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CONSOLIDATED FINANCIAL REPORTS

FOR THE SECOND QUARTER ENDED

30TH JUNE 2020

Consolidated and separate statement of financial position
As at 30 June 2020

<i>In thousands of naira</i>	Note	Group 30-Jun-20 Unaudited	Group 31-Dec-19 Audited	Company 30-Jun-20 Unaudited	Company 31-Dec-19 Audited
Assets					
Cash and cash equivalents	5	15,188,879	9,362,870	849,246	1,524,554
Trade receivables	7	2,789,518	134,664	-	-
Financial assets:	6	94,050,762	81,156,589	3,102,079	3,094,589
- Fair value through profit or loss		48,154,003	40,129,402	488,452	354,563
- Fair value through OCI		874,134	807,979	-	-
- Debt securities at amortised cost		45,022,625	40,219,208	2,613,627	2,740,026
Reinsurance assets	8	13,389,914	9,151,153	-	-
Deferred acquisition costs	9	1,306,643	667,740	-	-
Other receivables and prepayments	10	2,536,630	2,655,370	4,955,944	3,268,155
Right-of-use-assets	17	587	3,278	-	-
Investment in subsidiaries	11	-	-	8,410,669	8,410,669
Investment in associates	12	547,847	547,847	525,364	525,364
Investment properties	13	9,282,689	9,276,977	4,636,980	4,636,980
Property, plant and equipment	15	4,144,348	4,278,501	60,271	62,582
Intangible assets	14	181,560	222,781	-	-
Statutory deposits	16	560,000	560,000	-	-
Total assets		143,979,378	118,017,770	22,540,553	21,522,893
Liabilities and equity					
Liabilities					
Insurance contract liabilities	19	75,897,904	59,072,075	-	-
Investment contract liabilities	20	4,654,526	3,985,348	-	-
Lease liability	18	-	744	-	-
Trade payables	21	7,575,292	3,323,126	-	-
Other payables	22	4,797,892	3,385,347	960,367	939,164
Current income tax payable	23	2,373,439	2,114,754	695,711	629,711
Deferred tax liabilities	24	1,400,277	1,397,066	307,001	307,001
Total liabilities		96,699,330	73,278,460	1,963,079	1,875,876
Equity					
Issued share capital	25	2,940,933	2,940,933	2,940,933	2,940,933
Share premium	26	6,412,357	6,412,357	6,412,357	6,412,357
Retained earnings	27	24,985,456	23,132,865	11,224,184	10,293,727
Contingency reserve	27	10,797,068	10,315,451	-	-
Fair value reserves	27	429,414	364,235	-	-
Revaluation reserve	27	550,273	550,273	-	-
Equity attributable to owners of the parent		46,115,501	43,716,114	20,577,474	19,647,017
Non-controlling interests		1,164,547	1,023,196	-	-
Total equity		47,280,048	44,739,310	20,577,474	19,647,017
Total equity and liabilities		143,979,378	118,017,770	22,540,553	21,522,893

The accounts were approved by the Board of directors on 29 July, 2020 and signed on its behalf by:



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



Wole Oshin
Managing Director
FRC/2013/CIIN/00000003054



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

**Consolidated and separate statements of profit or loss and other comprehensive income
For the period ended 30 June 2020**

<i>In thousands of naira</i>	Note	Group Q2 ended 30-Jun-20 Unaudited	Group Q2 ended 30-Jun-19 Unaudited	Group Year to date 30-Jun-20 Unaudited	Group Year to date 30-Jun-19 Unaudited	Company Q2 ended 30-Jun-20 Unaudited	Company Q2 ended 30-Jun-19 Unaudited	Company Year to date 30-Jun-20 Unaudited	Company Year to date 30-Jun-19 Unaudited
Gross Revenue		17,138,975	15,540,866	35,013,386	30,438,147	2,712,853	2,601,982	3,479,620	3,634,567
Interest income	29	2,323,406	2,264,340	5,021,312	4,310,241	75,328	151,057	167,618	297,762
Other investment and operating income	28	14,815,569	13,276,526	29,992,074	26,127,906	2,637,525	2,450,926	3,312,002	3,336,805
Operating Expenses	30	(18,328,768)	(12,259,767)	(31,359,041)	(23,625,837)	-	-	-	-
Net income		(1,189,793)	3,281,099	3,654,345	6,812,310	2,712,853	2,601,982	3,479,620	3,634,567
Net fair value gains/(losses)	31	6,171,785	1,297,104	5,199,850	1,770,312	54,657	(38,984)	(16,111)	(31,245)
Net realised gains/(losses)	32	172,594	1,528	213,111	5,883	-	-	-	200
Credit loss (expense) / write back	34	(135,910)	(42,763)	(135,910)	(53,858)	-	-	-	-
Management expenses	33	(1,711,119)	(1,697,806)	(3,344,965)	(3,216,455)	(143,497)	(257,499)	(408,399)	(531,989)
Profit before taxation		3,307,556	2,839,162	5,586,431	5,318,192	2,624,013	2,305,499	3,055,110	3,071,533
Income tax expenses	23	(629,932)	(679,300)	(1,052,219)	(1,230,554)	(33,000)	(200,000)	(66,000)	(337,000)
Profit after taxation		2,677,624	2,159,862	4,534,212	4,087,638	2,591,013	2,105,499	2,989,110	2,734,533
Other comprehensive income (OCI):									
Items that will not be reclassified to profit or loss									
Net gain on equity instrument at FVOCI	35	58,476	144,095	65,179	(90,326)	-	-	-	-
Other comprehensive income for the period net of tax		58,476	144,095	65,179	(90,326)				
Total comprehensive income for the period		2,736,100	2,303,957	4,599,391	3,997,312	2,591,013	2,105,499	2,989,110	2,734,533
Profit for the period attributable to:									
- Owners of the parent		2,579,024	2,090,169	4,392,861	3,956,479	2,591,013	2,105,499	2,989,110	2,734,533
- Non-controlling interests		98,600	69,693	141,351	131,159	-	-	-	-
		2,677,624	2,159,862	4,534,212	4,087,638	2,591,013	2,105,499	2,989,110	2,734,533
Total comprehensive income attributable to:									
- Owners of the parent		2,637,500	2,234,264	4,458,040	3,866,153	2,591,013	2,105,499	2,989,110	2,734,533
- Non-controlling interests		98,600	69,693	141,351	131,159	-	-	-	-
		2,736,100	2,303,957	4,599,391	3,997,312	2,591,013	2,105,499	2,989,110	2,734,533
Earnings/(loss) per share:									
Basic earnings/(loss) per share (kobo)	36	47	33	75	67	44	36	51	46

Consolidated and separate statement of changes in equity
For the period ended 30 June 2020

Custodian Investment Plc
Financial Report (Unaudited)
30 June 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		
<i>In thousands of naira</i>									
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	-	-	4,392,861	-	-	-	4,392,861	141,351	4,534,212
Other comprehensive income	-	-	-	-	-	65,179	65,179	-	65,179
Transfer between reserves	-	-	(481,617)	481,617	-	-	-	-	-
	2,940,933	6,412,357	27,044,109	10,797,068	550,273	429,414	48,174,154	1,164,547	49,338,701
Dividend Paid	-	-	(2,058,653)	-	-	-	(2,058,653)	-	(2,058,653)
At 30 June 2020	2,940,933	6,412,357	24,985,456	10,797,068	550,273	429,414	46,115,501	1,164,547	47,280,048
At 1 January 2019	2,940,933	6,412,357	20,366,425	9,175,506	489,585	1,155,831	40,540,637	958,449	41,499,086
	2,940,933	6,412,357	20,366,425	9,175,506	489,585	1,155,831	40,540,637	958,449	41,499,086
Profit for the period	-	-	3,956,479	-	-	-	3,956,479	131,159	4,087,638
Other Comprehensive Income	-	-	-	-	-	(90,326)	(90,326)	-	(90,326)
Reclassification to retained earnings	-	-	803,384	-	-	(803,384)	-	-	-
Transfer between reserves	-	-	(647,716)	647,716	-	-	-	-	-
Dividends Paid	-	-	(2,058,653)	-	-	-	(2,058,653)	-	(2,058,653)
At 30 June 2019	2,940,933	6,412,357	22,419,919	9,823,222	489,585	262,121	42,348,137	1,089,608	43,437,745

Company	Attributable to owners of the Company						
	Issued share capital	Share premium	Retained earnings	Contingency reserve	Revaluation Reserve	Fair value reserve	Total
<i>In thousands of naira</i>							
At 1 January 2020	2,940,933	6,412,357	10,293,727	-	-	-	19,647,017
Profit for the period	-	-	2,989,110	-	-	-	2,989,110
Dividend Paid	-	-	(2,058,653)	-	-	-	(2,058,653)
Other comprehensive income	-	-	-	-	-	-	-
At 30 June 2020	2,940,933	6,412,357	11,224,184	-	-	-	20,577,474
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	-	-	2,734,533	-	-	-	2,734,533
Dividend paid	-	-	(2,058,653)	-	-	-	(2,058,653)
At 30 June 2019	2,940,933	6,412,357	9,743,313	-	-	-	19,096,603

Consolidated and separate statement of cash flows
For the period ended 30 June 2020

<i>In thousands of naira</i>	Group	Group	Company	Company
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Cash flows from operating activities				
Profit/(loss) before taxation	5,586,431	5,318,192	3,055,110	3,071,533
<i>Adjustments for non-cash items:</i>				
– Impairment losses/(fair value gain)	(5,199,850)	(1,770,312)	16,111	31,245
– Depreciation	206,831	203,561	15,984	18,151
– Amortisation of intangible assets and deferred expenses	42,227	55,129	-	-
– Profit on disposal of property, plant and equipment	(3,571)	(5,255)	-	(200)
– (Gain)/loss on disposal equities & other investment	(112,103)	(628)	-	-
– Exchange rate differential	-	81,199	-	-
– Dividend income	(210,426)	(448,547)	(2,836,565)	(2,741,215)
– Interest income	(415,404)	(1,086,478)	(42,609)	(27,932)
– Investment income	(4,605,908)	(3,223,763)	(125,009)	(269,830)
– Net gain/(losses) on fair value through OCI assets	(65,179)	893,710	-	-
– Others	239,602	137,893	-	-
Changes in working capital:				
(Increase)/Decrease in reinsurance assets	(4,238,761)	(1,316,195)	-	-
(Increase)/Decrease in other receivables	118,740	352,737	-	-
Decrease in trade receivables	(2,654,854)	73,966	-	-
(Increase)in other debtors and prepayments	-	-	(1,687,789)	604,094
Decrease in deferred acquisition cost	(638,903)	(299,966)	-	-
Increase/ (Decrease) in insurance contract liabilities	16,825,829	9,032,615	-	-
Increase / (Decrease) in investment contract liabilities	669,178	712,586	-	-
Increase / (Decrease) in other liabilities	5,664,711	(3,036,908)	21,203	97,615
Income tax paid	(773,955)	(652,245)	-	(576,095)
Net cash provided/(utilised) by operating activities	10,434,635	5,021,291	(1,583,563)	207,366
Cash flows from investing activities				
Purchase of property, plant and equipment	(84,241)	(514,145)	(13,673)	(376)
Proceeds on disposal of property, plant and equipment	3,572	6,421	-	200
Purchase of intangible	(1,006)	(827)	-	-
(Purchase)/redemption to investments (financial assets)	(7,694,323)	(9,279,868)	(23,601)	11,547
Purchase of investment properties	(5,712)	(126,395)	-	-
Investment income received	5,021,312	4,310,241	167,618	297,762
Dividend received	210,426	448,547	2,836,565	1,846,308
Net cash provided/(used) in investing activities	(2,549,973)	(5,156,026)	2,966,908	2,155,441
Cash flows from financing activities				
Interest paid	-	-	-	-
Dividend Paid in the year	(2,058,653)	(2,058,653)	(2,058,653)	(2,058,653)
	(2,058,653)	(2,058,653)	(2,058,653)	(2,058,653)
Net increase/(decrease) in cash and cash equivalents	5,826,009	(2,193,388)	(675,308)	304,154
Cash and cash equivalents at beginning of the year	9,362,870	11,815,842	1,524,554	192,180
Effect of change in exchange rate	-	(81,199)	-	-
Cash and cash equivalents at end of the period	15,188,879	9,541,255	849,246	496,334

Notes to the consolidated and separate financial statements
For the period ended 30 June 2020

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 2019.

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.

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

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
For the period ended 30 June 2020

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 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. 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.

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.

Notes to the consolidated and separate financial statements
For the period ended 30 June 2020

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.

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.

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.

Notes to the consolidated and separate financial statements
For the period ended 30 June 2020

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.

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

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.

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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.

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.

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.

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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.

j) 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.

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.

o) 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.

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.

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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 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
- 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 does not have any debt instruments at fair value through OCI.

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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.

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 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).

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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 Augusto 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 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 10

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 order to comply with the Group's procedures for recovery of amount due.

p) 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.

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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.

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.

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.

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q) 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.

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.

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.

r) 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.

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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.

s) 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.

t) 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 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.

u) Intangible assets

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

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

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w) **Leases**

Policy applicable before 1 January 2019

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable with effect from 1 January 2019

Initial recognition and measurement

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of a right-of-use asset at inception of the lease includes an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Group incurs the obligation for those costs at the commencement date or as a consequence of having used the underlying asset during a particular period.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets (Real Estate 2 to 5 years).

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section(s) Impairment of non-financial assets Property plant and equipment.

The Group's lease arrangements are majorly real estate leases which include leases of office spaces. These lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

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ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

In calculating the present value of lease payments, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determinable, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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 sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease that the entity, as a lessee, has accounted for applying paragraph 6, the sublease shall be classified as an operating 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 reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Rent receivables

Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost.

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Tenant deposits

Tenant deposits are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term. Refer also to accounting policies on financial liabilities.

x) 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.

y) Insurance Contract Liabilities

- Non-life insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money due to 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.

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.

1) 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.

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-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 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.

(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

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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 reinsurance 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.

Liability adequacy test

Losses arising from existing contractual obligations are recognised. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, investment income backing such liabilities are considered. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. Any deficiency is charged to profit or loss by increasing the carrying amount of the related insurance liabilities.

z) 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.

aa) 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.

ab) 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.

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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.

ac) 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.

ad) 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.

ae) 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.

af) 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.

ag) 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.

ah) 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.

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.

2.5 Changes in accounting policies and disclosures

New and amended standards and interpretations

In these financial statements, the Group has applied IFRS16 - Leases effective for annual periods beginning on or after 1 January 2019, for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but did not have an impact on the financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

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IFRS 16 — Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS 17. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any significant impact for leases where the Group is the lessor. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group reassessed all rental contracts to which the Group is a lessee to identify whether a contract is, or contains a lease at 1 January 2019.

The Group applied the standard to all contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. In many of the lease contracts, there are no extension options and where these exist in other contracts, the Group, being the lessee, has reassessed the impact which are fully disclosed in the transition adjustments.

The Group does not have any sale and lease back transaction as at transition date. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group. The Group had no lease previously classified as finance lease as at the transition date.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determined whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Group's tax filings and those of her subsidiaries as well as other related parties are in same jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing documentation, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Group. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. These amendments did not have any impact on the Group's financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments are applicable retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments had no impact on the financial statements of the Group.

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Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments had no impact on the Group's financial statements as it does not have any employee benefit that include future plan amendments, curtailments, or settlements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. This does not have an impact on its financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments did not have an impact on the Group's financial statements as there is no transaction where joint control is obtained.

- IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions. These amendments did not have an impact on the Group's financial statements as there is no transaction where joint control is obtained.

- IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's previous practice was in line with these amendments, the amendments had no impact on the Group's financial statements.

- IAS 23 Borrowing Costs

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The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The amendments did not have any impact on the Group's financial statements.

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

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.

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.

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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.

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.

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.

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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.

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.

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 2019 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 Notes 14 and 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 24.

Impairment under IFRS 9

The impairment requirements of IFRS 9 apply to all debt instruments that are measured at amortised cost. 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:

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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:

- 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.

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

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In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short- duration which typically applies to certain non-life insurance contracts.

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cashflows of a Company of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in profit or loss but are recognised directly on the statement of financial position.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a Company of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Group started a project to implement IFRS 17 and has been performing a high-level impact assessment of IFRS 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is to have a significant impact on profit and total equity together with presentation and disclosure.

Definition of a Business — Amendments to IFRS 3

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application- 1 January 2020, the Group will not be affected by these amendments on the date of transition.

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Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's financial statements.

The Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework. The Conceptual Framework will have no material impact on the Group.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group does not expect these amendments to have impact on its financial statements when they become effective.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This amendment is effective for annual reporting periods beginning on or after 1 January 2020. The Group does not expect these amendments to have impact on its financial statements when they become effective.

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. The fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship.

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Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship. To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value. The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

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5 Cash and cash equivalents

<i>In thousand of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Cash-in-hand	370	229	20	20
Balances held with local banks	3,092,635	1,182,323	449,663	46,250
Balances held in domiciliary accounts	2,585,529	107,856	-	-
Reserve with Pension Custodian	19,474	44,039	-	-
Placements with banks	9,722,340	8,187,001	425,546	1,504,267
	15,420,347	9,521,448	875,229	1,550,537
Less: Allowance for credit losses	(231,468)	(158,578)	(25,983)	(25,983)
	15,188,879	9,362,870	849,246	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.

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

6 Financial assets

<i>In thousand of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
The Group's financial assets are summarised by categories as follows:				
Fair value through profit or loss	48,154,003	40,129,402	488,452	354,563
Fair value through OCI (see note 6.1 below)	874,134	807,979	-	-
Debt securities at amortised cost (see note 6.2 below)	45,022,625	40,219,208	2,613,627	2,740,026
Total financial assets	94,050,762	81,156,589	3,102,079	3,094,589

Included in financial assets is the sum of N616.3million relating to unclaimed dividend returned to the Company by the registrars pending when it will be claimed by the beneficial shareholders (see Note 22).

6.1 Fair value through OCI

<i>In thousand of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Quoted equity securities	-	-	-	-
Unquoted securities	874,134	807,979	-	-
Total Fair value through OCI	874,134	807,979	-	-

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

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.

6.2 Debt securities at amortised cost

<i>In thousand of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Federal Government Bonds	24,027,594	20,105,552	539,122	541,947
State Government Bonds	1,227,646	1,218,955	-	-
Corporate Bonds	14,901,010	12,714,761	-	-
Treasury Bills and Tenor Deposits Greater than 90 days and Others	3,765,704	5,137,726	1,498,701	1,607,407
Loans to policy holders	91,787	76,266	-	-
Loan to third parties	243,380	385,442	243,380	385,442
Staff Loans and other advances	415,848	225,629	343,106	215,912
Commercial papers	742,652	630,928	-	-
	45,415,621	40,495,259	2,624,309	2,750,708
Less: Allowance for credit losses	(392,996)	(276,051)	(10,682)	(10,682)
Total held-to-maturity	45,022,625	40,219,208	2,613,627	2,740,026

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6.3 Maturity profile of total financial assets

<i>In thousand of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Within one year	9,805,660	10,143,099	2,358,699	2,599,455
More than one year	84,245,102	71,013,490	743,380	495,134
	94,050,762	81,156,589	3,102,079	3,094,589

7 Trade receivables

<i>In thousand of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Insurance receivables	2,789,518	134,664	-	-
Impairment on insurance receivables	-	-	-	-
	2,789,518	134,664	-	-

All insurance receivables are designated as trade receivables and their carrying values approximate fair value at the statement of financial position date. The Group reviews individual receivable account to determine its collectivity. 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.

8 Reinsurance assets

<i>In thousand of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Prepaid reinsurance premium	9,838,106	5,563,468	-	-
Reinsurance share of claims	2,098,923	2,911,082	-	-
	11,937,029	8,474,550	-	-
Due from reinsurance brokers	1,001,654	628,646	-	-
Minimum deposit on premium paid	-	47,957	-	-
	13,389,914	9,151,153	-	-

9 Deferred acquisition costs

<i>In thousand of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
At 1 January	667,740	728,440	-	-
Movement during the period	638,903	(60,700)	-	-
At end of the period	1,306,643	667,740	-	-

10 Other receivables and prepayments

<i>In thousand of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Staff Debtors	-	63,039	-	-
Administration fee receivable	10,947	9,165	-	-
Management fee receivable	618,501	302,384	-	-
Deposit for shares	969,639	1,051,896	1,469,639	1,551,896
Deposit for assets	33,120	43,720	-	-
Due from related parties	-	-	214,906	253,015
Other debit balances	178,736	699,613	16,170	10,690
	1,810,943	2,169,817	1,700,715	1,815,601
WHT receivables	446,213	350,819	437,476	326,876
Dividend receivable	-	-	2,757,084	1,100,000
Prepayment	368,093	265,844	87,277	52,286
	814,306	616,663	3,281,838	1,479,162
	2,625,249	2,786,480	4,982,552	3,294,763
Less: Allowance for Impairment loss on other receivables	(88,619)	(131,110)	(26,608)	(26,608)
	2,536,630	2,655,370	4,955,944	3,268,155

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11 Investment in subsidiaries

<i>In thousand of naira</i>	Group	Group	Company	Company
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
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
At the end of the period	-	-	8,410,669	8,410,669

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

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

Non Controlling interest in subsidiaries

The Group does not have any subsidiary that has material non-controlling interest.

* These companies are yet to commence operation

12 Investment in associate

<i>In thousand of naira</i>	Group	Group	Company	Company
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Interstate Securities Limited - Ordinary shares	440,597	440,597	418,114	418,114
Interstate Securities Limited - Preference shares	107,250	107,250	107,250	107,250
	547,847	547,847	525,364	525,364

Movement on account

<i>In thousand of naira</i>	Group	Group	Company	Company
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
Opening balance	547,847	543,466	525,364	525,364
Share of profit/(loss) of associate	-	4,381	-	-
Group's share of profit/(loss) for the year	-	3,819	-	-
Group's share of OCI for the year	-	562	-	-
	547,847	547,847	525,364	525,364

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.

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.

Notes to the consolidated and separate financial statements
For the period ended 30 June 2020

13 Investment properties

<i>In thousand of naira</i>	Group	Group	Company	Company
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
At 1 January	9,276,977	9,146,905	4,636,980	4,636,980
Additions	5,712	126,955	-	-
Fair value gains on investment properties	-	3,117	-	-
At reporting date	9,282,689	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. Barin Epega & Company are industry specialists in valuing these types of investment properties. They are registered with the Financial Reporting Council of Nigeria (FRC\2012\NIESV\0000000597). 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.
- 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
For the period ended 30 June 2020

14 Intangible assets

Group

In thousands of naira

	Software	Total
Cost:		
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	1,006	1,006
At 30 June 2020	963,898	963,898
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	42,227	42,227
At 30 June 2020	782,338	782,338
Carrying Amount		
At 1 January 2020	222,781	222,781
At 30 June 2020	181,560	181,560

15 Property, plant and equipment

i Group

In thousands of naira

	Freehold property	Office equipment	Computer equipment	Furniture and fittings	Motor Vehicles	Total
Cost/Valuation						
At 1 January 2020	3,793,425	392,486	477,035	346,850	1,146,407	6,156,203
Additions	1,235	23,182	19,527	3,950	36,347	84,241
Reclassification/Revaluation	462	30	-	1,801	(13,094)	(10,801)
Adjustment/Elimination on Revaluation	-	(1,177)	-	-	-	(1,177)
Disposals	-	(1,856)	(1,592)	(120)	(4,951)	(8,519)
At 30 June 2020	3,795,122	412,665	494,970	352,481	1,164,709	6,219,947
Accumulated depreciation						
At 1 January 2020	234,248	334,028	381,743	288,401	639,282	1,877,702
On acquisition of subsidiary	-	-	-	-	-	-
Charge for the period	46,071	14,901	22,967	12,720	110,171	206,831
Adjustment/Elimination on Revaluation	-	(416)	-	-	-	(416)
Reclassifications	-	-	-	-	-	-
Disposals	-	(1,856)	(1,591)	(120)	(4,951)	(8,518)
At 30 June 2020	280,319	346,657	403,119	301,001	744,502	2,075,599
Carrying Amount						
At 1 January 2020	3,559,177	58,458	95,292	58,449	507,125	4,278,501
At 30 June 2020	3,514,803	66,008	91,851	51,480	420,207	4,144,348

ii Company

In thousands of naira

	Office equipment	Computer equipment	Furniture and fittings	Motor Vehicles	Total
Cost/Valuation					
At 1 January 2020	9,452	8,009	41,246	103,500	162,207
Additions	305	1,368	-	12,000	13,673
Disposals / Retirement	-	-	-	-	-
At 30 June 2020	9,757	9,377	41,246	115,500	175,880
Accumulated depreciation					
At 1 January 2020	6,271	4,146	22,042	67,166	99,625
Charge for the period	1,149	965	3,182	10,687	15,984
Disposals / Retirement	-	-	-	-	-
At 30 June 2020	7,420	5,111	25,224	77,853	115,609
Carrying Amount					
At 1 January 2020	3,181	3,863	19,204	36,334	62,582
At 30 June 2020	2,337	4,266	16,022	37,647	60,271

Notes to the consolidated and separate financial statements
For the period ended 30 June 2020

16 Statutory deposits

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Statutory deposit	560,000	560,000	-	-
	560,000	560,000	-	-

In line with Section 10 (3) of the Insurance Act of Nigeria, a deposit 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.

17 Right-of-use-assets

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Right of use assets	587	3,278	-	-
	587	3,278	-	-

Movement

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Opening balance	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	(2,691)	(7,233)	-	-
At reporting date	587	3,278	-	-

18 Lease Liability

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Opening balance	744	-	-	-
Initial recognition	-	4,450	-	-
Interest expense	-	488	-	-
Less payment made during the year	(744)	(4,194)	-	-
	-	744	-	-

Movement

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Opening balance	744	-	-	-
Impact of IFRS 16 as at 1 January 2019	-	4,450	-	-
Opening balance as at 1 January	744	4,450	-	-
interest expense on lease liabilities	-	488	-	-
Lease payments made during the year	(744)	(4,194)	-	-
At reporting date	-	744	-	-

19 Insurance contract liabilities

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Outstanding claims-non life	2,175,959	2,847,255	-	-
Outstanding claims-life	1,615,359	1,554,191	-	-
IBNR	2,858,053	3,745,530	-	-
Group life liabilities	1,782,953	744,972	-	-
Individual life liabilities including annuities	5,948,968	4,488,920	-	-
Unearned Premiums	61,516,612	45,691,207	-	-
	75,897,904	59,072,075	-	-
Non life (see note 19.1 below)	17,487,018	11,957,745	-	-
Life (see note 19.2 below)	58,410,886	47,114,330	-	-
	75,897,904	59,072,075	-	-

Notes to the consolidated and separate financial statements
For the period ended 30 June 2020

Reconciliation of Insurance contract Liabilities

19.1 Non-life insurance

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
At 1 January	11,957,745	12,826,281	-	-
Change in unearned premium	6,200,569	467,533	-	-
Current year claims provision	2,154,031	4,318,005	-	-
Change in prior year claims provisions	-	-	-	-
Claims paid during the period	(2,825,327)	(5,654,074)	-	-
At period end	17,487,018	11,957,745	-	-

19.2 Life insurance

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
At 1 January	47,114,330	29,231,996	-	-
Premium received	12,933,120	22,189,832	-	-
Liabilities paid for death benefit claims	(1,617,775)	(3,154,729)	-	-
Benefits and claims experience variations	(18,789)	(1,152,769)	-	-
At the end of the period	58,410,886	47,114,330	-	-

20 Investment contract liabilities

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Individual	2,663,325	1,916,350	-	-
Welfare	1,991,201	2,068,998	-	-
	4,654,526	3,985,348	-	-

Movement in investment contract liabilities

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
At 1 January	3,985,348	3,089,658	-	-
Deposit	764,266	1,346,062	-	-
Withdrawal	(186,053)	(618,934)	-	-
Guaranteed interest	90,965	168,562	-	-
	4,654,526	3,985,348	-	-

21 Trade payables

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Due to reinsurance and Co-insurance Companies	1,487,267	404,452	-	-
Due to Brokers and Agents	5,044,946	817,076	-	-
Premium received in advance	1,043,079	2,101,598	-	-
	7,575,292	3,323,126	-	-

All amounts are payables within a year. The carrying amount approximates fair value.

Notes to the consolidated and separate financial statements
For the period ended 30 June 2020

22 Other payables

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Staff pension	1,686	1,436	1,686	1,436
Statutory payables	323,516	212,099	3,724	788
Information Technology Development levy	31,716	53,921	-	-
Unclaimed Dividend	616,299	616,299	616,299	616,299
Unearned income	566,730	585,550	9,972	3,324
	<u>1,539,947</u>	<u>1,469,305</u>	<u>631,681</u>	<u>621,847</u>
Non Trade payable (see note 22(i) below)	914,277	1,034,573	-	-
Accruals (see note 22(ii) below)	1,731,231	716,611	25,721	20,786
Due to related party	-	-	201,000	201,000
Commission payable	177,840	-	-	-
Tenants' Security Deposit	22,980	17,059	22,980	17,059
Sundry creditors (see note 22(iii) below)	411,617	147,799	78,985	78,472
	<u>3,257,945</u>	<u>1,916,042</u>	<u>328,686</u>	<u>317,317</u>
	<u>4,797,892</u>	<u>3,385,347</u>	<u>960,367</u>	<u>939,164</u>

- i Non trade payables consist of payables to regulators and various suppliers.
- ii Accruals consist of audit fees and subscription to various regulatory bodies.
- iii Sundry creditors relates to amount due to suppliers and service providers for services rendered

23 Taxation

Per profit or loss account:

<i>In thousands of naira</i>	Group 30-Jun-20	Group 30-Jun-19	Company 30-Jun-20	Company 30-Jun-19
Income tax based on profit for the profit	1,019,144	1,192,165	60,000	337,000
Education tax for the period	19,865	13,248	6,000	-
NITDA	9,999	-	-	-
	<u>1,049,008</u>	<u>1,205,413</u>	<u>66,000</u>	<u>337,000</u>
Deferred taxation	3,211	25,141	-	-
Tax charge to profit and loss	<u>1,052,219</u>	<u>1,230,554</u>	<u>66,000</u>	<u>337,000</u>

Current income tax

Per Balance Sheet:

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
At 1 January	2,114,754	1,832,292	629,711	600,875
Current Income tax expense	1,049,008	1,921,937	66,000	781,388
Withholding tax credit offset	(16,368)	(753,820)	-	(723,438)
Payments during the period	(773,955)	(885,655)	-	(29,114)
At the end of the period	<u>2,373,439</u>	<u>2,114,754</u>	<u>695,711</u>	<u>629,711</u>

24 Deferred tax liabilities

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
Losses available for offsetting against future taxable income	-	-	-	-
Unutilized tax credit	(40,367)	(40,367)	(40,367)	(22,647)
Fair value gains on investment properties	573,739	573,739	356,577	356,577
Accelerated depreciation for tax purposes	213,481	210,270	8,860	(8,860)
Unrealised foreign exchange gains	360,795	360,795	-	-
Revaluation Surplus	403,769	403,769	-	-
Impairment of Financial Assets	(111,140)	(111,140)	(18,069)	(18,069)
	<u>1,400,277</u>	<u>1,397,066</u>	<u>307,001</u>	<u>307,001</u>
Deferred tax assets	-	-	-	-
Deferred tax liabilities	1,400,277	1,397,066	307,001	307,001
Net deferred tax liabilities	1,400,277	1,397,066	307,001	307,001

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Reconciliation of deferred tax liability is as shown below:

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
At 1 January	1,366,512	1,235,200	307,001	165,141
Tax expense/(income) during the period recognised in P or L	-	105,303	-	141,860
Tax income during the period recognised in OCI	3,211	26,009	-	-
At the end of the period	1,369,723	1,366,512	307,001	307,001

25 Issued share capital and reserves

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
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:

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
At 1 January	2,940,933	2,940,933	2,940,933	2,940,933
Additional Shares Issued During the period	-	-	-	-
At the end of the period	2,940,933	2,940,933	2,940,933	2,940,933

26 Share premium

<i>In thousands of naira</i>	Group 30-Jun-20	Group 31-Dec-19	Company 30-Jun-20	Company 31-Dec-19
At 1 January	6,412,357	6,412,357	6,412,357	6,412,357
Net Movement during the year on combination/Share Capital Related Exp	-	-	-	-
At the end of the period	6,412,357	6,412,357	6,412,357	6,412,357

27 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. The balance represents the amount attributable to the non-controlling shareholders of CSP.

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28 Other investment and operating income

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Gross Premium Income (see note 28(i) below)	13,069,161	11,703,778	26,956,218	23,409,828	-	-	-	-
Dividend income	107,505	350,248	210,426	448,547	2,478,253	2,137,840	2,836,565	2,741,215
Fees and Commission income	1,526,327	1,085,406	2,682,323	2,192,265	-	-	-	-
Other Operating Income (see note 28(ii) below)	112,576	137,094	143,107	77,266	159,272	313,086	475,437	595,590
	14,815,569	13,276,526	29,992,074	26,127,906	2,637,525	2,450,926	3,312,002	3,336,805

i Gross premium income

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Non life insurance gross premium income	8,098,688	6,091,267	15,061,079	12,095,192	-	-	-	-
Life insurance gross premium income	4,970,473	5,612,511	11,895,139	11,314,636	-	-	-	-
	13,069,161	11,703,778	26,956,218	23,409,828	-	-	-	-

ii Other operating income

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Rental income	67,592	54,630	97,129	90,963	3,324	3,324	6,648	6,648
Foreign exchange gain/loss	27,118	76,293	-	(27,341)	-	-	-	-
Sundry income	17,866	6,171	45,978	13,644	155,948	309,762	468,789	588,942
	112,576	137,094	143,107	77,266	159,272	313,086	475,437	595,590

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.

29 Interest income

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
cost	2,326,651	1,505,201	4,605,908	3,223,763	61,971	137,195	125,009	269,830
Interest income on call and deposit accounts	(3,245)	759,139	415,404	1,086,478	13,357	13,862	42,609	27,932
	2,323,406	2,264,340	5,021,312	4,310,241	75,328	151,057	167,618	297,762

30 Operating Expenses

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Reinsurance Expenses	6,045,993	4,338,474	11,578,231	9,218,604	-	-	-	-
Underwriting Expenses	963,310	1,276,821	2,333,720	2,272,451	-	-	-	-
Claims related expenses & provisions (see note 29(i) below)	11,319,465	6,644,472	17,447,090	12,134,782	-	-	-	-
	18,328,768	12,259,767	31,359,041	23,625,837	-	-	-	-

i Claims related expenses & provisions:

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Gross claims expenses	3,293,299	3,269,596	7,521,896	7,140,724	-	-	-	-
Claims ceded to reinsurers	(389,538)	(645,498)	(371,542)	(1,370,101)	-	-	-	-
Change in Provision for Outstanding Claims and Life Fund Estimate	8,415,704	4,020,374	10,296,736	6,364,159	-	-	-	-
	11,319,465	6,644,472	17,447,090	12,134,782	-	-	-	-

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.

31 Net fair value gains/(losses)

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Changes in Fair Value of Quoted Investments	5,803,682	1,297,104	4,831,747	1,770,312	54,657	(38,984)	(16,111)	(31,245)
Net unrealised (loss)/gain on foreign exchange	368,103	(368,103)	368,103	-	-	-	-	-
	6,171,785	1,297,104	5,199,850	1,770,312	54,657	(38,984)	(16,111)	(31,245)

32 Net Realized Gains / (Losses)

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
On property and equipment:								
Profit on disposal of property and equipment	3,453	4,165	3,571	5,255	-	-	-	200
Net realised gain on foreign exchange	97,437	-	97,437	-	-	-	-	-
Disposal of investment property	-	-	-	-	-	-	-	-
Realised gain/(loss) on equity securities	71,704	(2,637)	112,103	628	-	-	-	-
	172,594	1,528	213,111	5,883	-	-	-	200

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For the period ended 30 June 2020

33 Management expenses

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Staff cost	574,233	827,562	1,369,317	1,627,986	73,919	97,523	261,615	300,206
Auditors' remuneration	16,171	19,263	29,842	26,936	3,000	3,000	6,000	6,000
Amortisation of intangible assets	21,054	32,928	42,227	55,131	-	-	-	-
Depreciation on property, plant and equipment	102,688	103,707	206,831	203,561	8,127	9,078	15,984	18,151
Occupancy Expenses	37,758	62,364	77,491	113,164	4,312	7,090	10,871	13,998
Directors Fees and Expenses	47,079	49,832	103,133	76,923	7,590	12,195	19,877	24,252
Printing, stationery & office supplies	11,247	24,336	27,120	40,523	4,045	11,261	17,055	14,337
Marketing and administration expenses	601,941	440,929	915,123	526,814	30,401	27,370	37,899	49,004
Annual General Meeting, Dividend Processing & Related costs	3,538	11,223	15,133	14,223	3,066	11,223	14,661	14,223
Pension Protection Fund Charge	-	20,905	-	40,483	-	-	-	-
Fees, Levy & Assessment	257,106	75,240	496,922	426,595	5,925	76,103	16,469	84,187
Other expenses	38,304	29,517	61,826	64,116	3,111	2,657	7,969	7,631
	1,711,119	1,697,806	3,344,965	3,216,455	143,497	257,499	408,399	531,989

Other operating expenses comprises of business promotion expenses, general welfare, entertainment and printing and stationeries expenses.

34 Credit loss (expense) / write back

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Impairment on financial & cash and cash equivalent (ECL)	(135,910)	(42,763)	(135,910)	(53,858)	-	-	-	-
	(135,910)	(42,763)	(135,910)	(53,858)	-	-	-	-

35 Net gain/(losses) on fair value through OCI assets

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Unrealised (loss)/gain on fair value through OCI financial instruments during the period, net of tax	58,476	144,095	65,179	(90,326)	-	-	-	-
Other comprehensive (loss)/income for the period, net of tax	58,476	144,095	65,179	(90,326)	-	-	-	-

36 Earnings/(loss) per share

	Group Q2 ended 30-Jun-20	Group Q2 ended 30-Jun-19	Group Year to date 30-Jun-20	Group Year to date 30-Jun-19	Company Q2 ended 30-Jun-20	Company Q2 ended 30-Jun-19	Company Year to date 30-Jun-20	Company Year to date 30-Jun-19
<i>In thousands of naira</i>								
Profit for the period	2,677,624	2,052,467	4,534,212	4,087,638	2,591,013	2,105,500	2,989,110	2,734,533
Less: Non-controlling interests	98,600	(107,395)	(141,351)	(131,159)	-	-	-	-
Net profit attributable to ordinary shareholder	2,776,224	1,945,072	4,392,861	3,956,479	2,591,013	2,105,500	2,989,110	2,734,533
Number of ordinary share in issue as at year end								
Share capital	5,881,866	5,881,866	5,881,866	5,881,866	5,881,866	5,881,866	5,881,866	5,881,866
Basic earnings per ordinary share (kobo)	47	33	75	67	44	36	51	46
Diluted earnings per ordinary share (kobo)	47	33	75	67	44	36	51	46

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.

37 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 of the virus, the Federal Government of Nigeria imposed movement restrictions in Lagos and Ogun State as well as the Federal Capital Territory in March. As of May, gradual lifting of movement has commenced with daily updates announced.

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 our customers and safety of employees and other stakeholders. This was mostly achieved through the deployment of necessary secured technology for remote working.

Impact of COVID-19 on Impairment (Expected Credit)

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 has negatively impacted all of the forward looking information, other variable in the computation ensured that the impact remains minimal.

Impact of COVID-19 on Revenue and Cost

Movement restriction measures taken to limit the spread of the virus could limit sales activities across the Group. This impact will become more apparent as the year progresses. Revenues from marine insurance could be affected due to the limited economic activity during the period. Also, job losses and limited government spending due to oil price drop will impact revenue. The movement restriction could also mean reduced claimed expense as a result of reduced human and economic activities. Operating expenses is being monitored to ensure that they are well within justifiable limits.

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, 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.

38 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.

Notes to the consolidated and separate financial statements

39 Dividend

An Interim Dividend of 10kobo for every share of 50k each, subject to appropriate withholding tax, will be paid to Shareholders whose names appear in the Register of Members as at the close of business on August 21, 2020. The payment will be made on September 1, 2020.

40 Shareholding Structure and Free Float Status

Company Name:	Custodian Investment Plc
Board Listed:	Main Board
Year End:	31 December
Reporting Period:	Half Year Ended June 30, 2020
Share Price at End of Reporting Period:	N5.50

Description	30 JUNE 2020	
	Unit	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 Substantial 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	58,506,070	0.99%
DR. TONI OGUNBOR	85,888,973	1.46%
MR. RAVI SHARMA	-	0.00%
MR. OLAKUNLE ADE-OJO	1,229,365	0.02%
Total Directors' Shareholding	384,378,761	6.53%
Other Influential Shareholding		
NIL		
NIL		
Total Other Influential Shareholding	0	0.00%
Free Float in Units and Percentage	3,250,215,143	55.26%
Free Float in Value (Naira)	17,876,183,287	

* 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 N17,746,008,654 (54.86%), is compliant with the listing



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