CONTINENTAL REINSURANCE PLC

Lagos, Nigeria

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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FOR THE YEAR ENDED 31 DECEMBER 2015

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CONTINENTAL REINSURANCE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that present fairly, in all material respects, the state of financial affairs of the Company and its subsidiaries at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company and its subsidiaries:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

The Directors accept responsibility for the preparation and fair presentation of the annual consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and the Financial Reporting Council of Nigeria Act, No. 6, 2011 .

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

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

………………………………………	………………………………………
Mr. David S. Sobanjo	Dr. Olufemi Oyetunji
Director	Managing Director/CEO
FRC/2013/CIIN/00000002149	FRC/2013/NSA/00000000685

1st. March 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CONTINENTAL REINSURANCE PLC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Continental Reinsurance Plc ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003, the Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Directors determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Insurance Act 2003 and the Financial Reporting Council of Nigeria Act No. 6, 2011.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CONTINENTAL REINSURANCE PLC – Continued

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

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

ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;

iii) the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account;

iv) in our opinion, the consolidated financial statements have been properly prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 so as to present fairly the statement of financial position and statement of profit or loss and other comprehensive income of the Company and its subsidiaries.

Kayode Famutimi, FCA
FRC/2012/ICAN/0000000155
For: Ernst & Young
Lagos, Nigeria

15. March 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General information

a. The consolidated financial statements of Continental Reinsurance Plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 01 March 2016.

Continental Reinsurance Plc (the Company or the parent) was incorporated in 1985 as a professional reinsurance limited liability company under the Companies Act 1968 and obtained license to transact non-life Reinsurance business on 10 December 1986. It commenced business operation in January 1987. The Company subsequently obtained the license to transact life reinsurance business in September 1989 and commenced life reinsurance business in January 1990. In 1999, the Company was converted to a public limited liability company and in May 2007, its shares were listed on the Nigerian Stock Exchange. In January 2005, the Company opened a business office in Douala Cameroon, Nairobi, Kenya in year 2007 (this was converted to a subsidiary in January 2013) and Abidjan Cote d' Ivoire in March 2012. In 2014, the Company acquired a subsidiary in Gaborone, Botswana. The registered office address of the Company is St Nicholas House (8th Floor), 6 Catholic Mission Street, Lagos, Nigeria.

The Company is regulated by the National Insurance Commission of Nigeria (NAICOM).

b. Principal activity

The Group is licensed to carry out both life and non - life reinsurance business. The Group provides cover in all classes of reinsurance, basically non-life and life treaty and facultative reinsurance, backed by retrocessionaires in the London and African reinsurance markets. The products and services by the Group cuts across accident, energy, fire, marine, liability, individual and group life.

The Group also has investment portfolio with diversified investment focus aimed at improving its profitability, meet future claim obligations, and limit the Group's exposure to investment risk, preserve shareholders' capital in order to maximize total return on investment.

In addition, the Group also provides top-class specialized training and development programmes to its esteemed clients in various classes of insurance and reinsurance including fire, energy, business interruption, international reinsurance, life and pension, motor and general accident and engineering/bond insurance.

2. Summary of significant accounting policies

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

2.2 Basis of preparation
These consolidated financial statements are the financial statements of Continental Reinsurance Plc (“the Company'') and its subsidiaries, Continental Reinsurance Limited, Kenya and Continental Reinsurance Limited, Botswana (“the Group”).

2.2 Basis of preparation (continued)

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations, the Company and Allied Matters Act CAP C20 LFN 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011, Insurance Act 2003 and its interpretations issued by the National Insurance Commission in its Insurance Industry Policy Guidelines is included where appropriate.

The consolidated and company financial statements comprise the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except where otherwise stated.

The Group classifies its expenses by the nature of expense method.

The consolidated financial statements are presented in Naira, which is the Group's presentation currency. The figures shown in the consolidated financial statements are stated in thousands. The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 42.

The consolidated statement 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 highly liquid investments.

The cash flows from operating activities are determined by using the direct 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. Cash transactions from investing or financing activities are shown separately from operating activities. Income tax paid is classified as operating cash flows.

The cash flows from investing and financing activities are determined by using the direct method. The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model (management approach).

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- ☐ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- ☐The ability to use its power over the investee to affect its returns

2.2 Basis of preparation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ☐The contractual arrangement with the other vote holders of the investee
- ☐Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (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.

2.4 New standards and improvements

The following new standards and amendments became effective as of 1 January 2015.

2010-2012 cycle (issued in December 2013)
Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2010 – 2012 annual improvements cycle. With the exception of the amendment relating to IFRS 2 Share-based Payment, the changes summarised below are effective for annual reporting periods beginning on or after 1 July 2014. Earlier application is permitted and must be disclosed.

IFRS 2 Share-based Payment Definitions of vesting conditions
• The amendment defines 'performance condition' and 'service condition' to clarify various
issues, including the following:
• A performance condition must contain a service condition
• A performance target must be met while the counterparty is rendering service
• A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
• A performance condition may be a market or non-market condition
• If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
• The amendment is applicable for share-based payments for which the grant date is on or after 1 July 2014 and must be applied prospectively.

2.4 New standards and improvements - Continued

IFRS 3 Business Combinations Accounting for contingent consideration in a business combination
• The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination must be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).
• The amendment must be applied prospectively.

IFRS 8 Operating Segments Aggregation of operating segments
• The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8.12, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross mar margins) used to assess whether the segments are similar.
• The amendment must be applied retrospectively.

Reconciliation of the total of the reportable segments' assets to the entity's assets
• The amendment clarifies that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
• The amendment must be applied retrospectively.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
Revaluation method – proportionate restatement of accumulated depreciation/amortisation
• The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed, as follows:
• Adjust the gross carrying amount of the asset to market value
Or
• Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value.
• The amendments also clarify that accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the asset.
• The amendments must be applied retrospectively.

IAS 24 Related Party Disclosures
Key management personnel
• The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
• The amendment must be applied retrospectively.

2011-2013 cycle (issued in December 2013)
Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2011-2013 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 July 2014. Earlier application is permitted and must be disclosed.

2.4 New standards and improvements - Continued

IFRS 3 Business Combinations Scope exceptions for joint ventures
• The amendment clarifies that:
• Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
• The scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
• The amendment must be applied prospectively.

IFRS 13 Fair Value Measurement
Scope of paragraph 52 (portfolio exception)
• The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).
• The amendment must be applied prospectively.
IAS 40 Investment Property Interrelationship between IFRS 3 and IAS 40 (ancillary services)
• The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine whether the transaction is the purchase of an asset or business combination.
• The amendment must be applied prospectively

2012-2014 cycle (issued in September 2014)
Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2012-2014 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted and must be disclosed.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Changes in methods of disposal
• Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
• The amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures
Servicing contracts
• The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
• The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

2.4 New standards and improvements - Continued

IFRS 7 Financial Instruments: Disclosures - Continued

Applicability of the offsetting disclosures to condensed interim financial statements

- The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
- The amendment must be applied retrospectively.

IAS 19 Employee Benefits Discount rate: regional market issue

- The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- The amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

Disclosure of information 'elsewhere in the interim financial report'

- The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).
- The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.
- The amendment must be applied retrospectively.

None of these standards and amendments impact the Group's consolidated financial statements.

The accounting policies adopted in the preparation of the 2015 consolidated financial statements are consistent with those followed in the preparation of the Group's 2014 financial statements, except for the adoption of new standards or interpretations effective as of 1 January 2015.

2.5 Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and, therefore, accounts for the contracts as operating leases.

Estimates and assumptions

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of available-for-sale investments
The Group reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired.

The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be verified from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair value. The judgements include considerations of liquidity and model inputs such as volatility for discount rates, prepayment rates and default rate assumptions for asset-backed securities.

2.5 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)
Valuation of Insurance contract liabilities
Life insurance contract liabilities:
The liability for life insurance contracts is either based 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.

Certain acquisition costs related to the sale of new policies are recorded as deferred acquisition costs (DAC) and are amortised to the profit or loss over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and this may also require additional impairment write-offs to the profit or loss.

The main assumptions used relates to mortality, morbidity, 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.

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.

Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.

The carrying value at the reporting date of life insurance contract liabilities for the Group is ₦1,522,370,000 (2014:₦1,252,418,000) and Company ₦1,365,204,000 (2014:₦1,124,687,000).

Non-life insurance contract liabilities:
For non-life insurance contract, estimates have to be made for the expected ultimate cost of all future payments attaching to incurred claims at the reporting date. These include incurred but not reported ("IBNR") claims. Due to the nature of reinsurance business, it takes a significant period of time before ultimate costs of claims can be established with certainty and therefore considerable judgement, experience and knowledge of the business is required by management in the estimation of amounts due to contract holders. Actual results may differ resulting in positive or negative change in estimated liabilities.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods. These methods primarily use historical claim settlement trends as a base for assessing future claims settlement amounts. Historical claims developments are mainly analysed by underwriting year, by type and line of business and by geographical territory. Large claims are separately addressed using loss adjusters' reports and historical large claims development patterns.

Additional qualitative judgement is required as significant uncertainties remain such as future changes in inflation, economic conditions, attitude to claiming, foreign exchange rates, judicial decisions and operational process.

2.5 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Valuation of Insurance contract liabilities (continued)

Similar judgements, estimates and assumptions are employed in the assessment of losses attaching to unearned premium exposures. The methods used are based on time apportionment principles together with significant judgement to assess the adequacy of theses liabilities and the attached uncertainty.

The carrying value at the reporting date of non-life contract liabilities for the Group is ₦9,559,583,000 (2014:₦9,532,275,000)and Company ₦7,788,359,000 (2014:₦7,879,619,000)

Pipeline reinsurance premium

For non-life reinsurance contracts, estimates have to be made for expected future premium from policies already written but not reported at the reporting date. Due to the nature of reinsurance business, in particular treaty business, it takes a significant period of time before all premiums are reported for a given underwriting period. Therefore considerable judgement, experience and knowledge of the business is required by management in the estimation of pipeline premiums due from contract holders. Actual results may differ resulting in positive or negative change in estimated pipeline premium income.

The pipeline premiums are estimated by using the Chain Ladder technique. This technique primarily uses historical reporting trends as a base for assessing future premium amounts. Historical premiums developments are mainly analysed by underwriting year, by type and line of business and by geographical territory. Estimated premium income information is also used to supplement the results of this technique.

Additional qualitative judgement is required as significant uncertainties remain such as future changes in inflation, economic conditions, foreign exchange rates, industry developments and operational process.

Deferred tax assets and liabilities

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.

The carrying value at the reporting date of net deferred tax liability for the Group is ₦72,908,000 (2014:₦64,113,000) and Company ₦68,777,000 (2014:₦45,039,000). Further details on taxes are disclosed in Note 9 to the financial statements.

Valuation of pension benefit obligation

The cost of defined benefit pension plans and other post-employments benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of return on assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 27 to the financial statements.

The carrying value at the reporting date of gratuity benefit obligation for the Group is ₦278,372,000 (2014:₦184,379,000) and Company ₦278,372,000 (2014:₦184,379,000).

2.5 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2015. 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.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate. The key assumptions used to determine the fair value of the investment properties are further explained in Note 20 to the consolidated financial statements.

2.6 Standards and interpretations 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 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018.

Key requirements

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by instrument basis to present changes in the fair value of non trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

2.6 Standards and interpretations issued but not yet effective

IFRS 9 Financial Instruments - Continued

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 Leases.

In determining the appropriate period to measure ELCs, entities are generally required to assess based on either 12-months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, a simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

Transition

Early application is permitted for reporting periods beginning after the issue of IFRS 9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

Impact

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. It will be important for entities to monitor the discussions of the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG).

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception -
Amendments to IFRS 10, IFRS 12 and IAS 28
Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments address three issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

2.6 Standards and interpretations issued but not yet effective

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Continued

Transition
The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

Impact
The amendments to IFRS 10 and IAS 28 provide helpful clarifications that will assist preparers in applying the standards more consistently. However, it may still be difficult to identify investment entities in practice when they are part of a multi-layered group structure.

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

In August 2015, the IASB issued Exposure Draft ED/2015/7 Effective Date of Amendments to IFRS 10 and IAS 28 proposing to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method.

Key requirements
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 a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Transition
The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact
The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

IFRS 11 Accounting for Acquisitions of Interests inJoint Operations – Amendments to IFRS 11
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

2.6 Standards and interpretations issued but not yet effective

IFRS 11 Accounting for Acquisitions of Interests inJoint Operations – Amendments to IFRS 11 - Continued

Transition
The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact
The amendments to IFRS 11 increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or of an asset, which would require judgement. Entities need to consider the definition of a business carefully and select the appropriate accounting method based on the specific facts and circumstances of the transaction.

IFRS 14 Regulatory Deferral Accounts
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
IFRS 14 allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements.

Transition
Early application is permitted and must be disclosed.

Impact
IFRS 14 provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The comprehensive rate regulated activities project is on the IASB's active agenda.

IFRS 15 Revenue from Contracts with Customers
Effective for annual periods beginning on or after 1 January 2018.

Key requirements
IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

2.6 Standards and interpretations issued but not yet effective

IFRS 15 Revenue from Contracts with Customers - Continued

The principles in IFRS 15 will be applied using a five-step model:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

Transition
Entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach. Early application is permitted and must be disclosed.

Impact
IFRS 15 is more prescriptive than current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to their current accounting, systems and processes. Therefore, a successful implementation will require an assessment of and a plan for managing the change. In addition, as the IASB, the US Financial Accounting Standards Board (FASB) and the Joint Transition Resource Group for Revenue Recognition (TRG) continue to discuss implementation issues, it is important that
entities monitor the discussions of those groups. See Section 3 Active IASB projects for more details.

IAS 1 Disclosure Initiative – Amendments to IAS 1
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS1 requirements. The amendments clarify:
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

Transition
Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates.

2.6 Standards and interpretations issued but not yet effective

IAS 1 Disclosure Initiative – Amendments to IAS 1 - Continued

Impact

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. Although these amendments clarify existing requirements of IAS 1, the clarifications may facilitate enhanced disclosure effectiveness.

IAS 16 and IAS 38 Clarification of Acceptable

Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38
Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Transition

The amendments are effective prospectively. Early application is permitted and must be disclosed.

Impact

Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their approach to an acceptable method, such as the diminishing balance method, which would recognise increased amortisation in the early part of the asset's useful life.

IAS 16 and IAS 41 Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments to IAS 16 and IAS 41 Agriculture change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41. As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in IAS 16, including the choice between the cost model and revaluation model for subsequent measurement. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of IAS 41.

Transition

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may choose to measure a bearer plant at its fair value at the beginning of the earliest period presented. Earlier application is permitted and must be disclosed.

Impact

The requirements will not entirely eliminate the volatility in profit or loss as produce growing on bearer plants will still be measured at fair value. Furthermore, entities will need to determine appropriate methodologies to measure the fair value of these assets separately from the bearer plants on which they are growing, which may increase the complexity and subjectivity of the measurement.

2.6 Standards and interpretations issued but not yet effective

IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19

Effective for annual periods beginning on or after 1 July 2014.

Key requirements

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Examples of such contributions include those that are a fixed percentage of the employee’s salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee’s age.

Transition

The amendments must be applied retrospectively.

Impact

These changes provide a practical expedient for simplifying the accounting for contributions from employees or third parties in certain situations.

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39)

Or

- Using the equity method

The entity must apply the same accounting for each category of investment. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

Transition

The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

Impact

The amendments eliminate a GAAP difference for countries where regulations require entities to present separate financial statements using the equity method to account for investments in subsidiaries, associates and joint ventures.

2.7 Insurance contracts

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 defined in IFRS 4 may also transfer financial risk.

In accordance to IFRS 4, the Group has continued to apply the accounting polices it applied in accordance with pre-change over from Nigerian GAAP.

Recognition and measurement

The Group's Insurance contracts are classified into three broad categories, depending on the duration of the risk and the type of risk insured, namely Individual Life, Group Life and General insurance.

a. Individual life

These contracts insure mainly against death. The reserve is calculated by determining an Unexpired Premiums Reserve (UPR) and an Outstanding Claims Reserve (OCR). The UPR represents the unexpired portion of premiums received for cover within the year, assuming an allowance for expenses. The OCR represents the claims reserve for claims that were received, but not yet paid, or which may have emerged but have not been received due to delayed reporting.

b. Group life

These contracts insure against death on a Company basis. These contracts are short-term in nature and are typically renewed annually. For these contracts, gross premiums are recognised as revenue when due.

c. General insurance

These contracts provide Fire, Accident, Marine, Liability and Energy insurance. For these contracts, gross premiums are recognised as revenue when due.

2.7.1 Gross premium

Premium is recognized as income when offers from ceding companies are confirmed via credit notes. This comprises premiums generated on contracts entered into during the year as well as premiums and adjustments on contracts entered into in earlier years but confirmed in the current accounting year. Also, premium for the year includes estimates for pipeline or premium not yet advised by the ceding companies for contracts in-force at the end of the year. Pipeline premiums are estimated on the basis of latest available information and historic premium development patterns.

All written premiums are recorded on underwriting year basis and a provision is made for unearned income as Reserve for Unexpired Risk for the portion of premium relating to the current underwriting year that have not expired by the end of the accounting year.

Earned Premium Income represents Gross Premium less change in reserve for unearned Premium during the year.

2.7 Insurance Contracts (continued)

2.7.2 Retrocession

Retrocession premium represents the cost of outward reinsurance for the year. The retrocession programme is on underwriting year basis with appropriate reserves calculated using the same basis as reserve for unexpired risks.

Retrocession recoveries represent that portion of claims paid/payable on risks ceded out in respect of which recoveries are received/ receivable from the retrocessionaire. Retrocession recoveries are disclosed separately as an asset and charged against Gross Claims Incurred to arrive at Net Claims Incurred.

Retrocession assets are assessed annually for impairment and the carrying amount reduced with impairment through profit or loss.

2.7.3 Gross Claims

Gross claims represent estimates of claims and claims handling expenses accrued during the accounting year. Gross claims incurred are made up of gross claims and changes in Reserve for outstanding claims (including IBNR) during the year.

2.7.4 Reserve for unexpired risks

The portion of the Non-life gross written premium which has not yet been earned by the end of the accounting year is accounted for as Reserve for Unexpired Risks.

This is calculated using current underwriting year gross written premium for all classes of business assuming premium earning patterns based on historical pattern and business knowledge.

2.7.5 Reserve for outstanding claim

Reserve for outstanding claims represents provisions made to account for estimated cost of all claims and the related claims handling expenses incurred but not paid at the reporting date. This includes the cost of claims incurred but not reported (IBNR) using best available information.

A full provision is made for the estimated cost of all claims notified but not settled at the reporting date, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the reporting date. Similarly, provision is made for “unallocated claims expenses” being the estimated administrative expenses that will be incurred after the reporting date in settling all claims outstanding as at the date, including IBNR. Differences between the provision for outstanding claims at a reporting date and the subsequent settlement are included in profit or loss of the following year.

Based on the best available information, this reserve is calculated using standard actuarial methods and historical claims experience.

2.7 Insurance Contracts (continued)

2.7.6 Liability Adequacy Test

Liabilities from insurance policies are tested by certified professional actuary at each reporting date for adequacy of the insurance liabilities recognised in the financial statements. During this process, up-to-date estimates of current valuation parameters are examined, taking into account all future cash flows associated with the insurance policies, to determine whether the recognised liabilities are adequate. If these tests determine that the carrying amount of the insurance liabilities is negative, taking into account capitalised acquisition costs and/or capitalised policy portfolio values, the entire shortfall is immediately recognised in profit or loss.

2.7.7 Actuarial valuation of Life insurance contract liabilities

Actuarial valuation of life insurance contract liabilities is carried out annually by certified professional actuary for the purpose of determining the surplus or deficit at the end of the year. All surpluses or deficits arising there from are charged to profit or loss.

2.7.8 Deferred Acquisition Costs

Acquisition costs comprise all direct and indirect costs arising from the writing of reinsurance contracts. Deferred acquisition costs (DAC) comprise commissions and other variable costs directly connected with acquisition or renewal of reinsurance contracts.

Deferred acquisition costs represent a proportion of commission and other acquisition costs, which are incurred during a financial year and are deferred to the extent that they are recoverable out of future revenue margins. DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

2.8 Underwriting expenses

Underwriting expenses comprises acquisition, maintenance and management expenses.

2.8.1 Acquisition expenses

Acquisition expenses are those costs incurred in obtaining and renewing insurance contracts. These include commissions paid and policy expenses.

2.8.2 Maintenance expenses

Maintenance expenses are those costs incurred in servicing existing policies/contracts and these include brokerage fees and charges.

2.8.3 Management and administration expenses

Management and administration expenses are expenses other than claims, acquisition and maintenance expenses. These include salaries and emoluments, other staff costs, depreciation and amortisation, professional fees, investment expenses and other non-operating costs.

Management expenses are those expenses that relate to underwriting business which are apportioned and charged thereto. These include salaries and emoluments of underwriting staff.

Administration expenses are those expenses that cannot be directly attributable to underwriting business and charged to the profit or loss in the accounting period in which they are incurred. These include professional fees, investment expense, and other non-operating costs, and depreciation and amortisation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2.9 Investment income

Investment income comprises interest earned on short-term deposits, rental income, dividend and income earned on trading of securities. Investment income is accounted for on an accrual basis.

Interest income

Interest income and expense for all interest-bearing financial instruments are recognised within 'securities discount and similar income' and 'securities discount and similar expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend Income

Dividends are recognised in profit or loss in 'Other income' when the entity's right to receive payment is established.

2.10 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in thousands. Naira is the Group's presentation and also the parent company's functional currency.

(b) Transactions and balances

Foreign currency transactions are transactions denominated, or that require settlement, in a foreign currency and these are translated into the functional currency spot rate prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at the reporting date. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in profit or loss.

Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial instruments held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments measured at fair value through other comprehensive income are included in the fair value reserve in other comprehensive income.

2.11 Cash and cash equivalents

Cash and cash equivalents are balances that are held for the primary purpose of meeting short-term cash commitments. Hence this includes cash in hand and cash equivalents that are readily convertible to known amount of cash are subject to insignificant risk of changes in value and whose original maturity is three months or less.

This includes cash-on-hand, deposit held at call with banks and other short-term highly liquid investments which originally matures in three months or less.

2.12 Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.12.1 Financial assets

The Group classifies financial assets into the following IAS 39 categories: (a) financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition and the classification depends on the purpose for which the investments were acquired.

(a) Recognition and measurement

The Group uses settlement date accounting for regular way contracts when recording financial asset transactions.

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established. Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.

(b) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

The Group had no assets classified as held-for-trading at the end of the year.

2.12 Financial assets and liabilities (continued)

2.12.1 Financial assets (continued)

(b) Financial assets at fair value through profit or loss - continued

The Group designates certain financial assets upon initial recognition at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to IAS 39, the fair value option is only applied when any of the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or

- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis; or

- the financial assets consists of debt host and an embedded derivatives that must be separated.

The fair value option is applied to the externally managed portfolios that are part of a portfolio. The performance of the managed fund is evaluated on a fair value basis in accordance with an investment strategy and information on this is provided to the key management personnel.

Financial assets for which the fair value option is applied are recognised in the statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

(c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(1) those that the Group intends to sell immediately or in the short-term, which are classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(2) those that the Group upon initial recognition designates as available-for-sale; or
(3) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and receivables.

2.12 Financial assets and liabilities (continued)

2.12.1 Financial assets (continued)

(d) Held-to-maturity financial assets
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

(1) those that the Group upon initial recognition designates as at fair value through profit or loss;
(2) those that the Group designates as available-for-sale; and
(3) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in profit or loss and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in profit or loss as 'impairment of financial assets'. Held-to-maturity investments include sovereign, sub-national and corporate bonds.

(e) Available-for-sale financial assets
Available-for-sale (AFS) investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the other comprehensive income is recognised in profit or loss. However, interest is calculated using the effective interest rate method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss in 'Dividend income' when the Group's right to receive payment is established. AFS financial assets includes debt and equity (quoted and unquoted) instruments. See Note 41.3(c) for valuation methods and assumptions.

2.12.2 Financial liabilities
The Group's holding in financial liabilities does not include financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that designated at fair value). Other financial liabilities are subsequently measured at amortised cost. Financial liabilities are derecognised when extinguished.

Initial recognition and measurement
All financial liabilities are recognised initially at fair value minus directly attributable transaction costs.

The Group's financial liabilities include reinsurance creditors and other liabilities.

2.12 Financial assets and liabilities (continued)

2.12.2 Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classifications as follows:

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

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading, unless designated as an effective hedging instrument.

Gains and losses arising from changes in fair value of financial liabilities classified held-for-trading are included in profit or loss and are reported as 'Net gains/(losses) on financial instruments classified as held-for-trading'. Interest expenses on financial liabilities held-for-trading are included in 'Net interest income'.

The Group did not have any financial liabilities that meet the classification criteria at fair value through profit or loss and did not designate any financial liabilities as at fair value through profit or loss.

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are subsequently measured at amortised cost.

2.12.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example, NSE) and broker quotes from Financial Markets Dealers Association (FMDA).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. For example a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting dated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2.12 Financial assets and liabilities (continued)

2.12.3 Determination of fair value (continued)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases where fair value of unquoted equities cannot be determined reliably, net asset valuation technique or cost is applied.

2.12.4 Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

> The rights to receive cash flows from the asset have expired;
> 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 asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in profit or loss.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

2.14 Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss – is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

2.15 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. Additionally, assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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.

2.15 Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.16 Reinsurance receivables

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, reinsurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Reinsurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.12.4, have been met.

2.17 Investment properties

Property held for long-term rental yields and/or capital appreciation that is not occupied by the Group is classified as investment property. Investment property comprises of land and buildings.

Investment property is measured initially at its cost, including transaction costs. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

Investment property is subsequently measured at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by an independent valuation expert.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss as “Net fair value gains on financial assets designated at fair value through profit or loss” in the year in which they arise.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. The property is carried at fair value after initial recognition.

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.

2.17 Investment properties (continued)

If an item of 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.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of retirement or disposal.

2.18 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. They are subsequently stated at historical cost less accumulated depreciation and impairment losses with the exception of freehold land (included in as part of freehold property) which is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

An asset is recognised when it is probable that economic benefits associated with the item flow to the Group and the cost item can be reliable measured.

All repairs and maintenance cost are charged to other operating expenses in the financial period in which they occur.

Depreciation is calculated on assets using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. The principal annual rates used for the purpose are:

		%
-Motor vehicles	-	25
-Furniture and fittings	-	20
-Computer equipment	-	$33^{1/3}$
-Office partitioning	-	20

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31 December 2015 (2014: nil).

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is recognized in other income in the profit or loss in the year the asset is derecognized.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2.19 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as lessor

Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.20 Intangible assets

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

The Group chooses to use the cost model for the measurement after recognition.

Amortisation is calculated on a straight line basis over the useful lives as follows:

- Computer Software:	5 years

2.21 Reinsurance creditors

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

Reinsurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

2.22 Income tax

(a) Current income tax
Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense/(income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Where the Group has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

The Group does not offset income tax liabilities and current income tax assets.

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

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and other post-retirement benefits and carry-forwards and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax related to fair value re-measurement of equity instruments, which are recognised in other comprehensive income, is also recognised in other comprehensive income and subsequently in the consolidated statement of profit or loss and other comprehensive income together with the deferred gain or loss.

2.23 Employment benefits

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 2004, 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 7.5% of the employee's total emoluments (basic, housing and transport allowances). The Group's contribution each year is charged against income and is included in staff cost. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Defined benefit staff gratuity scheme

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Re-measurements arising from actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in periods in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Group has a Gratuity Scheme for its employees managed by Trustees. The scheme is non- contributory and employees qualify for benefits after five years service. Provision for gratuity is made when it is determined that there is a shortfall in the assets funding liabilities.

2.24 Provisions

Provisions are liabilities that are uncertain in amount and timing.

Provision are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2.25 Equity

Ordinary share capital
The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital
Proposed dividends are recognised as a liability in the period in which they are declared and approved by the Company's shareholders at the Annual General Meeting.

Dividends for the year that are declared after the reporting date are dealt with as event after reporting date.

Dividends proposed but not yet declared are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

2.26 Contigency reserves

Contigency reserves are done in accordance with the provisions of the Insurance Act, CAP II7 LFN 2004:

a. For general business the contigency reserve is credited with the higher of an amount not less than 3% of the total premium or 20% of the net profits until the reserves reaches the greater of the minimum paid up capital or 50% of net premium.

b. For life business the contigency reserve is credited with the higher of an amount equal to 1% of the gross premium or 10% of the profits.

2.27 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. This, however, is applicable to the Company but not the Group as this is the first year in which consolidated financial statements is prepared for it (the Group).

2.28 Group information

Information about subsidiary
The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	%equity interest 2015	%equity interest 2014
Continental Reinsurance Limited, Nairobi	Life and non-life reinsurance business	Kenya	65	70
Continental Reinsurance Limited, Gaborone	Life and non-life reinsurance business	Botswana	60	60

The parent company in 2015 disposed off 5% of her shareholding to staff of Continental Reinsurance Limited Kenya under a scheme known as ''Employee staff Ownership Plan(ESOP).

2.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group's executive committee as its chief operating decision maker.

CONTINENTAL REINSURANCE PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Group 2015 ₦'000	Group 2014 ₦'000	Company 2015 ₦'000	Company 2014 ₦'000
Gross premium written		**19,738,040**	**16,436,778**	**15,366,113**	**13,176,217**
Insurance premium revenue	1.1	20,679,772	16,153,740	16,092,925	13,069,529
Insurance premium ceded to retrocessionaires	1.2	(2,484,413)	(1,959,233)	(1,754,804)	(1,644,607)
Net insurance premium revenue		**18,195,359**	**14,194,507**	**14,338,121**	**11,424,922**
Insurance benefits					
Insurance claims and loss adjustment expenses	2.1	9,043,010	7,369,473	7,069,971	6,013,823
Insurance claims and loss adjustment expenses recoverable from retrocessionaires	2.1	(289,960)	(489,306)	(156,042)	(485,414)
Net insurance benefits and claims		8,753,050	6,880,167	6,913,929	5,528,409
Underwriting expenses	2.2	7,386,606	5,947,275	6,061,365	4,938,265
Insurance benefits and underwriting expenses		**16,139,656**	**12,827,442**	**12,975,294**	**10,466,674**
Underwriting profit		**2,055,703**	**1,367,065**	**1,362,827**	**958,248**
Interest income	3	1,120,218	940,442	902,941	838,546
Net fair value gains/(loss) on financial assets designated at fair value through profit or loss	4	11,651	48,437	8,691	(7,467)
Fair value gains on investment properties	4	147,107	83,559	147,107	83,559
Other income	5	598,891	353,462	521,232	351,913
Foreign exchange gain/(loss)		467,981	(391,497)	431,038	(460,617)
Administrative expenses	6.1	(993,903)	(572,385)	(437,198)	(280,864)
Impairment of financial assets	6.2	(492,055)	(241,114)	(396,394)	(203,324)
Profit before income tax expense		**2,915,593**	**1,587,969**	**2,540,244**	**1,279,994**
Income tax expense	8	(772,805)	(732,325)	(605,857)	(618,471)
Profit for the year		**2,142,788**	**855,644**	**1,934,387**	**661,523**
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:					
Remeasurement (loss)/gains on available for sale financial assets	7	(111,192)	75,972	(102,499)	74,498
Reclassification adjustments to gains on available for sale financial assets included in profit or loss	7	(7,372)	(54,841)	(7,372)	(54,841)
Exchange difference on translation of foreign operation		(15,033)	(69,329)	-	-
Other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods:					
Actuarial loss on defined benefit plans	27.2	(153,397)	(86,935)	(133,642)	(86,935)
Income tax relating to component of other comprehensive income	9.1	46,019	26,081	40,092	26,081
Other comprehensive loss for the year, net of tax		**(240,975)**	**(109,052)**	**(203,421)**	**(41,197)**
Total comprehensive income for the year		**1,901,813**	**746,592**	**1,730,966**	**620,326**

CONTINENTAL REINSURANCE PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME -Continued

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Group 2015 ₦'000	Group 2014 ₦'000	Company 2015 ₦'000	Company 2014 ₦'000
Profit attributable to:					
Equity holders of the parent		2,002,631	820,382	1,934,387	661,523
Non-controlling interests		140,157	35,262	-	-
		2,142,788	**855,644**	**1,934**,387	661,523
Total comprehensive income attributable to:					
Equity holders of the parent		1,764,699	711,109	1,730,966	620,326
Non-controlling interests		137,114	35,483	-	-
		1,901,813	**746,592**	**1,730**,966	620,326
Earnings per share:					
Basic (kobo)	10	19	8	19	6
Diluted (kobo)	10	19	8	19	6

See accompanying summary of significant accounting policies and notes to the consolidated financial statements which form an integral part of these financial statements.

CONTINENTAL REINSURANCE PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

Assets	Notes	Group 2015 ₦'000	Group 2014 ₦'000	Company 2015 ₦'000	Company 2014 ₦'000
Cash and cash equivalents	11	7,702,575	4,844,323	5,792,358	3,303,155
Financial assets					
-Financial asset designated as fair value through profit or loss	12	1,224,258	1,227,512	104,247	171,524
-Loans and other receivables	13	364,041	234,910	302,083	207,802
-Available-for-sale investments	14.1	2,194,682	2,406,037	2,150,894	2,356,882
-Held to maturity investments	14.2	3,894,558	4,878,062	3,438,340	4,372,487
Reinsurance receivables	15	7,258,399	6,743,336	5,793,094	5,274,202
Retrocession assets	16	727,581	477,628	396,648	335,935
Deferred acquisition costs	17	1,458,436	1,759,685	1,107,837	1,383,416
Other assets	18	31,056	981,264	1,062,703	1,214,437
Investment in subsidiaries	19	-	-	1,649,571	1,722,633
Investment properties	20	2,685,646	2,926,956	2,685,646	2,926,956
Intangible assets	21	-	1,214	-	1,214
Property, plant and equipment	22	1,127,498	726,717	1,048,051	613,858
Statutory deposits	23	1,000,000	1,000,000	1,000,000	1,000,000
Total assets		**29,668,730**	**28,207,644**	**26,531,472**	**24,884,501**
Liabilities					
Insurance contract liabilities	24	11,081,953	10,784,693	9,153,563	9,004,306
Reinsurance creditors	25	884,117	1,404,170	847,009	1,175,735
Other liabilities	26	1,092,154	535,096	1,318,129	457,106 Retirement
benefit obligations	27	278,372	184,379	278,372	184,379
Current income tax payable	8	722,035	458,813	648,999	391,277
Deferred tax liabilities	9	72,908	64,113	68,777	45,039
Total liabilities		**14,131,539**	**13,431,264**	**12,314,849**	**11,257,842**
Equity					
Share capital	28	5,186,372	5,186,372	5,186,372	5,186,372
Share premium	29	3,915,451	3,915,451	3,915,451	3,915,451
Contingency reserve	30	3,414,608	2,785,131	3,250,484	2,705,666
Retained earnings	31	1,820,765	1,714,433	1,681,345	1,526,328
Available-for-sale reserve	32.1	182,183	297,704	182,971	292,842
Foreign currency translation reserve	32.2	(116,756)	(101,723)	-	-
Equity attributable to holders of parent		**14,402,623**	**13,797,368**	**14,216,623**	**13,626,659**
Non-controlling interest	33	1,134,568	979,012	-	-
Total equity		**15,537,191**	**14,776,380**	**14,216,623**	**13,626,659**
Total liabilities and equity		**29,668,730**	**28,207,644**	**26,531,472**	**24,884,501**

Mr. David S. Sobanjo
Director
FRC/2013/CIIN/00000002149

Dr. Olufemi Oyetunji
Managing Director/CEO
FRC/2013/NSA/00000000685

Mr. Musa Kolo
Chief Financial Officer
FRC/2012/ICAN/00000000473

See accompanying summary of significant accounting policies and notes to the consolidated financial statements which form an integral part of these financial statements.