Investment properties	-	4,636,980	4,636,980
Property, plant and equipment	-	56,776	56,776
Total assets	5,168,430	21,995,385	27,163,815
Liabilities			
Other payables	1,035,072	-	1,035,072
Current income tax payable	563,773	-	563,773
Deferred tax liabilities	-	367,398	367,398
Total liabilities	1,598,845	367,398	1,966,243

31 December 2019 - Company

Assets			
Cash and cash equivalents	1,524,554	-	1,524,554
Financial assets	1,963,492	1,131,097	3,094,589
Other receivables and prepayments	3,268,155	-	3,268,155
Investments in subsidiaries	-	8,410,669	8,410,669
Investments in associate	-	525,364	525,364
Investment properties	-	4,636,980	4,636,980
Property, plant and equipment	-	62,582	62,582
Total assets	6,756,201	14,766,692	21,522,893
Liabilities			
Other payables	939,164	-	939,164
Current income tax payable	629,711	-	629,711
Deferred tax liabilities	-	307,001	307,001
Total liabilities	1,568,875	307,001	1,875,876

Notes To The Consolidated And Separate Financial Statements Cont'd

57.9.3 Market Risks

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. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group has established policies and procedures in order to manage market risk.

57.9.3.1 Currency Risks

Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group exposure to currency risk are minimised by matching the Group's financial assets to the same currencies as its insurance and investment contract liabilities. Cash and cash equivalent is the major asset which gives rise to currency risk.

Notes To The Consolidated And Separate Financial Statements Cont'd

Carrying amounts of the Group's foreign currency denominated assets.

2020 - Group

Asset	Sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Cash and cash equivalents	5,299	4,922	1,814,332	1,824,553
Financial assets	-	145,411	16,975,793	17,121,204
Reinsurance assets	-	-	2,882,106	2,882,106
	<u>5,299</u>	<u>150,333</u>	<u>21,672,231</u>	<u>21,827,863</u>
Liabilities				
Insurance contract liabilities	-	-	4,167,791	4,167,791
Net assets	<u>5,299</u>	<u>150,333</u>	<u>17,504,440</u>	<u>17,660,072</u>

2019 - Group

Assets	Sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Cash and cash equivalents	726	2,338	3,334,761	3,337,825
Financial assets	-	124,734	12,083,262	12,207,996
Reinsurance assets	-	-	677,998	677,998
	<u>726</u>	<u>127,072</u>	<u>16,096,021</u>	<u>16,223,819</u>
Liabilities				
Insurance contract liabilities	-	-	1,163,887	1,163,887
Net assets	<u>726</u>	<u>127,072</u>	<u>14,932,134</u>	<u>15,059,932</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

Carrying amounts of the Group's foreign currency denominated assets.

2020 - Company

Asset	Sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Cash and cash equivalents	-	-	8,572	8,572
	<u>-</u>	<u>-</u>	<u>8,572</u>	<u>8,572</u>

2019 - Company

Assets

Cash and cash equivalents	-	-	23,781	23,781
	<u>-</u>	<u>-</u>	<u>23,781</u>	<u>23,781</u>

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to 10% increase and decrease in the Naira against the relevant foreign currencies. A 10% sensitivity rate is used when reporting foreign risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity, the impact of change in a single factor is shown with other assumptions unchanged.

Group		2020		2019		
		Impact on profit before tax N'000	Impact on equity N'000	Impact on profit before tax N'000	Impact on equity N'000	
Cash and cash equivalent	Sterling	+10%	530	530	73	73
		-10%	(530)	(530)	(73)	(73)
	Euro	+10%	492	492	23	18
		-10%	(492)	(492)	(23)	(18)
USD	+10%	181,433	181,433	33,348	27,244	
	-10%	(181,433)	(181,433)	(33,348)	(27,244)	
Company	USD	+10%	857	857	238	156
		-10%	(857)	(857)	(238)	(156)

Notes To The Consolidated And Separate Financial Statements Cont'd

57.9.3.2 Interest Rate Risk Management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk as the Group invests in long term debt at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by limited use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

Interest rate risk also exists in products sold by the Group. The Group manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The Group has no significant concentration of interest rate risk.

57.9.3.3 Equity Price Risk Management

The Group is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed and unlisted securities that present the Group with opportunity for return through dividend income and capital appreciation. Equity investments designated as fair value through other comprehensive income (available-for-sale) are held for strategic rather than trading purposes.

The analysis below is performed for reasonably possible movements in market indices with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose fair values are recorded in the statement of profit or loss).

Notes To The Consolidated And Separate Financial Statements Cont'd

The analysis below is performed for reasonably possible movements in market indices with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets whose fair values are recorded in the statement of profit or loss).

Group		2020		2019	
		Impact on profit before tax N'000	Impact on equity N'000	Impact on profit before tax N'000	Impact on equity N'000
Cash and cash equivalent					
Fair value through profit or loss	+1%	719,580	-	401,294	-
	-1%	(719,580)	-	(401,294)	-
Fair value through OCI	+1%	-	16,157	-	8,080
	-1%	-	(16,157)	-	(8,080)
Company					
Fair value through profit or loss	+1%	12,798	-	3,546	-
	-1%	(12,798)	-	(3,546)	-

57.9.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Group recognizes the significance of operational risk, which is inherent in all areas of our business. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

The Group is committed to the management of operational risks. The Group's operational risk management strategy aims to:

- reduce losses arising from operational risk – a key role of operational risk management in the Group is to reduce losses from operational failure and in particular avoid potentially large or catastrophic risk losses;

Notes To The Consolidated And Separate Financial Statements Cont'd

- provide early warning signals of deterioration in the Group's internal control system; and
- raise awareness of operational risk in the Group from top to bottom through the implementation of an enterprise-wide risk approach.

One of the foremost operational risks faced by the Group are financial crimes (internal fraud, external fraud and money laundering). Each incident is analysed, control failures identified and new controls designed. The Group is also investing in enhanced loss control. Key counter-measures put in place include:

- enhanced staff training;
- enhanced Know Your Policyholder (KYP) drive and background checks on employees;
- issuance of appropriate and deterrent circulars;
- job rotation and segregation;
- dissemination of email and SMS alerts to the Group's customers for each activity on their accounts;
- imposition of stiff disciplinary measures including prosecution of fraudulent staff, agents and brokers; and
- installation of panic alarm system, CCTV.

57.9.5 Outsourcing Risk

Outsourcing risk is the risk inherent in the usage of vendors. The group's extensive use of vendors enables the enterprise to deliver products and services to consumers and benefits to our employees. Risks inherent with using vendors includes: vendor performance, financial risks, reputation/brand, business continuity, information security, and legal/regulatory.

The Key counter-measures put in place includes:

- Maintain Enterprise policies to ensure appropriate management review, approval, and oversight of vendor risks.
- Hold vendors accountable for performance and utilize Management of Service Level Objectives.
- Through the Vendor Management Community, train associates responsible for vendor management on compliance processes, managing vendor risks, and sharing best practices.

Notes To The Consolidated And Separate Financial Statements Cont'd

- Review critical vendors and corporate department vendor oversight through the Internal Audit program.
- Conduct vendor vulnerability assessments on critical vendors to validate logical and physical controls protecting Custodian information and business processes.
- Manage vendor relationships and risk through Vendor Management Units.
- Identify Enterprise relationship owners for vendors that span multiple departments at Custodian.
- Use shared information repositories for contracts and vendor relationship management.

57.10 Financial Risk Management

Valuation Basis

The Group monitors and manages the financial risks relating to its operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group may seek to minimise the effects of these risks by using financial instruments to hedge risk exposures.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Fair values are determined at prices quoted in active markets. In the current environment, such price information is typically not available for all instruments and the Group applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Notes To The Consolidated And Separate Financial Statements Cont'd

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. The Group has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

Group

31 December 2020	Fair value through profit or loss N'000	Fair value through OCI N'000	Fair value N'000
Quoted equities at FVTPL	71,957,967	-	71,957,967
Fair value through OCI - quoted	-	17,143	17,143
Fair value through OCI - unquoted	-	1,598,539	1,598,539
	<u>71,957,967</u>	<u>1,615,682</u>	<u>73,573,649</u>

31 December 2019

Quoted equities at FVTPL	40,129,402	-	40,129,402
Fair value through OCI - quoted	-	16,759	16,759
Fair value through OCI - unquoted	-	791,220	791,220
	<u>40,129,402</u>	<u>807,979</u>	<u>40,937,381</u>

Company

31 December 2020	1,279,837	-	1,279,837
Quoted equities at FVTPL	<u>354,563</u>	-	<u>354,563</u>

31 December 2019	354,563	-	354,563
Quoted equities at FVTPL	<u>354,563</u>	-	<u>354,563</u>

Notes To The Consolidated And Separate Financial Statements Cont'd

The management assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair value of unquoted equity measured at fair value and other debt securities whose fair values are disclosed.

i Unquoted Equity

The fair values of the unquoted ordinary shares have been estimated using either of Income approach or Market approach.

Under the income approach, the valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

Under the market approach, the Company determines comparable public companies (Peers) based on industry, size, leverage and strategy and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value.

The Company classifies the fair value of these investments as Level 3.

ii Unlisted Managed Funds

The Company invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The Company's investment manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair

Notes To The Consolidated And Separate Financial Statements Cont'd

value the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Company classifies these funds as Level 3.

iii Listed Debt Securities - Bonds

Fair values of publicly traded debt securities are based on quoted market prices in an active market for identical assets with adjustments for accrued interest on the instrument after the last interest/coupon payment date. The Company values these investments at closing bid price.

iv Money market funds and similar securities (treasury bills)

The estimated fair value of money market funds is based on discounted cash flows using prevailing quoted Money-market interest rates for debts with similar credit risk and maturity.

Notes To The Consolidated And Separate Financial Statements Cont'd

Quantitative information of significant observable inputs - unquoted equity instruments

Investment	Valuation technique (Significant unobservable valuation input)	Range* (weighted average)	Sensitivity used*	Effect on fair value (N'000)
African Reinsurance Corporation	Market approach	Average EBITDA multiple of peers	2020: 5% 2019: 5%	2020: N32 2019: N205
		Discount to average multiple (10%)	2020: 1% 2019: 1%	2020: N729 2019: N762
Mainstreet Technologies incorporation	Market approach	Average EBITDA multiple of peers	2020: 5% 2019: 5%	2020: N8748 2019: N1,900
		Discount to average multiple (10%)	2020: 1% 2019: 1%	2020: N1,910 2019: N1,900
WSTC Financial Services Limited	Income approach	Cost of capital (16.78%)	2020: 5% 2019: 5%	2020: N4,887 2019: N1,022
		Dividend growth rate (7.62)	2020: 5% 2019: 5%	2020: N4,559 2019: N1,919
Energy and Allied Insurance Pool of Nigeria	Adjusted NAV	Discount for lack of liquidity -	Unappropri-ated reserves	2020: N6,218 2019: N6,740
Nigerian Liability Insurance Pool	Adjusted NAV	Discount for lack of liquidity -	Unappropri-ated reserves	2020: Nil 2019: N9,555

Notes To The Consolidated And Separate Financial Statements Cont'd

Quantitative information of significant observable inputs - unquoted equity instruments

Group

Financial assets measured at fair value

	2020 N'000	2019 N'000
Quoted prices in active markets (level 1)	71,940,824	40,146,161
Valuation technique:		
Market observable data (level 2)	-	-
Other than observable market data (level 3)	864,765	791,220
	72,805,589	40,937,381

Financial assets measured at amortised cost

Amortised cost	39,253,334	40,219,208
	39,253,334	40,219,208

Company

Financial assets measured at fair value

Quoted prices in active markets (level 1)	1,279,837	354,563
Valuation technique:		
Market observable data (level 2)	-	-
Other than observable market data (level 3)	-	-
	1,279,837	354,563

Financial assets measured at amortised cost

Amortised cost	1,287,999	2,740,026
	1,287,999	2,740,026

Notes To The Consolidated And Separate Financial Statements Cont'd

57.11 Fair Value and Fair Value Hierarchy

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

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

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

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Nigerian Stock Exchange equity investments classified as trading securities.

Financial instruments in level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Financial instruments in level 3

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes To The Consolidated And Separate Financial Statements Cont'd

The following table shows an analysis of financial instruments recorded at fair value or whose fair values are disclosed by level of the fair value hierarchy:

31 December 2020 - Group

Items measured at fair value	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financials assets at FVTPL				
- Quoted equities	71,957,967	-	-	71,957,967
Financials assets at FVTOCI				
- Quoted equities	17,143	-	-	17,143
- Unquoted equities	-	-	1,598,539	1,598,539
Freehold properties	-	-	3,699,239	3,699,239
Items whose fair values are disclosed				
Debt instruments at amortised cost	-	-	40,212,640	40,212,640

31 December 2019 - Group

Items measured at fair value	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financials assets at FVTPL				
- Quoted equities	40,129,402	-	-	40,129,402
Financials assets at FVTOCI				
- Quoted equities	16,759	-	-	16,759
- Unquoted equities	-	-	791,220	791,220
Freehold properties	-	-	3,559,177	3,559,177
Items whose fair values are disclosed				
Debt instruments at amortised cost	-	-	41,453,775	41,453,775

Notes To The Consolidated And Separate Financial Statements Cont'd

Reconciliation of fair value measurement of non-listed equity investments classified as equity instruments designated at fair value through OCI:

	Group	
	2020 N'000	2019 N'000
At 1 January	791,220	4,357,810
Fair value gain recognised in OCI	320,181	27,784
Sales	567,991	(3,594,374)
At 31 Decemeber	1,679,392	791,220

31 December 2020 - Company

Items measured at fair value	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financials assets at FVTPL				
- Equities	1,279,837	-	-	1,279,837
Financials assets at FVTOCI				
- Equities	-	-	-	-
Items whose fair values are disclosed				
Debt instruments at amortised cost	-	-	1,287,999	1,287,999

There were no transfers between level 1 and 2 or in and out of level 3 in 2020 and 2019.

Notes To The Consolidated And Separate Financial Statements Cont'd

Fair Value of Financial Assets

Group	2020		2019	
	Carrying Value N'000	Fair Value N'000	Carrying Value N'000	Fair Value N'000
Financial assets				
Financials assets at FVTPL	71,957,967	71,957,967	40,129,402	40,129,402
Financials assets at FVTOCI	1,615,682	1,615,682	807,979	807,979
Debt instruments at amortised cost	40,212,640	46,256,850	40,219,208	41,453,775
Company				
Financials assets at FVTPL	1,279,837	1,279,837	354,563	354,563
Financials assets at FVTOCI	-	-	-	-
Debt instruments at amortised cost	1,287,999	1,288,617	2,740,026	2,974,593

57.12 Future Outlook

The Group has succeeded in establishing a robust enterprise risk management framework, practice, culture and environment beyond complying with regulatory requirements. However, this is a continuous and on-going process which is being improved upon consistently.

The ultimate goal is to make risk management a value driver that enhances and contributes to stakeholders' value and the long-term existence and survival of the institution.

Some of the key initiatives and projects to be embarked upon to ensure a better and more efficient risk management framework are;

- Sourcing of a risk solution that has capacity to support the management of insurance risks, operational risk, credit risk and market risk in line with best practices and ultimately complying with risk-based capital regulation in anticipation.
- Structuring a business continuity management framework and infrastructure.
- On-going aggressive Group-wide risk awareness campaign to increase employees' risk-awareness level, competence and involvement in managing risks.

Statement Of Value Added

For The Year Ended 31 December 2020

	Group				Company			
	2020 N'000	%	2019 N'000	%	2020 N'000	%	2019 N'000	%
Interest income	10,186,605		8,891,954		297,114		644,283	
Other investment and sundry income	64,875,597		52,524,779		7,101,187		5,054,069	
	75,062,202		61,416,733		7,398,301		5,698,352	
Reinsurance expense	(24,250,311)		(19,175,036)		-		-	
Net claims and underwriting expenses	(47,129,670)		(32,153,369)		-		-	
Other operating expenses - Local	13,169,563		1,008,923		1,314,052		(358,698)	
Value added	16,851,784	100	11,097,251	100	8,712,353	100	5,339,654	100
Applied as follows:								
To pay employees:								
Salaries, wages and benefits	2,759,146	16	2,513,531	23	474,235	5	507,570	10
To pay Government:								
Current income tax expense	694,242	4	1,921,937	17	(53,393)	(1)	781,388	15
Retained for asset replacement and future expansion of business:	508,207	3	514,147	5	33,720	0	35,704	1
- Depreciation and amortization	202,693	1.2	135,857	1	60,397	1	141,860	3
- Deferred tax	12,687,495	75	6,011,779	54	8,197,394	94	3,873,132	73
- Profit for the year								
	16,851,784	100	11,097,251	100	8,712,353	100	5,339,654	100

Value added is the wealth created by the efforts of the Group and its employees and the allocation between employees, shareholders, government and that retained in the future for the creation of more wealth.

Five-Year Financial Summary - Group

STATEMENT OF FINANCIAL POSITION - GROUP

	2020 N'000	2019 N'000	2018 N'000	2017 N'000	2016 N'000
Assets					
Cash and cash equivalents	13,743,138	9,362,870	11,745,027	7,909,809	7,467,649
Trade receivables	417,905	134,664	374,147	91,845	61,678
Financial assets	112,826,983	81,156,589	59,189,847	49,425,235	39,981,461
Reinsurance assets	7,877,994	9,151,153	9,213,300	7,221,303	6,409,135
Reinsurance assets	4,270,906	-	-	-	-
Deferred acquisition costs	662,830	667,740	728,440	591,725	444,879
Other receivables and prepayments	7,045,422	2,655,370	2,463,637	1,935,196	802,780
Right-of-use assets	80,275	3,278	-	-	-
Investments in joint ventures	130,393	-	-	-	-
Investment in associates	4,730,728	547,847	543,466	573,871	537,130
Assets of disposal group classified as held for sale	8,140,686	-	-	-	-
Investment properties	11,063,550	9,276,977	9,146,905	8,812,700	8,141,275
Property, plant and equipment	4,445,995	4,278,501	3,916,862	3,258,879	3,039,638
Intangible assets	159,108	222,781	300,338	212,733	106,653
Statutory deposits	560,000	560,000	500,000	500,000	802,000
Deferred tax assets	-	-	-	34,442	-
Total assets	176,155,912	118,017,770	98,121,969	80,567,738	67,794,278
Liabilities					
Insurance contracts liabilities	89,542,143	59,072,075	42,058,277	33,830,930	26,604,797
Investment contract liabilities	6,072,622	3,985,348	3,089,658	3,514,935	3,487,613
Interest bearing Loans and Borrowings	5,422,500	-	-	-	-
Lease liabilities	-	744	-	-	-
Liabilities of disposal group classified as held for sale/distribution to owners	946,620	-	-	-	-
Trade payables	4,627,571	3,323,126	5,413,308	1,228,531	2,778,161
Other payables	8,685,008	3,385,347	2,994,150	2,788,018	1,771,096
Current income tax	1,694,459	2,114,754	1,832,290	1,518,293	1,609,044
Deferred tax liabilities	1,658,606	1,397,066	1,235,200	978,070	1,040,814
Total liabilities	118,649,529	73,278,460	56,622,883	43,858,777	37,291,525
Equity					
Share capital	2,940,933	2,940,933	2,940,933	2,940,933	2,940,933
Share premium	6,412,357	6,412,357	6,412,357	6,412,357	6,412,357
Retained earnings	25,379,762	23,132,865	20,366,425	17,222,276	13,127,553
Contingency reserve	11,679,092	10,315,451	9,175,506	7,947,255	6,663,389
Fair value reserve	538,075	364,235	1,155,831	-	-
Available-for-sale reserve	-	-	-	862,753	310,205
Asset revaluation reserve	698,693	550,273	489,585	437,642	283,888
Equity attributable to owners of the parent	47,648,911	43,716,114	40,540,637	35,823,216	29,738,325
Non-controlling interests	9,857,472	1,023,196	958,449	885,745	764,428
Total equity	57,506,383	44,739,310	41,499,086	36,708,961	30,502,753
Total liabilities and equity	176,155,912	118,017,770	98,121,969	80,567,738	67,794,278

Five-year Financial Summary - Group Cont'd

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - GROUP

	2020 N'000	2019 N'000	2018 N'000	2017 N'000	*Restated 2016 N'000
Profit before income tax expense	13,686,047	8,069,573	9,500,710	8,932,671	7,389,822
Income tax expense	(896,935)	(2,057,794)	(2,387,519)	(1,616,006)	(2,058,846)
Profit from continuing operation	12,789,112	6,011,779	7,113,191	7,316,665	5,330,976
(Loss) from discontinued operation	(101,617)	-	-	-	-
Other comprehensive income/(loss) for the year, net of tax	322,260	89,034	477,074	706,302	72,102
Total comprehensive income for the year	13,009,755	6,100,813	7,590,265	8,022,967	5,403,078
Total comprehensive income attributable to;					
- Owners of the parent	11,706,533	5,822,197	7,294,688	7,731,813	5,187,970
- Non-controlling interests	1,303,222	278,616	295,577	291,154	215,108
	13,009,755	6,100,813	7,590,265	8,022,967	5,403,078
Basic earnings per share (kobo)	196	139	116	119	87
Net assets per share (kobo)	810	743	689	609	506

Note: Basic earnings per share have been computed respectively for each year on the profit after tax and number of ordinary shares in issue, less treasury shares, if any, at the end of each year. The net assets per share are based on the number of issued 50 Kobo ordinary shares at the end of each year.

Five-Year Financial Summary - Company

STATEMENT OF FINANCIAL POSITION - COMPANY

	2020	2019	2018	2017	*Restated 2016
Asset	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	1,654,286	1,524,554	192,180	668,233	171,787
Financial assets	2,567,836	3,094,589	4,573,652	5,481,025	4,555,390
Other receivables and prepayments	2,468,286	3,268,155	1,555,464	1,032,476	378,601
Investment in subsidiaries	15,254,287	8,410,669	8,410,669	6,209,669	6,209,669
Investment in associates	525,364	525,364	525,364	525,364	525,364
Investment properties	4,636,980	4,636,980	4,636,980	4,308,275	4,098,275
Property, plant and equipment	56,776	62,582	97,704	48,490	34,794
Deferred tax assets	-	-	-	34,442	-
Total assets	27,163,815	21,522,893	19,992,013	18,307,974	15,973,880
Liabilities					
Other payables	1,035,072	939,164	805,274	878,490	626,085
Current income tax	563,773	629,711	600,875	347,338	276,734
Deferred tax liabilities	367,398	307,001	165,141	-	6,324
Total liabilities	1,966,243	1,875,876	1,571,290	1,225,828	909,143
Equity					
Issued share capital	2,940,933	2,940,933	2,940,933	2,940,933	2,940,933
Share premium	6,412,357	6,412,357	6,412,357	6,412,357	6,412,357
Retained earnings	15,844,282	10,293,727	9,067,433	7,728,856	5,711,447
Other components of equity	-	-	-	-	-
Total equity	25,197,572	19,647,017	18,420,723	17,082,146	15,064,737
Total liabilities and equity	27,163,815	21,522,893	19,992,013	18,307,974	15,973,880

Five-year Financial Summary - Company Cont'd

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - COMPANY

	2020	2019	2018	2017	*Restated 2016
	N'000	N'000	N'000	N'000	N'000
Profit before income tax expense	8,204,398	4,796,380	4,821,499	4,123,565	3,032,655
Income tax expense	(7,004)	(923,248)	(970,368)	(459,234)	(485,675)
Profit for the year	8,197,394	3,873,132	3,851,131	3,664,331	2,546,980
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year net of tax	8,197,394	3,873,132	3,851,131	3,664,331	2,546,980
Basic and diluted earnings per share (kobo)	139	66	65	62	43
Net assets per share (kobo)	428	334	313	290	256

Note: Basic earnings per share have been computed respectively for each year on the profit after taxation and number of ordinary shares in issue, less treasury shares, if any, at the end of each year. The net assets per share are based on the number of issued 50 Kobo ordinary shares at the end of each year.

Corporate Social Responsibility/Sustainability Report

About the Report

The Role of Insurance

Insurance is an arrangement by which a company undertakes to provide a guarantee of compensation for specified loss, illness, damage or death in return for payment of a specified premium. Insurance is usually taken to protect from financial loss. The role of insurance has been brought to the fore in our world today where there is a lot of uncertainty and in the face of unusual happenings in recent times.

Year 2020 will be for many an unforgettable year as the Corona Virus Disease (Covid-19) pandemic which was introduced into the world in the last quarter of 2019 became a reality and was experienced by most countries of the world in the first quarter of 2020. By the end of the year, the pandemic which had infected over eighty million people worldwide with about 1.8 million fatalities accounted for greater social disparity worldwide and contributed to the negative economic growth of many nations, some of which were already going through a recession. Globally, several industries including the insurance were negatively impacted leading to job losses and poverty, further worsening global migrations, political issues and terrorism. Locally, we experienced Terrorism notably in the north of Nigeria, leading to displacement of people, greater insecurity and protests by youths in Lagos, which led to mass destruction of properties, violence and vandalism occasioned by poverty, all of which have negative consequences for the insurance industry. Besides, the pandemic led to loss of lives including those of clients whose premium will no longer be earned. Some businesses shut down for long periods of time refused to insure their assets, whilst others reduced their scope of cover. These have serious implications for the insurance industry expected at times like this to compensate for losses experienced by many.

At Custodian Investment Plc, an Investment Holding company with a sizable proportion of its business in General and Life Insurance, we have been able to fulfill our role as underwriters by providing succor to those affected at times like this. Apart from our core insurance obligations of underwriting, investments, property, Pensions etc, we also actively invest in our host communities towards their development to ensure they experience all-round progress.

Corporate Social Responsibility/Sustainability Report contd

Scope of the Report

This report covers our CSR and sustainability activities particularly in 2020, as driven by the Custodian Social Responsibility Foundation (CSRF), the CSR arm of the Group company, Custodian Investment Plc. The report outlines the activities around the four pillars we support as well as what we intend to do in future.

The report also reveals how our various activities align with commitments we have signed to including Sustainable Development Goals (SDGs), the United Nations Environment Program Finance Initiative's (UNEP-FI) Principles for Sustainable Insurance (PSI) as well as the Nigerian Stock Exchange's Sustainability Disclosure Guidelines.

Section 1: The Custodian Group

Custodian Investment Plc (CIP) is an investment holding company in Nigeria, offering services which include General Insurance, Life Insurance, Trustee services, Properties and Pension services through its subsidiaries.

Custodian Investment Plc Subsidiaries

- Custodian and Allied Insurance Limited (CAIL); CAIL provides general insurance services such as Motor, Fire and Burglary, Travel insurance and others to individual and Corporate clients. The company is registered with National Insurance Commission (NAICOM) and is a member of Nigerian Insurers Association (NIA).
- Custodian Life Assurance Limited (CLA): CLA provides various Life insurance products and services to individuals and Corporates. Some of the product offerings range from Protection cover, Investment-linked policies, Endowment Policies and Annuity plans.
- Custodian Trustees Limited (CTL): CTL plays a key role in financing transactions it is charged with ensuring that the interests of Lenders and Investors are adequately protected. It also keeps custody of assets, documents, rights, shares, funds and other holdings in fiduciary transactions.

Corporate Social Responsibility/Sustainability Report contd

- Crusader Sterling Pensions Limited (CPL): CPL is a leading Pension Fund Administrator that offers superior returns on Pension Assets under their Management.
- UACN Property Development Company Plc (UPDC): The latest subsidiary to join the Group following Custodian's acquisition of the majority stake in UPDC Plc, the company has built a strong track record and unparalleled market knowledge over two decades, remaining Nigeria's foremost real estate development firm with a profitable and scalable facilities management business.

Each subsidiary contributes 1% of its Profit Before Tax to fund CSRF, the CSR arm of Custodian. Therefore, the different businesses invest to ensure the success of the Foundation and the incorporation of sustainability in the Group.

Key business statistics in 2020

Total Revenue	N75.1 billion
Assets Under Management	N503.7 billion
Employees	632
Office spread	40 locations (across all Nigerian States)

Section 2: Highlights of 2020 CSR activities

CSR and sustainability are at the heart of the Custodian Group, which is the reason why the subsidiaries of the Group invest in the local community, employees, shareholders, suppliers through the CSRF. The Covid-19 pandemic disrupted most of the planned activities for the year, as social activities were discouraged, and social distancing encouraged. None-the-less our contributions in 2020 are highlighted in the table below, which are detailed in the rest of the report.

Corporate Social Responsibility/Sustainability Report contd

Pillars	Activity highlights	Page Reference	Key PSI Reference	NSE Disclosure Guidelines	Direct SDG Reference
Education	<ul style="list-style-type: none"> • We made a donation of Law textbooks to Elizade University, Ilaramokin in October 2020 • We continued to maintain the Ilupeju Public e-library catering to 500-1000 users monthly by renewing the subscriptions to the e-library and internet service as well as maintained the computer systems CSRF earlier donated to the library. • We continued to collaborate with the Vocational and Professional Development Academy (VPDA) in March 2020 by providing free 9-month vocational training to 20 each of Electricians and Plumbers. • In March 2020, some of our senior staff hosted students of Green Olives Private School, speaking to them on career paths and the importance of Insurance 	Pages 282-285	<p>Principle 3 We will work together with Governments, regulators and key stakeholders to promote widespread action across society on environmental, social and governance issues</p>	<p>Principle 6 Businesses should respect the interests of and be responsive towards all Stakeholders, especially those who are disadvantaged, vulnerable and marginalized</p>	<p>Goal 4 Quality Education - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p> <p>Goal 8 Decent work and economic growth - Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>Goal 17 Strengthen the means of implementation and revitalize the global partnership for sustainable development</p>

Corporate Social Responsibility/Sustainability Report contd

Pillars	Activity highlights	Page Reference	Key PSI Reference	NSE Disclosure Guidelines	Direct SDG Reference
Community Development	<ul style="list-style-type: none"> During the lockdown occasioned by the pandemic, we partnered with the Garden City Yaba Community Development Association (GACYCODA) by donating foodstuff to the residents in our local community – enough to feed about 100 people for two weeks. We repaired and improved drainage of the damaged portion of Commercial Avenue, Yaba which had long made difficult an easy flow of traffic in the area, thereby making movement in the neighborhood smooth. Through our partnership with VPDA, which is in our community, 40 candidates were engaged to train as Plumbers and Electricians - though the 9-month training program was cut short as a result of the Pandemic. 	Pages 285-286		<p>Principle 8 Businesses should support inclusive growth and equitable development.</p> <p>Principle 9 Businesses should respect, protect, and make effort to restore the environment</p>	<p>Goal 2 No hunger - End hunger, achieve food security and improved nutrition and promote sustainable agriculture.</p> <p>Goal 4 Quality Education - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p> <p>Goal 9 Industry, Innovation and Infrastructure - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>

Corporate Social Responsibility/Sustainability Report contd

Pillars	Activity highlights	Page Reference	Key PSI Reference	NSE Disclosure Guidelines	Direct SDG Reference
Health	<ul style="list-style-type: none"> Our health initiative is geared towards saving lives through the voluntary personal donation of blood by our staff to assist needy patients/victims and ultimately the setting up of a facility to cater to accident victims that need to be stabilized before transfer to hospitals. Following the Pandemic this was not achieved during the year. 	Pages 288-290	N/A	<p>Principle 7 Businesses should respect and promote human rights.</p>	<p>Goal 3 Good health and well-being – Ensure healthy lives and promote well-being for all at all ages.</p>

Corporate Social Responsibility/Sustainability Report contd

Pillars	Activity highlights	Page Reference	Key PSI Reference	NSE Disclosure Guidelines	Direct SDG Reference
Sustainability	<ul style="list-style-type: none"> We are the first Nigerian Insurance company signatory to the UNEP-FI PSI Our Claims and complaints management processes are digitized, making the process faster, leading to greater client satisfaction We continue to make progress with the digitization of all our internal processes with the implementation of a Business Process Management initiative for standardization and automation of internal business processes. Our mobile App, ADAPT by Custodian was revamped during the year with additional lifestyle features for ease of use and improved customized experience. We have in place policies such as anti-bribery and corruption, Code of Ethics for all Employees. 	Pages 268-301	<p>Principle 1 We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.</p> <p>Principle 2 We will work together with Governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.</p>	<p>Principle 1 Businesses should conduct and govern themselves with ethics, transparency and accountability.</p> <p>Principle 3 Businesses should provide products and services that are safe and contribute to sustainability throughout their life cycle.</p> <p>Principle 4 Businesses should engage with and provide value to their customers and consumers in a responsible manner</p>	<p>Goal 7 Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Goal 12 Ensure responsible consumption and production patterns</p> <p>Goal 13 Take urgent action to combat climate change and its impact</p>

Corporate Social Responsibility/Sustainability Report contd

Pillars	Activity highlights	Page Reference	Key PSI Reference	NSE Disclosure Guidelines	Direct SDG Reference
Sustainability continues	<ul style="list-style-type: none"> As a result of the group-wide digital transformation, we have been able to further reduce paper usage, printing and wastage, thereby saving natural resource usage and protecting Clients data. We expanded our collections channels by integrating with banks such as GTB, Stanbic IBTC and First Bank serving as collection Agents to further broaden our customers touchpoints to access renewal services. We have sustainable solutions in form of micro-insurance products including Esusu, Safety Plus and Term Assurance. Our water closets have dual-flushing capability to regulate water usage 	Pages 268-301		<p>Principle 5 Businesses should promote the wellbeing of all employees</p> <p>Principle 7 Businesses should respect, protect and make effort to restore the environment</p>	<p>Goal 15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and biodiversity loss.</p>

Corporate Social Responsibility/Sustainability Report contd

Pillars	Activity highlights	Page Reference	Key PSI Reference	NSE Disclosure Guidelines	Direct SDG Reference
Sustainability continues	<ul style="list-style-type: none"> We promote Employee diversity with a mix of religion, States of origin and age We ensure Employee wellbeing by providing a Fit-Fam, creche, Group Life Insurance policy, mandatory training hours etc We have a fair representation of women on the Board and will continue to improve on that Our Head Office building is safe for all citizens to use with ramps installed as well as special toilets for the physically challenged. 	Pages 268-301			

Corporate Social Responsibility/Sustainability Report contd

Section 3: Our Corporate Social Responsibility Pillars and Strategy

Our Foundation, CSRF, being the Corporate Social Responsibility arm of Custodian supports four different areas which are relevant to our future and our environment and which are the pillars of the Foundation.

These are:

- Education
- Community Development
- Health
- Sustainability

Education
We will work on interventions that enhance the skill levels of Nigerians

Health
We will work on interventions aimed at preserving good health and wellbeing



Community Development
We will focus on helping our local communities thrive (i.e. are developed and resilient)

Sustainability
We are committed to using natural resources in a responsible manner for our operations, while practicing sustainable insurance

Corporate Social Responsibility/Sustainability Report contd

Education

Education is the process of facilitating learning or the acquisition of knowledge, skills, values, beliefs and habits. It is important as it gives room for a country's development. In Nigeria, both the quality and standard of Education is poor largely due to lack of infrastructure, poor funding and lack of basic equipment for conducive learning, especially regarding science practical classes. We have therefore chosen to work on interventions that will improve the skills levels of the society by supporting both formal and informal education. This is in form of upgrading of educational facilities, knowledge sharing, donation of educational materials to schools and the promotion of the study of Insurance through education of students and encouragement of excursion to our offices.

A major consideration for choosing Education as a pillar is the prevalent low literacy level in the country (adult illiteracy is at about 56.9%, implying that about 70% of Nigerians are illiterate – National Bureau of Statistics). This invariably translates to poverty, since a high level of illiteracy implies high unemployment and low income jobs. The jobless may turn to crime which worsens security in the country as well as cases of kidnapping. Many unemployed youths turn to drugs and invariably where this is prevalent, violence and death skyrockets. Ultimately, the economy of the State is impaired as those who otherwise should be contributing positively by engaging in jobs are just hanging about looking for easy ways to make quick money. Without education, illiteracy becomes prevalent, which in turn reduces the rate of national development.

Why Education?

- Adult illiteracy rate (15+ years) in 2019 was 35%
- National literacy rate (15-24 years) in 2018 was 65.1%
- Male literacy rate (15-24 years) in 2018 was 81.6%
- Female literacy rate in 2018 was 68.3%

(Source: UNESCO)

Corporate Social Responsibility/Sustainability Report contd

We are determined to:

- In conjunction with VPDA train at least 100 school leavers on technical artisan skills
- Continue to upgrade and maintain the educational facilities of our previous interventions.
- Enhance knowledge of at least 150 youths annually on current issues through our Mentor's Conference.

Community Development: Community development is a process where people come together to act on what is important to them. It is rooted in the belief that all people should have access to health, wellbeing, wealth, justice, and opportunity. We believe that helping our local communities in several ways impacts positively on our business and the wellbeing of those around us by contributing to the development of the community which is a part of the larger entity. We will therefore look for opportunities to enhance the living standards of those around us by providing or improving infrastructure and resources needed to do so.

Why Community Development?

- Continued insurgency especially in the north eastern part of Nigeria and mass kidnapping of school age children have led to increased migration and damaged institutions.
- Rural population in Nigeria decreased from about 58.3% in 2008 to about 48.84% in 2019, worsening the mass exodus from rural to urban areas perpetuating underdevelopment of rural communities.
- 63% of children in rural areas cannot read at all.

(Source: UNICEF published 24. Sept 2018, World Bank Integration of the SDGs into National Development Planning Report, June 2020)

We are determined to:

- Invest in the provision of solutions that are focused on addressing critical development issues of local communities through donations or other means of enhancing local communities.
- Continually train some community members in ways that would make our environment more attractive, such as waste management to prevent or reduce flooding in the community.
- Help to improve basic infrastructure in our local communities.

Corporate Social Responsibility/Sustainability Report contd

Health

Health refers to a state of physical, mental and social wellbeing in which disease and infirmity are absent. Humanity cannot achieve optimal productivity without good health. Though healthcare interventions needed in the country are many ranging from disability issues, sickle cell disease, fighting disease such as hepatitis B and C, prevention of blindness, cancer treatment etc, we have chosen to work on interventions aimed at preserving good health in the area of saving lives proactively by such things as blood donation or facilitating effective response to health emergencies. Very few facilities are in existence in the country to handle such interventions and those are largely ill-equipped without adequate medical personnel. Our aim therefore is to provide resources towards a more efficient healthcare system.

With Nigeria's poor state of public health, the country has endured massive brain drain of our medical personnel and inadequate financial resources to run effective emergency and public health systems. These further limit contribution to the development of the health sector and loss of life of citizens.

Why Health?

- No fewer than 5,483 people died in road accidents in Nigeria in 2019, an average of about 15 people each day within a year in 2019.
- There were 11,072 road crashes in 2019 in Nigeria, with 35,981 injured.
- Health facilities existing in Nigeria were 34,120 in 2013.
- The under-five mortality rate in Nigeria is 132 per 1,000 live births, meaning 1 in 8 Nigerian children never reach the age of 5. (Nigeria Demographic Health Survey – 2018)

(Source: Nigeria Demographic Health Survey (NDHS, 2018), NICS, BMC, National Bureau of Statistics)

We are determined to:

- Set up a facility to cater to Accident victims to be operational by 2023.
- Continue to donate blood to save lives of at least 60 patients annually.

Corporate Social Responsibility/Sustainability Report contd

Sustainability

Sustainability is the avoidance of the depletion of natural resources in order to maintain an ecological balance. It is the process of people maintaining change in a balanced environment, in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both the current and future potential to meet human needs and aspirations. We realize that our operations and business activities and decision making can impact the sustainability of the environment. We are therefore committed to using as much as possible natural resources in a responsible manner for our operations and practicing sustainable insurance by promoting responsible and ethical business behaviour through the various aspects of our businesses.

As a nation, there is a need to live in a healthy environment as our lives and economic activities depend on it. The several challenges facing Nigeria which include environmental pollution, changing weather conditions as a result of gases released from the widespread use of generators, gas flaring and deforestation, shortage of portable water all have dire consequences such as inadequate food production from polluted land, loss of life from polluted water and air pollution. This may also affect corporate entities, especially those who depend on natural resources for production.

Why sustainability?

- The annual number of 'hot' nights is projected to increase in Nigeria to an increase of 32-60% by the 2060s and 37-74% by the 2090s, increasing most rapidly from June to August.
- Ambient air pollution caused an estimated 11,200 premature deaths in Lagos, Nigeria, in 2018, the highest in West Africa. (source: UNICEF, Sept 2020). Children under five accounted for 60% of total deaths, while adults suffered from heart disease, lung cancer and chronic obstructive pulmonary disease.
- The 2019 world air quality report published by AirVisual reveals that Nigeria is the 5th most polluted country in Africa.
- By 2025, Nigeria is projected to generate an estimated 72.46 million tonnes of waste annually.
- There is an increasing rate of desertification estimated to be progressing at the rate of about 0.6Km per year.
- No fewer than 129,000 persons were affected while 68 persons were killed by flooding in different parts of the country in 2020.

(Source: UNICEF, UNESCO Publication – 16 Aug 2018)

Corporate Social Responsibility/Sustainability Report contd

We are determined to:

- Strive to reduce carbon emissions.
- Continuously incorporate Environment, Social and Governance (ESG) issues into our services, risk management, investments, underwriting and relationships with our various vendors.
- Continuously incorporate ESG issues into how employees are treated.

The initiatives we pursue fall within the four pillars earlier stated and are driven by CSRF. We will have a framework that will ensure initiatives carried out not only fall within the four pillars but are relevant to our core capabilities which will hopefully lead to positive outcomes and align with at least one of the national and international frameworks we are committed to.

Our strategy is to leverage on partnerships, whether Government, private institutions, or individuals apart from our own resources to deliver our initiatives.

Section 4: The Four Pillars of CSRF

The Education Pillar

We are committed to contributing to the development of education in Nigeria, using our human and capital resources, expertise in the field of insurance and risk management to support education in our local communities and beyond. We constantly look for opportunities to help meet basic education needs not only by supporting formal education but also the informal.

Highlights

- About N6m was spent on education initiatives during 2021.
- About 40 students of Green Olives Private School Surulere came on excursion to the Regional office in Lagos March 2021
- 40 artisans were recruited by VPDA (the Vocational Academy we have partnered with since 2017) for a 9-month skill acquisition program for Plumbers and Electricians.

Corporate Social Responsibility/Sustainability Report contd

- Donation of Law books were made to Elizade University, Ilara-mokin, Ondo State.
- Donation to the Yemisi Shyllon Museum of Art at Pan African University

Key Challenges

The key challenge during last year was the on-set of the Covid-19 pandemic, which prevented some of the usual activities such as the yearly Mentor's conference from holding. In the past we have experienced organizational bureaucracies when dealing with public institutions which have hindered progress regarding delivery of our education initiatives. We will continue to improve on how to incorporate timeline risks caused by bureaucracies into our timelines. We also hope to strengthen our various partnerships to ensure faster delivery of projects.

Ilupeju Public Library Maintenance

We continued to maintain the public library which we renovated and converted to an e-library in 2016/17. During the year, we renewed the subscription to the e-library having more than 83,000 textbooks with over 10 million articles by more than 1,000 leading publishers as well as settled the internet charges. We also changed the faulty solar-powered inverter.



The library continues to benefit many in the community with an average of 500 visitors on a monthly basis, a figure which rises to about 1,000 during peak periods such as professional exams. The total number that used the library was a fraction of the 15,253 of 2019 as the Library was closed down for a long period last year.

Corporate Social Responsibility/Sustainability Report contd

Green Olives Private School Excursion

About 40 students of Green Olives Private school visited us to have Entrepreneurship dialogue. The students were eager to learn about the business of insurance and to know that in virtually any field - including insurance – one can aspire to any height and get there. They engaged with some of our senior staff including the Managing Director of Custodian and Allied Insurance Limited, Mr. Toye Odunsi who took them through illustrations and was glad to answer their questions.



The excursion was a huge success as questions asked by their curious minds were answered. No doubt the session had a positive impression on the students.

Vocational and Professional Development Academy (VPDA)

We began our partnership with VPDA in 2017 when we renovated the premises of the Academy which was subsequently used for training in industries spanning Film, photography, ICT, beauty and hospitality with effect from 2018. Later that year, we also renovated a second building and equipped it

Corporate Social Responsibility/Sustainability Report contd

with equipment and tools for skills acquisition for Plumbers and Electricians. In Q1 2020, the pioneer class of 40 artisans who were to be trained free of charge (except for their kits which they purchased personally) resumed for a 9-month course.

Though all started, within the first month, the number had reduced to 14, who were the more serious members of the group and who had to be excused from classes till the end of the year, following the Covid-19 pandemic with the attendant lockdown. It is hoped that some of the trainees will go on to internships whilst others will join the next cohort in 2021.

Elizade University Library

We made donations of a few specific Law textbooks to the Elizade University library during the course of the year. This would enrich their library and be of benefit to the students, hopefully leading to academic excellence.

The Community Development Pillar

The success of a nation largely depends on the cohesiveness of communities that make it up. Having understood this, we at Custodian we have a role to play in the local communities we operate in. Our Corporate Head Office is located in Yaba, a central part of Lagos and our business is a major one in the area. We are therefore focused on contributing our quota to the sustainable development of the area.

We will continue to take collaborative action towards the development of Yaba Community.

Highlights

- We spent N8m for the drainage improvement and reconstruction of a failed portion of Commercial Avenue Sabo, Yaba
- During the enforced lockdown in April as a result of Covid-19, we contributed foodstuff to feed about 100 persons in the community for a week.
- We continued to work hand in hand with VPDA located in our community to train artisans. 40 were recruited in Q1 2020. (please see details under Education pillar)

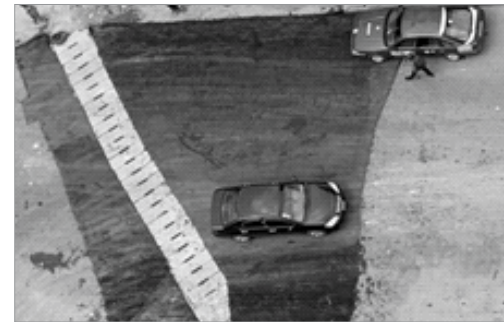
Corporate Social Responsibility/Sustainability Report contd

Key Challenges

Timely delivery on projects planned for the community requires the cooperation of all in the area including community leaders, residents, and the Local Government. Approvals also have to be sought and received from the State Government before major works can be done on State-owned infrastructure. This often involves extensive engagement and potentially long processes which could delay timely delivery of projects. We have increasingly improved our community engagement skills by communicating directly with stakeholders in the neighborhood as well as through the community association.

Drainage improvement /reconstruction of failed part of Commercial Avenue, Sabo

Previous attempts to reconstruct a failed part of Commercial Avenue, Sabo failed miserably as the work done was substandard. Over time, the failed part of the road deteriorated, gradually developing into ditches, which made maneuvering around the area a huge task especially for bigger vehicles. As a major road in Yaba area connecting a freeway (Herbert Macaulay Road) and a frontage road (Murtala Mohammed Road), a problem at any point along it has dire consequences to road users as well as institutions in the area and residents too. This was often the situation when vehicles fell into the ditches and had to be pushed out. There was also the issue of wastage of time, as the problem often resulted to traffic jams. In August 2020, Custodian through the CSRf decided to reconstruct the failed portion of the road a task which was realized could not be properly done without first improving the drainage connecting both sides of the road.



Corporate Social Responsibility/Sustainability Report contd

The result of the month-long project restored confidence once more in driving around the area, facilitating a free flow of traffic, with less noise in the area as traffic jams reduced considerably.

Donation of food items to the needy

Part of the consequence of the lockdown imposed on all residents in April 2020 was that many did not have access to markets. Whilst some were able to stock up before the onset of the lockdown and some had food delivered by courier during the period, many in the society – including those in the Yaba neighborhood had nothing to eat. Many had lost their means of livelihood and looked to neighbors for help. Some resorted to begging whilst many harassed passersby.

CSRf donated food items to cater for those living in Yaba area through the Garden City Yaba Community Development Association (GACYCODA).



The various items were cooked by the members of the association and distributed to the needy as they found fit

Corporate Social Responsibility/Sustainability Report contd

The Health Pillar

Our activities around healthcare focus on bridging significant healthcare gaps in the society. The importance of healthcare cannot be over-emphasized in a society where many lives are lost needlessly. We have mainly chosen to focus on providing a durable institution that can address issues around disaster management. However, very little could be achieved in this regard during 2020 as the Covid-19 pandemic necessitated a lockdown and restricted movement for much of the year. The aim is to intervene directly and provide service to needy souls whose lives might have been lost but for our intervention. However, we are still in the approval stage and hope that in 2021, progress will be made in this regard. Meanwhile, Custodian intervened by donating to the various tiers of Government during the Covid-19 pandemic

Highlights

- Custodian contributed N50m out of the NIA/NAICOM-coordinated Covid-19 intervention donation of N500m by the Nigerian Insurance industry to the Federal Government of Nigeria
- We joined other insurance companies to form the consortium that provided Life Insurance cover to front-line health workers to the tune of N11b
- We provided Life insurance cover to front-line health workers of Lagos and Ogun States to the tune of N5b and N700m respectively.

Key Challenges

The pandemic was the key challenge we faced in the year as it crippled operations. In order to curb the spread of the disease, everyone had to adhere to strict personal hygiene rules including wearing of face masks and social distancing. Touching or shaking hands was totally banned and so the yearly blood donation exercise where our staff voluntarily donate blood could not take place. As a result, patients could not benefit from the exercise in 2020 as they had done in the previous three years. The main challenge in the way of our implementing our dream project in healthcare is securing land in a suitable area and having adequate funds for the project. As this is a long term capital -intensive project, help would be needed not only from the subsidiaries of the Custodian group who have singlehandedly funded the Foundation to date, but also from prospective partners in the public

Corporate Social Responsibility/Sustainability Report contd

(such as the FRSC and Agencies associated with the Federal Ministry of Health) and private companies such as Ambulance Nigeria, Flying Doctors Nigeria etc. as well as International development organizations such as the Red Cross.

The Sustainability Pillar

Our Frameworks

As we implement our four strategic pillars, we are aligning with national and international guidelines for sustainability. These are the 17 Sustainable Development Goals (SDG), The 4 United Nations Development Programme Finance Initiative's Principles of Sustainable Insurance (UNEP-FI's PSI) and The 9 Nigerian Stock Exchange's Sustainability Disclosure Guidelines.

The Sustainable Development Goals (SDGs): Since the global launch in 2015, we have been committed to contributing to the achievement of the SDG. Our activities can be directly linked to these goals as each pillar is directly or indirectly related to several of these Global Goals.



Corporate Social Responsibility/Sustainability Report contd

The United Nations Environment Programme - Finance Initiative (UNEP-FI) Principles for Sustainable Insurance (PSI)

Custodian and Allied Insurance Limited, one of CIP's subsidiaries was the first Nigerian insurance company to become a signatory to the UNEP-FI's PSI in 2016 and we have remained a member ever since. We strive to incorporate the PSI into our business through the daily operations, our community and our environment. The PSI principles are indicated below:

<p>PSI Principle 1</p> <p>We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles</p> <ul style="list-style-type: none"> • Risk Management And Underwriting • Product And Service Development • Investment Management • Company Strategy • Claims Management • Sales And Marketing 	<p>PSI Principle 3</p> <p>We will work to embed in our decision-making environmental, social and governance issues relevant to our insurance business</p>
<p>PSI Principle 2</p> <p>We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues</p> <ul style="list-style-type: none"> • Clients And Suppliers • Insurers, Reinsurers And Intermediaries 	<p>PSI Principle 4</p> <p>We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues</p> <ul style="list-style-type: none"> • Governments, Regulators And Other Policymakers • Other Key Stakeholders

Corporate Social Responsibility/Sustainability Report contd

The Nigerian Stock Exchange Sustainability Disclosure Guidelines

The Nigerian Stock Exchange (NSE) published the Sustainability Disclosure Guidelines in 2019. We will continue to incorporate the Principles into the management of all our businesses. The nine principles include:

<p>1</p> <p>Businesses should conduct and govern themselves with ethics, transparency and accountability</p>	<p>2</p> <p>Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner</p>	<p>3</p> <p>Businesses should provide products and services that are safe and contribute to sustainability throughout their life cycle</p>	<p>4</p> <p>Businesses should engage with and provide value to their customers and consumers in a responsible manner</p>	<p>5</p> <p>Businesses should promote the wellbeing of all employees</p>
<p>6</p> <p>Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized</p>	<p>7</p> <p>Businesses should respect and promote human rights</p>	<p>8</p> <p>Businesses should support inclusive growth and equitable development</p>	<p>9</p> <p>Businesses should respect, protect and make efforts to restore the environment</p>	

Corporate Social Responsibility/Sustainability Report contd

At Custodian, we recognize that operating as ethical and responsible members of the society includes our activities around environmental stewardship, ethical economic contributions, social responsibility to our employees and good governance. This is a key reason why Sustainability is one of our four pillars.

Environmental sustainability is the responsible interaction with the environment to avoid depletion or degradation of natural resources, which should lead to long-term environmental quality. Though demands may be placed on the environment, this may not necessarily have a negative effect on how people live now in future.

Economic sustainability is the practice that supports long-term economic growth without negatively impacting social, environmental and cultural aspects of the community. A negative economic sustainability effect will likely affect the social aspects of people's lives, which may also lead to the manufacture of products not environmentally friendly.

Social sustainability is a process that promotes the wellbeing of members of an organization, whilst supporting the ability of future generations to maintain a healthy community.

Governance is a key principle that underlays environmental, economic and social sustainability. It specifies a process whereby decision-making by organizations are based on ethical and responsible principles.

Highlights

- 100% of CIP, CAI and CTL trained at least once during 2020, while 95.92% of CLA staff trained
- Our diesel generator usage expenses reduced by 45% year on year.
- Reduction in energy cost

Corporate Social Responsibility/Sustainability Report contd

Our Role as a Sustainable Insurer

Being a signatory to the PSI of the UNEP-FI demonstrates our support for incorporating ESG principles into our operations and business decisions in a transparent and accountable manner.

We recognize that environmental risks such as climate change is at the heart of insurance risk assessment and climate change can affect access to affordable insurance. This presents an opportunity for us as insurers to invest in technologies that will tackle the issue to our advantage. There is also the potential for climate-related litigation risks, which may manifest particularly for Professional Indemnity Insurance. With the advent of the Covid-19 pandemic for instance, we see the potential disruption to lives that could result from climate change. We therefore constantly position ourselves to keep in sight issues that can aggregate into huge risks such as physical assets, the economy, human health, the environment, social issues, wealth and inequality.

We strive to be sustainable by meeting our needs without compromising the ability of others as well as future generations to meet theirs, whilst seeking possible solutions such as raising capability in sustainable finance through education and training of staff, improving governance and accountability for sustainability, improving data and information quality and improving reporting and disclosure.

Good governance: The highest responsible body for ESG issues in Custodian is the Board of Custodian Investment Plc (CIP) which is chaired by a woman. A Board evaluation was carried out by The Society for Corporate Governance of Nigeria – an independent party for 2020, which revealed that the Board of Directors carried out its affairs in an acceptable and satisfactory manner last year.

Anti-bribery and anti-corruption: At Custodian, we operate and maintain high ethical standards. Our Anti-Bribery and Corruption policy prohibits offering of anything of value for persuading an official or any person to misuse his office to benefit Custodian or any of its employees. The policy prohibits any employee, including our Board of Directors from receiving anything of value for influencing an official action. The Board of Directors and Senior Management are responsible for ensuring compliance to this policy.

Corporate Social Responsibility/Sustainability Report contd

Virtually all our employees attended the two mandatory anti-money laundry trainings in 2020. No reported incident, fine or exposure related to corruption was discovered in any of our businesses in 2020.

Code of Ethics: All our employees and members of the Boards of Directors are held to high ethical standards in their official dealings within Custodian. Our Code of Conduct policy which is documented and well disseminated outlines the minimum standard of conduct expected in the management of our businesses across the Group. All are expected to comply with the stated standards.

Responsible Investment: We have an in-house Investment Committee that meets regularly to make investment decisions. They are guided by regulations in making investment decision such as, regulatory requirements for Environmental Impact Assessments (EIAs) to be conducted on extractive industry and infrastructure projects. In future, other ESG considerations will be incorporated.

Responsible Claims Process: We have digitized our claims process and made it easily accessible to our numerous clients through different digital channels. This development has increased accessibility and reduced paper usage and wastage. Our Claims processes are communicated in a clear and transparent manner through our Call Center and the Sales team. Our policy is to settle Claims within 48 hours after execution of our Discharge Voucher. With the multiple channels we have, clients are able to track the status of their claims.

Responsible Supplier/Vendor Assessments: Ethical procurement practices are in operation at Custodian, which foster transparency, fairness and ensure we get the best quality at the best price. We do not patronize employee-owned companies. All prospective Vendors are evaluated before being on-boarded. There are also Internal Control reviews of the supplier/vendor assessments to ensure procurement processes are ethical. We plan to establish a process in the coming years whereby suppliers are expected to disclose their ESG status as part of their on-boarding process.

Sustainable Solutions: We recognize that we have different categories of clients and take that into consideration in packaging and offering different products and services, so existing and prospective clients can exercise their freedom of choice. Many Nigerians find insurance coverage a choice for the economically viable and not a necessity, given their economic situation caused by low income and standard of living. Therefore, in the face of risks,

Corporate Social Responsibility/Sustainability Report contd

such Nigerians tend to fall further into poverty. However, at Custodian, we believe that no population should be excluded from accessing insurance, which is why we offer micro-insurance products characterized by lower entry barriers to foster financial inclusion and accommodate the poor.

Several of our retail products meet the needs of this group, who are not able to afford the traditional insurance products. For instance, for as low as N400 to N1,000 annually, products can be purchased. Through such products, our aim is to extend insurance coverage to excluded populations and by so doing, make them more resilient to life and non-life risks. This helps to further the financial inclusion goals of the country towards improved standards of living and greater access to other formal financial services. The micro-insurance products we offer include Esusu Shield Plan, Term Assurance and Safety Plus.

Our Use of Natural Resources

Paper Reduction: We make a conscious effort to reduce surge of paper in our operations. We continue to send out compact disc versions of our Annual Reports to shareholders, instead of printed hard copies, thereby reducing waste while being cost efficient.

Internally, employees are encouraged to make use of recycled paper for internal use and communicate via email as much as possible. We continue to rely on electronic newspapers and online sites of top newspapers for daily news rather than hard copies. This will also help reduce waste.

Most importantly, our focus has remained on technology. With increased digitization of our processes, our numerous clients can carry our transactions such as purchase of policies, obtain quotes, submit Claims and make enquiries through various digital channels such as our website, our mobile App. ADAPT, Chatbot MAX and the call center, which all cut out a lot of paper-intensive processes. Internally, our Enterprise Resource Planning (ERP) system which is fully operational ensures we work electronically rather than rely on paper. For example, HR processes such as Appraisals, leave requests, Training etc are handled electronically. The digital transformation has been experienced by many of our clients and with the various channels available, opened up new opportunities for us to grow as a business. Manual internal processes have reduced, enabling us to serve our clients faster and work more efficiently, while reducing our dependence on paper. With reduced paper consumption, we make savings and at the same time, there is less wastage which has environmental gains. Clients benefit from efficiency of our system, security and privacy of their data leading to greater trust in us.

Corporate Social Responsibility/Sustainability Report contd

Energy Efficiency: Before now, we replaced all the electrical light bulbs in our Head and Regional Offices to energy-efficient Light Emitting Diodes (LED), which have been proved to consume less energy, generate less heat, last longer and more eco-friendly. This makes for long-term economic gains and environmental benefits. We continue to save on electricity usage and expense. We are actively looking at alternatives to using generators altogether and hope to achieve this by 2021, whilst we continue to explore the use of energy from renewable sources in the near future.

Our company-wide policy of early generator shutdown is still in place, which mandates the generators to be shut down an hour earlier than normal except on rare occasions. This has led to savings of over 23 hours of diesel and 45% reduction on diesel expenses year on year. Lesser use of diesel generators imply reduced air pollution since carbon emissions are reduced. This has economic benefits as well as social, as employees will not stay too long in the office.

Water Reduction: Most of our installed toilet bowls have dual flush cisterns that help regulate water usage when flushing. Even before the Covid-19 pandemic, we have had hand sanitizers available in our offices available which serve as alternative to water usage. However, further water reduction strategy cannot immediately apply, in reaction to the on-going pandemic which encourages regular washing of hands to keep the disease at bay.

Waste Reduction: Since we started implementation of paper reduction strategy, waste has reduced. We continue the practice of separating plastic from the rest of trash to give to recycling companies. The Lagos Waste Management Authority (LAWMA) collect and dispose of our waste. Regarding wastewater, waste is processed in the sewage treatment plant located in the basement of our Head office building. Once treated, it passes into the drain as water. Though the pandemic did not allow for Officials of Lagos State Waste Water Management to visit during the year and collect samples for test, we have always passed each test conducted.

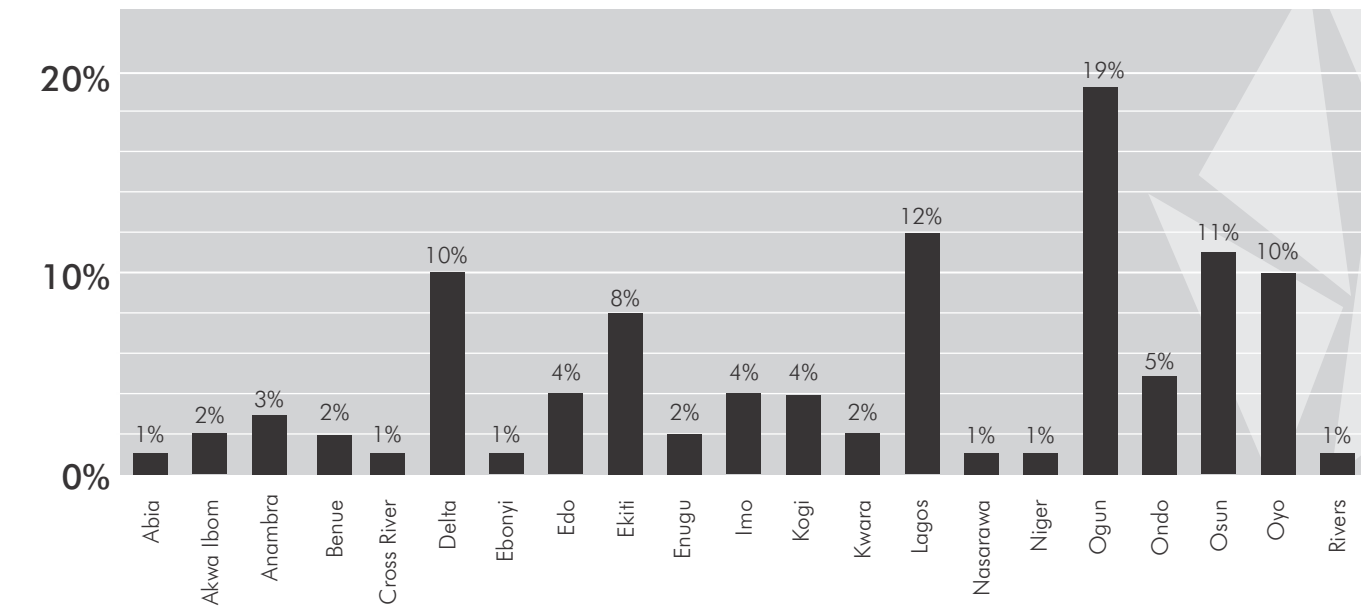
Corporate Social Responsibility/Sustainability Report contd

Diversity in the workplace: A diverse workforce is of significant social and economic value and so we are committed to being an inclusive employer. This ensures continuous benefits on creativity and innovation we obtain from the varied viewpoints of our personnel. This will hopefully translate to greater alignment to client needs and ability to come up with new products and services with the expectation of higher economic value, whilst attracting the best talent possible.

We strive to create an inclusive work environment which is considerate to all people regardless of gender, age, race, disability, tribe, culture, religion, family responsibilities or any other area of potential difference. We are especially paying particular attention to gender diversity. Currently, our Group Board of Directors has increased to 28.5% women and staff across all businesses consists of 38.4% of women.

Our staff originate from 58% of the States in Nigeria located in the South West, South South, South East and North Central zones of Nigeria. We focus on providing employment to our local communities and as such and as such majority of our employees (over 60%) originate from the South West, where the Head Office is based.

Statistics by State of Origin



Corporate Social Responsibility/Sustainability Report contd

Strategies we have employed to encourage diversity include:

- Operation of a non-discriminatory policy regarding applications for employment
- Hiring based on qualifications, competence and experience for job roles
- Ensuring accessibility for the physically challenged into our offices by providing ramps
- Provision of avenues for discourse, feedback, issue resolution and transparent information in a just and equitable manner during our Annual General Meetings and other suitable fora.

We will continue to refine these strategies and measure progress on employee diversity.

Employee Wellbeing

Custodian Fit-Fam initiative: A healthy workforce is essential for our internal efficiency and so, employees are encouraged to get adequate exercise and eat healthy diets. Custodian fit-fam, our in-house fitness program is free of charge to ensure interested employees join and enjoy the use of provided facilities that help to keep fit and participate in high-intensity workout, aerobics, dancing exercises and strength training twice a week, leading to their physical and mental wellbeing. Whilst this was in place during the first quarter of 2020, the programme could not continue as a result of the pandemic.

Lunch is provided free of charge for all members of the company usually in the company-operated canteen. However, since the Pandemic, whilst free lunch is still in place, the use of the canteen has been abandoned in order to observe social distancing occasioned by the pandemic.

Creche facilities: We maintain a creche within our Head office to be utilized by all staff (male and female). Though there were four babies using the facility in Q1, following the pandemic, we had to discontinue the use, to observe social distancing and avoid unnecessary risks. The creche will re-open once it is deemed safe enough to do so. Creche services promote social sustainability which translate to economic sustainability as productivity of relevant staff will increase due to the proximity of the baby, convenience, and peace of mind such promotes.

Corporate Social Responsibility/Sustainability Report contd

Employee Health and Safety: We provide comfortable, spacious, well-lit and well-ventilated working spaces for employees. Our Health, Safety and Environment (HSE) policy is documented and available to all employees. It aims to continuously strive for an environment that promotes good health and wellbeing of all employees, according to labour regulations, the Nigerian Constitution and the Internal Bill for Human Rights. Our in-house medical doctor is available to monitor employees' vital statistics and give health advice to employees. Group Life insurance is provided for all employees.

We are compliant with all applicable environmental regulations as enforced by the National Environmental Standards and Regulations Enforcement Agency (NESREA) and Lagos State Government and were not required to pay any fine for non-compliance to environmental laws and regulations in 2020.

Human Rights: Our Health, Safety and Environment (HSE) policy mandates human rights are to be upheld for all our employees. We offer competitive salaries to employees and provide benefits in addition.

Employee Training: Every year, we operate the Custodian Graduate Trainee Program (CGTP) which is aimed at attracting young graduates across various disciplines to be engaged in a highly educative and immersive program. By this, we are able to develop a strong workforce of home-grown talent for the company and the industry at large.

On average, every employee had about 4 hours of mandatory training in 2020. The number increased as the trainings were held virtually, so training was varied and became more accessible to most employees.

Data Protection and Customer Privacy

Data protection and privacy are taken very seriously at Custodian since a victim of fraud would face life-changing and negative implications. We understand the increased data protection risks customers might face in view of our digitization transformation and this has necessitated having a robust Information Technology Governance framework. This framework provides guidelines on how we handle data and privacy issues and sets out channels for timely escalation of any client data concerns.

Corporate Social Responsibility/Sustainability Report contd

We have a dedicated IT Audit and Control unit responsible for implementing the IT Governance framework and ensuring compliance across the Group. The unit reports to the IT Steering Committee which is ultimately responsible for IT governance. All employees have key roles to play in facilitating customer data privacy and also have access to copies of the IT Policy,

Policy Dialogue

We support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of ESG issues as well as the overall promotion of an insurance culture. We are members of some organizations including the African Insurance Organization (AIO), Nigerian Insurers Association (NIA), Risk Managers Society of Nigeria, Association of Investment Advisers and Portfolio Managers and the Chartered Insurance Institute of Nigeria. As members of these associations, we dialogue with Government and Regulators when the opportunity arises to facilitate the promotion of an enabling environment for insurance and risk management. We also work as part of the associations to develop integrated risk management approaches, risk transfer solutions and promote public awareness of insurance as well as support the national financial inclusion agenda.

Partnerships for Sustainability

The success of our journey towards sustainability and sustainable insurance will depend on how well we can have collaborations and partnerships with both internal and external stakeholders and others including service providers. We will consider partnerships with local and regional industry associations to promote awareness of insurance to the public as well as industry-level awareness on ESG issues and how these affect insurance and investments.

We will also partner with local, regional and international organizations focused on promoting sustainability such as Nigerian Private Sector Advisory Group on the SDGs, Nigerian Private Sector Alliance, UNEP-FI, United Nations Global Compact, African Development Bank (ADB), Global Reporting Initiative (GRI) etc.

Corporate Social Responsibility/Sustainability Report contd

Looking Ahead

At Custodian, we have strived to operate in an ethical and transparent manner and have incorporated ESG considerations in several forms. We will work to take our actions further and continue to promote and ingrain ESG issues into our operations and business activities.

As a Group, we are aware of the potential risks and opportunities brought about by our CSR and Sustainability actions. We recognize our role in society towards contributing to sustainable development and plan to report progress made through our annual report.

Conclusion

We understand our actions can affect the community and the natural environment within which we operate. We commit to contributed actin towards maximizing the positive effects of our operations and investments in our host communities, the natural environment and the larger economy.

We will constantly set key initiatives to achieve our objectives which revolve around our four strategic pillars of Education, Community Development, Health and Sustainability. Whilst we strive to execute the initiatives, we will also continue to refine our processes, re-evaluate objectives, achieve set milestones and report progress made with the aim of continuous improvement.

HSE Report

We continue to uphold our resolve to minimize our impact on the environment and also endeavor to fulfil employees desire to work in a safe and protected environment in order to protect their mental and physical wellness.

The company's HSE policy is committed to promoting and providing a low-risk work environment with positive health and safety culture, hence safety risks in office environment are continuously identified and reduced or eliminated.

The desire to achieving a healthier and safer workplace and environment, is to enable us attain productive and innovative business with the aim of reducing operational and financial impact due to work-related injuries and ill health.

Our strategy has been the continued identification of new solutions to existing problems and tackling new risks regarding workplace and environment for the benefit and continual improvement of all stakeholders.

In order to achieve a low or risk-free work environment, our targets are:

- to preserve lives and assets
- to ensure there are no recorded fatalities
- to ensure workplace is free of recognized health and safety hazards
- to ensure anticipated risks based on knowledge/experience are reduced to the barest minimum or eliminated

At Custodian Investment Plc, we recognize workplace safety as everyone's responsibility, and as such we encourage everyone to participate in the office health and safety.

Following the outbreak of the COVID-19 pandemic, strict measures were introduced with the full support and participation of the management team to protect the workforce, tenants, visitors and contractors entering into the building.

HSE Report contd

Once the pandemic was confirmed a global threat by the World Health Organization, there was introduction and enforcement of non-pharmaceutical measures such as enforcement of face mask use before entry and within the premises, temperature scanning, dispensing of hand sanitizer at point of entry, social distancing in the lift cabin (4 instead of 24 passengers) and offices, positioning of hand sanitizers at the lift lobby of each floor, as well as increased frequency of cleaning and weekly decontamination of the offices.

In the bid to reduce or eliminate physical contact, the practice of social distancing amongst employees was enforced, with forty percent of the workforce working from home. Also, services such as fit-farm and staff canteen were cancelled as lunch was packed and served as take-out.

Reinforcement communication via emails, posters and knowledge sharing sessions were employed by management, as Custodian Investment Plc continues to support its workforce as we all settle into the new normal.

We are confident that if we take all necessary precaution and follow laid down protocols within and outside the workplace, the battle against the pandemic will be won and casualty will be minimized.

Notes

Proxy Form

26th Annual General Meeting of Custodian Investment Plc to be held at 10am on Thursday, April 22, 2021 at The Civic Centre, Ozumba Mbadiwe Avenue, Victoria Island, Lagos.

I/We*.....
being a member/members of the above-named Company hereby appoint

**.....
or failing him/her, Dr. (Mrs.) Omobola Johnson, or failing her, Mr. Wole Oshin, or failing him, Mr. Adeyinka Jafojo, or failing him, Mr. Matthew Akinlade, or failing him, Sir Sunny Nwosu, or failing him, Mr. Nornah Awoh, or failing him, Mr. Adebayo Adeleke, as my/our proxy to vote for me/us on my/our behalf at the 26th Annual General Meeting of the Company to be held on Thursday, April 22, 2021.

Dated this.....day of.....2021

Signature.....

Number of Shares

Note

1. Please sign this proxy card and send to info@meristemregistrars.com or post it so as to reach the registrars, Meristem Registrars and Probate Services Limited, 213, Herbert Macaulay Way, Yaba, Lagos not later than 48hours before the time for holding the meeting.
2. If executed by a corporation, the proxy card should be sealed with the common seal.
3. The proxy card will be used both by show of hands and in the event of a poll being directed or demanded
4. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.

Before posting the above form, please tear off this part and retain it for admission to the meeting.

CUSTODIAN INVESTMENT PLC, 26TH ANNUAL GENERAL MEETING TO BE HELD ON THURSDAY, APRIL 22, 2021 AT 10 AM. AT THE CIVIC CENTRE, OZUMBA MBADIWE AVENUE, VICTORIA ISLAND, LAGOS.

Name of Shareholder Number of shares

*Name of Proxy

If you are unable to attend the meeting

A member [Shareholder] who is unable to attend Annual General Meeting is allowed by law to vote by proxy. A proxy need not be a member of the Company. The above proxy card has been prepared to enable you exercise your right to vote if you cannot personally attend.

Important- Please insert your name and that of your proxy in **BLOCK CAPITALS** to both the proxy and admission forms where asterisked.



I/We desire that this proxy be used in favour of/against the resolutions as indicated below.

Resolutions	For	Against
Ordinary Business		
1. To lay before the members the audited Accounts for the year ended December 31, 2020, together with the reports of the Directors, Auditors and the Audit Committee thereon.		
2. To declare a dividend.		
3. To re-elect the following Directors retiring by rotation: i. Mr. Ravi Sharma as a Director. ii. Mr. Olakunle Ade-Ojo as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve the appointment of Mrs. Mimi Ade-Odiachi as a Director.		
5. To approve the appointment of the Company's External Auditors.		
6. To authorise the Directors to fix the remuneration of the Auditors for the 2021 financial year.		
7. To elect members of the Statutory Audit Committee.		
8. To disclose remuneration of Managers in the employment of the Company.		
Special Business		
9. To fix the remuneration of Directors.		
To consider and if thought fit, pass the following as Ordinary Resolution:		
10. That the Board of Directors of the Company be and is hereby authorized to: a) raise the Naira equivalent of up to \$15,000,000.00 (Fifteen Million US Dollars), as additional capital through a convertible loan instrument. b) convert the Loan in the Naira equivalent of up to \$15,000,000.00 (Fifteen Million US Dollars) into shares in the Company (the "Conversion Shares") at a conversion price, being the higher of N6 per share or the 12-month historical average daily share price of the Company derived from the Daily Official List of The Nigerian Stock Exchange (for the period ending on March 23, 2021), subject to adjustment upon the occurrence of certain adjustment events; c) allot the Converted Shares to the Lender upon the exercise by the Lender of its right to convert the Loan into shares in the Company, subject to applicable law; and d) take steps necessary or reasonably desirable to give effect to the foregoing resolutions and for effecting any transactions pursuant thereto, including the appointment of professional advisers, and the obtaining of relevant regulatory approvals.		

Please indicate with an "X" in the appropriate square how you wish your votes to be cast on the resolution set out above. Unless otherwise instructed the proxy will vote or abstain from voting at his/her discretion.

Mandate Card

Get your dividend the instant you need it with e-dividend payment

MANDATE FOR DIVIDEND PAYMENT TO BANKS (e-Dividend)

To:

The Registrars,

Meristem Registrars And Probate Services Limited
213, Herbert Macaulay Way
Adekunle, Yaba
Lagos



I/We hereby request that all my/our dividend warrant(s) due to me or/our holding(s) in Custodian Investment Plc. be paid to my/our Bank named below.

Bank Name _____

Bank Address _____

Account Number _____

Shareholders' Full Name _____

Shareholders' Address _____

Email _____ Mobile No _____

CSCS CHN _____ CSCS A/C No. _____

Single Shareholder's Signature _____

Joint Shareholder's Signature (1) _____ (2) _____

If Company, Authorized Signatory (1) _____ (2) _____

Company Seal

Authorised Signature & Stamp Of Bankers _____

Sort Code

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