NIGERIAN AGRICULTURAL INSURANCE CORPORATION

Annual Report - 31 December 2016

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Corporate Information

Registered office	Plot 590, Zone A. O. Central Area Box 3754 Abuja, Nigeria
Directors	
Mr Bashir Binji	Acting Managing Director/Executive Director, Operations
Mr. Philip Ashinze	Executive Director, Finance and Admin
Mrs Folashade Joseph	Managing Director (appointed 13 April 2017)
Corporation Secretary	Barr. C.C Okafor FRC/2016/NBA/00000015655
Reinsurers	Nigerian Reinsurance Corporation African Reinsurance Corporation Continental Reinsurance Plc WAICA Reinsurance Corporation
Bankers	Ecobank Nigeria Limited Central Bank of Nigeria
Reporting actuary	HR Nigeria Limited 7th Floor, AIICO Plaza, Afri bank street,Victoria Island Lagos. FRC/NAS/00000000738
Estate surveyor and valuer	Femi Shodunke and Associates 19, Olayeni Abiola street, Off Salvation road,Opebi-Ikeja Lagos FRC/2015/NIESV/00000012385
Auditor	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos, Nigeria

Directors' Report
for the year ended 31 December 2016

The Directors have the pleasure of presenting the report on the affairs of the Corporation together with the audited financial statements and the auditors' report for the year ended 31 December, 2016.

Legal form and principal activity
The Corporation was established in 1993 by the Nigerian Agriculture Insurance Corporation (NAIC) Act of 1993. The Corporation initially started as the Nigerian Agricultural Insurance Scheme which was established on 15 November, 1987.
The implementation of the Scheme was initially vested in the Nigerian Agricultural Insurance Company Limited, which was later incorporated in June, 1988 but later turned into a Corporation in 1993.
Nigerian Agricultural Insurance Corporation ("the Corporation") is a wholly-owned Federal Government of Nigeria insurance entity set up specifically to provide agricultural risks insurance cover to Nigerian farmers. The Corporation is equally licensed by NAICOM to provide non-life insurance services.
The Corporation's principal activities continue to be the provision of agricultural and non-life insurance policies to its numerous clients.

Operating results
The following is a summary of the Corporation's operating results for the year ended 31 December 2016.

	31-Dec-2016	31-Dec-2015
	N'000	N'000
Profit/(loss) after tax	200,859	(194,264)
Transfer to contingency reserve	(55,091)	(31,118)
Transfers to Ministry of Finance Incorporated	(123,615)	-
Transfer to general reserve	**22,153**	**(225,382)**

Directors' interest and shareholding

The directors of the Corporation who held office during the year had no direct or indirect interest in the share capital of the Corporation as at 31 December 2016.
The following directors served during the year under review:

Name	Status
Mr. Bashir Binji	- Ag. Managing Director/Executive Director(Operations)*
Mr. Philip Ashinze	- Executive Director, Finance and Admin

The following director was appointed subsequent to year end:

Name	Status
Mrs. Folashade Joseph	- Managing Director**

** Bashir Binji was the acting Managing Director until 13 April, 2017*
***Folashade Joseph was appointed as the Managing Director on the 13 of April, 2017*

Share shareholding
The Corporation shareholding structure is as shown below:

Name of shareholder	% holdings
Federal Government of Nigeria	99.99%
Ministry of Finance Incorporated	0.01%
	100.00%

Property and equipment
Information relating to changes in property and equipment during the year is shown in Note 12 to the financial statements.

Directors' Report (Cont'd)
for the year ended 31 December 2016

Donations
The Corporation made donations to charitable and non-political organizations amounting to N50,000 (2015: N125,000) during the year.

Beneficiary	Purpose	Amount (N)
National Association of Insurance Correspondents	Donation towards celebration of year end party	50,000
		50,000

Events after the reporting date
Mrs. Folashade Joseph was appointed as the Managing Director of the Corporation effective 13 April 2017. There are no other subsequent events that have not been disclosed in the financial statements.

Agents, brokers and intermediaries
The Corporation maintains a network of licensed agents throughout the country. The Corporation also renders services to its customers through a varied network of brokers licensed by the National Insurance Commission.

Employment of physically challenged persons
The Corporation's recruitment policy, which is based solely on merit, does not discriminate against any person on the grounds of physical disability. Equal opportunities for development are given to all employees regardless of disability. In the event of any member of staff becoming disabled, the Corporation would make efforts to ensure that his/her employment is sustained.

Health, safety at work and welfare of employees
Members of staff enjoy free and comprehensive medical services on the National Health Insurance Scheme (NHIS) whose costs are borne by the Corporation. Efforts are continuously being made to ensure that working environments are safe.

Employee involvement and training
The Corporation encourages participation of employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Corporation provides opportunities for employees to deliberate on issues affecting the Corporation and employees' interests with a view to making inputs to decisions thereon. The Corporation places a high premium on the development of its manpower. Consequently, the Corporation sponsored its employees for various training courses in the year under review.

Auditors
Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Corporation. In accordance with Section 24 (2) of the Nigerian Agricultural Insurance Corporation Act, 1993, therefore, the auditors will be re-appointed by the Directors of the Corporation.

BY ORDER OF THE DIRECTORS

Barr C.C Okafor
Corporation Secretary
FRC/2016/NBA/00000015655
Lagos, Nigeria.
9 June 2017

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2016

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Nigerian Agricultural Insurance Corporation Act, 1993, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars & Guidelines.

The directors further accept responsibility for maintaining adequate accounting records as required by the Nigerian Agricultural Insurance Corporation Act, 1993, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE DIRECTORS:

Philip Ashinze
Executive Director, Finance and Admin
FRCN/2012/ICAN/00000000394
9 June 2017

Bashir Binji
Ag. Managing Director
FRC/2016/CIIN/00000015624
9 June 2017

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Members of Nigerian Agricultural Insurance Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nigerian Agricultural Insurance Corporation (the Corporation), which comprise the statement of financial position as at 31 December, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 63.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Nigerian Agricultural Insurance Corporation Act, 1993 and the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars & Guidelines.

Basis for Opinion

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Nigerian Agricultural Insurance Corporation Act, 1993 and the Financial Reporting Council of Nigeria Act, 2011,the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Signed: Kabir

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
16 June 2017
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0079611

Notes to the Financial statements
For the year ended 31 December 2016

1. Reporting Entity
These financial statements are those of Nigerian Agricultural Insurance Corporation (NAIC), the executing agency of the Nigeria Agricultural Insurance Scheme (NAIS). The Scheme was established in 1987 to address the issue of risks facing farmers as a result of incidences of natural hazards such as drought, flood, pests and diseases, etc. The Scheme was meant to, among other activities, make agricultural investments more secured such that financial institutions will be willing to put in more funds in the agricultural sector thereby stabilizing investments in the sector. (NAIC is hereafter referred to as 'the Corporation').

The principal activity of the Corporation is the provision of agricultural and general (non-life) insurance services.

These financial statements were approved by the Directors and authorised for issue on 9 June 2017.

2. Basis of preparation
(a) Statement of compliance with International Financial Reporting Standards
The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in the manner required by the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission (NAICOM) Circulars & Guidelines.
The financial statements include the statement of financial position, statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the account.

(b) Functional and presentation currency
The financial statement is presented in Naira, which is the Corporation's functional currency. Financial information presented in Naira has been rounded to the nearest thousands, except where indicated.

(c) Basis of measurement
The financial statements have been prepared on a historical cost basis except for the following items;
• Available for sale financial assets measured at fair value;
• Investment properties measured at fair value and;
• Retirement benefit obligations, measured at fair value of plan assets less present value of the defined benefit obligation.

(d) Reporting period
The financial statements have been prepared for a 12 month period.

(e) Going concern
The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. The Directors have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Corporation has adequate resources to continue as going concern for the foreseeable future.

(f) Changes in accounting policies

Except for the changes below, the Corporation has consistently applied the accounting policies set out in note 3 to all periods presented in these financial statements.
The Corporation has adopted the following new standards and amendments to standards including any consequential amendments to other standards, with the date of application of 1 January 2016.

i) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue.

The change did not have any impact on the Corporation's financial statements.

Notes to the Financial statements
For the year ended 31 December 2016

ii) Annual Improvements to IFRSs 2012–2014 Cycle – various standards

This new cycle of improvements contains amendments to the following standards;

- IFRS 5 Non-current assets held for sale and discontinued operations.
- IFRS 7 Financial instruments: Disclosures
- IAS 19 Employee benefits

The amendments did not have any impact on the Corporation's financial statements.

iii) Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, other comprehensive income (OCI) of equity accounted investees and subtotals presented in the statement of financial position, and statement of profit or loss and other comprehensive income.

The change did not have any impact on the Corporation's financial statements.

(g) New standards and interpretation not yet effective

A number of new standards, amendment to standards and interpretation are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing the financial statements. Those which may be relevant to the Corporation are set out below.

The Corporation does not plan to adopt these standards early. However, the Corporation is still evaluating the potential effect of the new standards.

Standard not yet effective		**Date issued by IASB**	**Effective date**	**Summary of the requirements and impact assessment**
Amendments to IAS 7	Disclosure Initiative	January 2016	1 January 2017 Early adoption is permitted	The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from financing activities. The amendment is not expected to have any significant impact on the financial statements of the Corporation. The Corporation will adopt the amendments for the year ending 31 December 2017.

Notes to the Financial statements
For the year ended 31 December 2016

Standard not yet effective		**Date issued by IASB**	**Effective date**	**Summary of the requirements and impact assessment**
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	January 2016	1 January 2017 Early adoption is permitted	The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this. Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type. The amendment is not expected to have any significant impact on the financial statements of the Corporation. The Corporation will adopt the amendments for the year ending 31 December 2017.
IFRS 9	Financial Instruments	July 2014	1 January 2018 Early adoption is permitted	On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Corporation is yet to carry-out an assessment to determine the impact that the initial application of IFRS 9 could have on its business but it is not expected to have any significant impact; however, the Corporation will adopt the standard for the year ending 31 December 2018.

Notes to the Financial statements
For the year ended 31 December 2016

Standard not yet effective		Date issued by IASB	Effective date	Summary of the requirements and impact assessment
IFRS 15	Revenue from contracts with customers	May 2014	1 January 2018 Early adoption is permitted	This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue- Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Corporation, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Corporation is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business but it is not expected to have any significant impact; however, the Corporation will adopt the standard for the year ending 31 December 2018.
Amendments to IFRS 2	Classification and measurement of share based payment transactions	June 2016	1 January 2018 Early adoption is permitted	Currently, there is ambiguity over how a Corporation should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment. The amendments cover three accounting areas: • Measurement of cash-settled share-based payments – There is currently no guidance in IFRS 2 on how to measure the fair value of the liability in a cash-settled share based payment. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method.

Notes to the Financial statements
For the year ended 31 December 2016

Standard not yet effective		Date issued by IASB	Effective date	Summary of the requirements and impact assessment
Amendments to IFRS 2 (cont'd)				Therefore in measuring the liability market and non-vesting conditions are taken into account in measuring its fair value and the number of awards to receive cash is adjusted to reflect the best estimate of those expected to vest as a result of satisfying service and any non-market performance conditions. The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.
Amendments to IFRS 2 (cont'd)				• Classification of share-based payments settled net of tax withholdings – The Corporation may be obligated to collect or withhold tax related to a share-based payment, even though the tax obligation is often a liability of the employee and not the Corporation. Currently, it is unclear whether the portion of the share-based payment that is withheld in these instances should be accounted for as equity-settled or cash-settled. The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met.

Notes to the Financial statements
For the year ended 31 December 2016

Standard not yet effective		**Date issued by IASB**	**Effective date**	**Summary of the requirements and impact assessment**
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	September 2016	1 January 2018 Early adoption is permitted	The differing effective dates of IFRS 9 Financial Instruments and the new insurance contracts standard could have a significant impact on insurers. In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the IASB has issued amendments to IFRS 4 Insurance Contracts. The amendments reduce the impacts, but companies need to carefully consider their IFRS 9 implementation approach to decide if and how to use them. The two optional solutions raise some considerations which require detailed analysis and management judgement. The optional solutions are: 1. Temporary exemption from IFRS 9 – Some Companies will be permitted to continue to apply IAS 39 Financial Instruments: Recognition and Measurement. To qualify for this exemption the Corporation's activities need to be predominantly connected with insurance.
Amendments to IFRS 4(cont'd)				2. Overlay approach – This solution provides an overlay approach to alleviate temporary accounting mismatches and volatility. For designated financial assets, a Corporation is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39. The amendment is not expected to have any significant impact on the financial statements of the Corporation. The amendment is not expected to have any significant impact on the financial statements of the Corporation.

Notes to the Financial statements
For the year ended 31 December 2016

Standard not yet effective		Date issued by IASB	Effective date	Summary of the requirements and impact assessment
IFRIC 22	Foreign currency transactions and advance consideration	December 2016	1 January 2018 Early adoption is permitted	The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt. The amendments clarifies that the transaction date is the date on which the Corporation initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when a Corporation: • pays or receives consideration in a foreign currency; and • recognises a non-monetary asset or liability - e.g.. non-refundable advance consideration – before recognising the related item. The amendment is not expected to have any significant impact on the financial statements of the Corporation. The Corporation will adopt the amendments for the year ending 31 December 2018.
IFRS 16	Leases	January 2016	1 January 2019 Early adoption is permitted only for entities that 'adopt IFRS 15 'Revenue from Contracts with 'Customers, at or before the date of initial application of IFRS 16.	IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise: a. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

Notes to the Financial statements
For the year ended 31 December 2016

Standard not yet effective		**Date issued by IASB**	**Effective date**	**Summary of the requirements and impact assessment**
IFRS 16(cont'd)				For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Corporation is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business but it is not expected to have a significant impact; however, the Corporation will adopt the standard for the year ending 31 December 2019.
Amendments to IAS 40	Transfers of Investment Property	December 2016	1 January 2018 Early adoption is permitted	The IASB has amended the requirements of IAS 40 Investment Property on when a Corporation should transfer a property to, or from, investment property. The amendments state that a transfer is made when and only when there is a change in use – i.e. an asset ceases to meet the definition of investment property and there is evidence of a change in use. A change in management intention alone does not support a transfer. A Corporation has a choice on transition to apply: • the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or • the retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight. The amendment is not expected to have any significant impact on the financial statements of the Corporation. The Corporation will adopt the amendments for the year ending 31 December 2018.

3. Significant accounting policies

Significant accounting policies are defined as those that reflect significant judgments and uncertainties, and potentially give rise to different results under different assumptions and conditions.

Except for the changes explained in Note 2(f) above, the Corporation consistently applied the following accounting policies to the periods presented in the financial statements.

Notes to the Financial statements
For the year ended 31 December 2016

(a) Foreign currency transactions

Transactions in foreign currencies are translated into Naira at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing as at the reporting date. Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items, which are measured in terms of historical cost in a foreign currency, are not translated.

Exchange differences on monetary items are recognised in profit or loss within 'other operating income' or 'other operating expenses' in the period in which they arise. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

However, foreign currency differences arising from the translation of available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss) are recognised in other comprehensive income (OCI).

(b) Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in central bank and other banks, call deposits and other short-term highly liquid investments with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value and used by the Corporation to manage its short term commitments.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

(c) Financial Instruments

(i) Classification of financial instruments

The classification of the Corporation's financial assets depends on the nature and purpose of the financial assets and are determined at the time of initial recognition. The financial assets have been recognised in the statement of financial position and measured in accordance with their assigned classifications.

The Corporation classifies its financial assets into the following categories:

- Available for sale financial assets.
- Loans and receivables.

The Corporation's financial liabilities are classified as other financial liabilities. They include; insurance contract liabilities, trade payables, accruals and other payables.

(ii) Initial recognition and measurement

All financial instruments are initially recognized at fair value, which includes directly attributable transaction costs for financial instruments not classified as fair value through profit and loss. Financial instruments are derecognized when the rights to receive cash flows from the financial instruments have expired or where the Corporation has transferred substantially all risks and rewards of ownership.

(iii) Subsequent measurement

Subsequent to initial recognition, financial assets are measured either at fair value or amortised cost, depending on their categorization as follows:

Available for sale financial assets

Available for sale financial assets include quoted and unquoted securities. The Corporation classifies as available for sale those financial assets that are generally not designated as another category of financial assets, and strategic capital investments 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.

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments see 3(a), are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Dividends received on available for sale investments are recognised in profit or loss when the Corporation's right to receive payment has been established.

Notes to the Financial statements
For the year ended 31 December 2016

Loans and receivables

Loans and receivables on the statement of financial position comprise trade receivables, staff vehicle and motor cycle loans, statutory deposits and other receivables.

Loans and receivables, after initial measurement, are measured at amortized cost, using the effective interest rate method less any impairment (if any). Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Loans granted at below market rates are fair valued by reference to expected future cash flows and current market interest rates for instruments in a comparable or similar risk class and the difference between the historical cost and fair value is accounted for as employee benefits under staff costs.

Interest on loans and receivables are included in profit or loss and reported as “investment income”.

When the asset is impaired, they are carried on the statement of financial position as a deduction from the carrying amount of the loans and receivables and recognized in the statement of profit or loss as “impairment losses”.

Other financial liabilities

These include insurance contract liabilities, trade payables, accruals and other payables. Trade payables comprise liabilities due to agents, brokers and reinsurance companies. Subsequent to initial recognition, trade payables are measured at amortised cost using the effective interest method with interest recognised on an effective interest basis.

Accruals and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method

The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is not applied.

(iv) Fair value measurement

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

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

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

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

Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Corporation recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(v) Impairment of financial assets

The Corporation assesses its financial assets at each reporting date to determine whether there is objective evidence of impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence that a financial asset or group of financial assets is impaired could include:

- Significant financial difficulty of the issuer or counter party;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or other financial re-organization;
- The disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Financial statements
For the year ended 31 December 2016

Loans and receivables

For loans and receivables, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against the receivables. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Available for sale

In case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting on the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant and a period of 9 months or longer is considered to be prolonged.
All impairment losses are recognized in profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

An impairment loss in respect of an equity instrument classified as available for sale is not reversed through the profit or loss but accounted for directly in equity.

(vi) Offsetting financial instruments

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Corporation has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or from gains and losses arising from a similar group of transactions such as in the Corporation's trading activities.

(vii) De-recognition of financial instruments

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and financial liability separately.
The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(viii) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.
An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

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 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. Reversals of impairment losses are recognised in profit or loss.

Notes to the Financial statements
For the year ended 31 December 2016

(d) Trade receivables

Trade receivables comprise premium receivables from the Federal and state governments on subsidized agriculture business. They are classified as loans and receivable and subsequently measured at amortised cost.

Impairment of trade receivables

The Corporation assesses its trade receivables for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. If there is objective evidence that the trade receivable is impaired, the Corporation reduces the carrying amount of the trade receivable to its recoverable amount and recognises that impairment loss in the profit or loss.

(e) Reinsurance assets

The Corporation cedes reinsurance in the normal course of business in order to limit its net loss potential for losses arising from certain exposures. The cost of reinsurance related to long-term contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies. However, reinsurance arrangements do not relieve the Corporation from its direct obligations to its policyholders.

Reinsurance assets include balances due from various reinsurance companies for ceded insurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying reinsurance contract.

Impairment of reinsurance assets

The Corporation assesses its reinsurance assets for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. If there is objective evidence that the reinsurance asset is impaired, the Corporation reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss. The Corporation gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets measured at amortised cost. The impairment loss is calculated using the incurred loss model for these financial assets.

(f) Deferred acquisition costs

The incremental costs directly attributable to the acquisition of new business which had not expired at the reporting date, are deferred by recognizing an asset. Acquisition costs include both incremental acquisition costs and other indirect costs of acquiring and processing new businesses.
Deferred acquisition costs are amortised systematically over the life of the contracts at each reporting date.

(g) Other receivables and prepayments

Other receivables balances include rental income receivables and sundry debtors. The Corporation constantly monitors its exposure to their receivables via periodic review. Other receivables are carried at cost less accumulated impairment losses. Impairment loss on other receivables are recognised in the profit or loss.
Prepayment are essentially prepaid rents and prepaid employee benefits. Prepayments are amortised on a straight line basis to the profit or loss account.

(h) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation (including property under construction for such purposes) or for both purposes, but not for sale in the ordinary course of business.

Recognition and measurement

Investment properties are measured initially at cost, including all transaction costs.
Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. Fair values of the investment properties are evaluated and assessed annually by an accredited external valuer.

Subsequent costs

Subsequent expenditure on investment property is capitalized only if future economic benefit will flow to the Corporation; otherwise, they are expensed as incurred.

De-recognition

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the period of de-recognition. The carrying amount of the asset represents the fair value of the asset as at the date of the latest valuation before disposal.

Notes to the Financial statements
For the year ended 31 December 2016

Transfers

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Corporation accounts for such property in accordance with the policy stated under property and equipment up to the date of change. Subsequently, the property is re-measured to fair value and reclassified as investment property.

(i) Property, plant and equipment

Recognition and measurement

All items of Property, plant and equipment are initially recognized once they are available for use, at cost and subsequently measured at cost less accumulated depreciation and impairment losses. Property, plant and equipment comprise land & buildings, motor vehicles, office furniture, office equipment and computer equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be reliably measured. The costs of the day-today servicing of property and equipment are recognized in profit or loss when incurred. Subsequent costs on replacement parts on an item of property are recognized in the carrying amount of the replaced or the renewed component.

Depreciation

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.
Residual values, useful lives and depreciation methods of property and equipment are required to be reviewed annually.

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

Leasehold land	Not depreciated
Building	2.5%
Plant and Machinery	20%
Computer equipment	20%
Furniture and fittings	20%
Motor vehicles	20%
Office equipment	20%

De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss of the year that the asset is de-recognized.

(j) Intangible assets

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.
The useful lives of intangible assets are either assessed to be finite or indefinite.

Subsequent costs

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

Amortization

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Notes to the Financial statements
For the year ended 31 December 2016

(k) Statutory deposits

Statutory deposit represents 10% of the paid up capital of the Corporation deposited with the Central Bank of Nigeria (CBN) in pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost.

(l) Hypothecation of assets

The Corporation structured its assets to meet the requirements of the Insurance Act 2003 such that policyholders' assets and funds are not co-mingled with shareholders'.

In particular, investment properties, investment securities (equities and fixed income securities) and insurance funds hypothecated to policyholders are distinguished from those owned by the shareholders.

The assets hypothecated are shown in the financial statements, note 39.

(m) Deferred income

Deferred income comprises deferred rental income and deferred acquisition income. Deferred rental income relates to rents received in advance. These are amortized and transferred to the statement of profit or loss over the periods that they relate.

Deferred acquisition income relates to commissions received on ceded reinsurance businesses but not yet earned as at reporting date. Deferred acquisition income are amortized systematically over the life of the contracts at each reporting date.

(n) Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

(o) Insurance contract liabilities

(i) Classification

The Corporation issues contracts that transfer insurance risk.

Insurance contracts are those contracts where 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.

Therefore, the Corporation's insurance contract liabilities represent its liability to the policy holders.

The liability comprises reserves for unearned premium, unexpired risk, outstanding claims and incurred but not reported claims. At the end of each accounting period, this liability is reflected as determined by the actuarial valuation report.

The Corporation's insurance contracts are non-life contracts. These contracts are subsidized agriculture, commercial agriculture, accident, casualty, and property insurance contracts. They are accounted for in accordance with IFRS 4.

In accordance with IFRS 4, the Corporation has continued to apply its accounting policies on Insurance contracts under its previous Generally Acceptable Accounting Principles.

Unearned premium provision

The provision for unearned premiums represents the proportion of premiums written in the periods up to the accounting date that relate to the unexpired terms of policies in force at the end of the reporting date. This is estimated to be earned in subsequent financial periods, computed separately for each insurance contract using a time apportionment basis. At each reporting period, the Corporation performs a liability adequacy test to determine whether there is any overall excess of expected claims and deferred acquisitions costs over unearned premiums.

Reserve for unexpired risk

A provision for additional unexpired risk reserve is recognised for an underwriting year where it is envisaged that the estimated cost of claims and expenses exceed the unearned premium provision. This is determined based on the liability adequacy test performed by the Corporation at each reporting period.

Reserve for outstanding claims

Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the end of reporting date, but not settled at that date.

Reserve for incurred but not reported claims (IBNR)

A provision is made for claims incurred but not yet reported as at the end of the financial year. This provision is based on the liability adequacy test performed by the Corporation at each reporting period.

Notes to the Financial statements
For the year ended 31 December 2016

Liability Adequacy Test

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

The Liability Adequacy Test (LAT) was performed through an actuarial valuation.

Actuarial valuation

An actuarial valuation of the insurance contract liabilities is conducted annually to determine the liabilities on the existing policies as at the date of the valuation. All surpluses and deficits arising therefrom are charged to the profit or loss account.

The actuarial valuation was performed by HR Nigeria Limited, a recognised firm of actuaries.

Reserving methodology and assumptions

For insurance risks, the Corporation uses different methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The three methods more commonly used are the Inflation-adjusted Chain Ladder, Basic Chain Ladder and the Expected Loss Ratio methods adjusted for assumed experience to date.

Claims data was grouped into triangles by year. The choice between years was based on the volume of data in each segment. The claims paid data was sub–divided into large and attritional claims. Large claims were projected separately as they can significantly distort patterns. Where there was insufficient claim data, large and attritional claims were projected together as removing large claims would reduce the volume of data in the triangles and compromise the credibility.

(ii) Recognition and Measurement of Insurance contracts

Premium

Gross written premiums for general insurance contracts comprise premiums received in cash, premiums that have been received and confirmed as being held on behalf of the Corporation by insurance brokers and have been duly certified as well as agricultural insurance premiums of 37.5% and 12.5% of written premiums expected as subsidies from the Federal and State governments respectively in accordance with Section 9(2) of the NAIC Act of 1993. Gross premiums are stated gross of commissions that are payable to intermediaries.

Unearned premiums represent the proportions of premiums written in the year that relate to the unexpired risk of policies in force at the reporting date.

Reinsurance

Premiums, losses and other amounts relating to reinsurance treaties are measured over the period from inception of a treaty to expiration of the related business. The actual profit or loss on reinsurance business is therefore not recognized at the inception but as such profit or loss emerges. In particular, any initial reinsurance commissions are recognized on the same basis as the acquisition costs incurred.

Premiums ceded, claims recovered and commission received are presented in the statement of profit or loss and statement of financial position separately from the gross amounts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Corporation may not recover all amounts due under the contract terms and that the event has a reliably measurable impact on the amounts the Corporation will receive from the reinsurer.

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

Claims

Claims incurred comprise claims and claims handling expenses incurred during the financial year and changes in the provision for outstanding claims. Claims and claims handling expenses are charged to profit or loss as incurred.

(p) Employee benefits liabilities

(i) Short-term benefits

Staff benefits such as wages, salaries, paid annual leave allowance, and non-monetary benefits are recognized as employee benefit expenses. The expenses are accrued when the associated services are rendered by the employees of the Corporation.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the Financial statements
For the year ended 31 December 2016

(ii) Defined contribution plans

The Corporation operates a defined contribution plan in accordance with the provisions of the Pension Reform Act 2004. The Corporation and employees contribute 10% and 8% respectively (2015: 10% and 8%) each of the qualifying monthly emoluments in line with the Pension Reform Act.

The Corporation's monthly contribution to the plan is recognized as an expense in profit or loss as part of staff cost.

The Corporation pays contributions to privately administered pension fund administration on a monthly basis. The Corporation has no further payment obligation once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(iii) Defined benefit plans

Gratuity

The Corporation operates a staff gratuity scheme for its employees. The gratuity liability was actuarially determined using the projected unit credit method with discount rate used being the market yield on government bonds. Net actuarial gains and losses are recognised immediately in other comprehensive income. Past service cost is recognised immediately in the statement of profit or loss for all qualified employees.

The plan is unfunded and payments are made on a pay-as-you-go basis. All confirmed staff of the Corporation are eligible for the gratuity scheme.

(q) Capital and reserves

(i) Share capital

The equity instruments issued by the Corporation are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Corporation are recognized as the proceeds are received, net of direct issue costs.

(ii) Contingency reserves

The Corporation maintains contingency reserves for the general business in accordance with the provisions of S.21 (1) of the Insurance Act 2003. In compliance with this regulatory requirement, the Corporation maintains Contingency Reserve at the rate equal to the higher of 3% of gross premium or 20% of the total profit until the reserve reaches the greater of minimum paid up capital or 50% of net premium.

(iii) General reserves

The reserve comprises undistributed profit/ (loss) from previous years and the current year. It is classified as part of equity in the statement of financial position.

General reserves also includes transfers to Ministry of Finance. Section 22 of the Fiscal Responsibility Act (2007) requires that each Corporation shall establish a general reserve fund and shall allocate thereto at the end of each financial year, one fifth of its operating surplus net of contingency reserve allocation for the year. The balance of the operating surplus shall be paid to the Consolidated Revenue Fund of the Federal Government, not later than one month following the statutory deadline for publishing each Corporation's account.

(iv) Reserve fund contribution

The NAIC enabling Act established the reserve fund for the payment of indemnities under the National Insurance Scheme, into which shall be paid an initial authorized capital of N200 million by certain stakeholders. Part of this amount was utilized in the course of recapitalization.

(v) Fair value reserves

Fair value reserves represent the cumulative net change in the fair value of available-for-sale financial assets at the reporting date.

(vi) Remeasurement gains/losses on defined benefit obligation

Remeasurement gains/losses represent the fair value on post employment benefit the Corporation pays its employees.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Corporation determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Notes to the Financial statements
For the year ended 31 December 2016

(vii) Exchange gains/loss reserves
Exchange gains/loss reserves represent the cumulative foreign exchanges differences on available -for sale financial assets dominated in other currencies as at reporting date.

(r) Revenue Recognition

(i) Gross Premium written

Gross premium written comprises the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. It is recognized at the point of attachment of risk to a policy, gross of commission expense, and before deducting cost of reinsurance cover and unearned portion of the premium. Gross premium written and unearned premiums are measured in accordance with the policies set out in (o)(ii) of the statement of accounting policies.

(ii) Gross premium income

This represents the earned portion of premium received and is recognized as revenue including changes in unearned premium. Premiums are earned from the date of attachment of risk, over the insurance period, based on the pattern of risk underwritten. Outward reinsurance premiums are recognized as an expense in accordance with the pattern of risk reinsured.

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

(iv) Investment Income
Investment income consists of rental income on investment properties, interest income on loans and receivables, interest income on cash and cash equivalents and unrealised gains and losses on investment properties. Rental income is recognized on an accrual basis.

Interest income is recognized in profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument. 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.

(v) Realized gains and losses and unrealized gains and losses
Realized gains and losses on investments include gains and losses on investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.
Unrealized gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

(vii) Other operating income
Other operating income represents income generated from sources other than premium revenue and investment income. It includes profit on disposal of fixed assets and write back on impairments no longer required. Income is recognized when payment is received.

(viii) Government grants

Government grants are not recognised until it is reasonably certain that the Corporation will meet the conditions stipulated for receipt of the grant and that the grant will be received.
Grants that compensate the Corporation for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

(s) Expense recognition

(i) Claims expenses
Claims expenses consist of insurance claims and benefits incurred within the reporting period, less the amount recoverable from the reinsurance companies.

Notes to the Financial statements
For the year ended 31 December 2016

(ii) Insurance benefits and benefits incurred

Gross benefits and claims consist of benefits and claims paid / payable to policyholders, which include changes in the gross valuation of insurance contract liabilities, except for gross change in the unearned premium provision which are recorded in premium income. It further includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered.

(iii) Underwriting expenses

Underwriting expense include acquisition costs and maintenance expense. Acquisition costs comprise direct and indirect costs associated with the writing of insurance contracts. These include commission expenses and other technical expenses. Maintenance expenses are expenses incurred in servicing existing policies and clients. All underwriting expenses are charged to profit or loss as they accrue or become payable.

(iv) Management expenses

Management expenses are recognised in profit or loss when goods are received or services rendered. They are expenses other than claims, maintenance and underwriting expenses and include employee benefits, depreciation charges and other operating expenses.

(v) Reinsurance expenses

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

(v) Leases

(i) Operating leases

The Corporation's leases are classified as operating leases. These are leases where the lessor retains the risks and rewards of ownership of the underlying asset.

The Corporation as a lessor

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

The Corporation as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components, whose results are reviewed regularly by the Corporation's Chief Executive (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(u) Contingent liabilities

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

(v) Taxation

According to Section 30 (2) of the NAIC enabling Act No 37 of 1993, the Corporation is exempted from paying Corporation income tax until such as time when the amount in the general reserve fund of the Corporation is for the first time equal to twice the amount of the paid-up capital of the Corporation. The Corporation however pays both withholding tax and value added tax as required.

Notes to the Financial statements
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4. Critical accounting estimates and judgments

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

Assumptions and estimation uncertainties
The preparation of financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised thus:

• in the period in which the estimate is revised, if the revision affects only that period, or
• in the period of the revision and future periods, if the revision affects both current and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes;
• Note 3(c)(iv) - Determination of fair value
• Note 3(o) - Reserve for insurance contract liabilities

Judgements

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

(a) Fair value of financial assets
The directors are required to make judgment in selecting an appropriate valuation technique for some financial assets. The Company's policy on fair value measurements is discussed under note 3 (c)(iv).

(b) Impairment of financial and non - financial assets
Impairment of financial assets

Management's judgment is required to assess and determine the amount of impairment for financial assets carried at amortized costs as well as the amount of impairment for trade receivables. The significant estimates and judgments applied in assessing the impairment on financial assets are as shown in the statement of accounting policies note 3 (c)(v).

Impairment of non-financial assets
At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Corporation of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and recognised in other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase and recognise in other comprehensive income.

(c) Depreciation and carrying value of property and equipment

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

(d) Determination of fair value of investment properties

Fair value of investment properties is determined by a registered estate valuer using market prices of properties in similar locations and industry information on rent. Factors applied are determined by estimation of certainty.

(e) Retirement benefits obligations

The cost of defined benefit obligation and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These includes the determination of the discount rate, future salary increases and mortality rates. 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.

Statement of Financial Position

as at 31 December 2016

	Note	31-Dec-2016	31-Dec-2015
		N'000	N'000
ASSETS			
Cash and cash equivalents	5	611,341	3,135,078
Financial assets	6	3,020,109	185,256
Trade receivables	7	779,778	310,356
Reinsurance assets	8	205,488	127,407
Deferred acquisition cost	9	28,508	32,219
Other receivables and prepayments	10	119,437	85,211
Investment properties	11	4,012,300	4,102,000
Property, plant and equipment	12	156,748	223,762
Intangible assets	13	29,452	38,807
Statutory deposits	14	300,000	300,000
Total assets		**9,263,161**	**8,540,096**
LIABILITIES			
Insurance contract liabilities	15	979,326	736,475
Trade payables	16	7,661	-
Accruals & other payables	17	368,882	108,996
Retirement benefit obligations	18	564,737	644,110
Total liabilities		**1,920,606**	**1,489,581**
EQUITY			
Paid up share capital	19	2,500,000	2,500,000
Reserve fund contribution	20	76,670	76,670
Contingency reserves	21	858,156	803,065
Fair value reserves	22	(15,383)	4,216
General reserves	23	3,654,148	3,631,995
Other reserves	24	268,964	34,569
Total equity		**7,342,555**	**7,050,515**
Total equity and liabilities		**9,263,161**	**8,540,096**

These financial statements were approved by the Directors on 9 June 2017 and signed on behalf of the Directors by:

Philip Ashinze (Executive Director, Finance and Admin)
FRCN/2012/ICAN/00000000394

Bashir Binji (Ag. Managing Director)
FRC/2016/CIIN/00000015624

Additionally certified by:

Benjamin Apeh (Head, Financial Control)
FRC/2013/ICAN/00000003964

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

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

	Note	31-Dec-2016 N'000	31-Dec-2015 N'000
Gross premium written:	25	1,836,363	1,037,268
Gross premium income	25	1,765,639	1,073,090
Reinsurance expenses	26	(260,629)	(168,927)
Fees and commission income	27	69,536	37,166
Net underwriting income		**1,574,546**	**941,329**
Claims expenses	28	(194,240)	(3,495)
Underwriting expenses	29	(114,309)	(102,452)
Underwriting expenses		**(308,549)**	**(105,947)**
Underwriting profit		**1,265,997**	**835,382**
Investment income	30	385,445	354,789
Fair value gains/(losses) on investment properties	11	(96,506)	40,100
Impairment losses	32	(282,920)	(318,355)
Other operating income	33	32,922	16,452
		38,941	**92,986**
Net income		**1,304,938**	**928,368**
Personnel expenses	34	(792,717)	(727,852)
Foreign exchange loss	35	28,753	(17,720)
Operating expenses	36	(340,115)	(377,060)
		(1,104,079)	**(1,122,632)**
Profit/(loss) before tax		200,859	(194,264)
Income tax expense	38	-	-
Profit/(loss) after tax		**200,859**	**(194,264)**
Other comprehensive income			
Items within other comprehensive income that may be classified to profit or loss			
Net loss on available-for-sale financial assets	22	(19,599)	(1,107)
Exchange gains on available-for-sale financial assets	24(b)	26,905	3,400
Items within other comprehensive income that will not be classified to profit or loss			
Net actuarial gains/(losses) on employee benefits	18(b)	207,490	(80,623)
Other comprehensive income/(loss) attributable to shareholders		**214,796**	**(78,330)**
Total comprehensive income/(loss) attributable to shareholders		**415,655**	**(272,594)**

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

Statement of Changes in Equity

for the year ended 31 December 2016

31 December 2016

	Share capital	Reserve fund contribution	Contingency Reserve	Retained Earnings	Fair value reserves	Exchange gains reserves	Actuarial Gain / (Loss) Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Opening balance at 1 January 2016	2,500,000	76,670	803,065	3,631,995	4,216	3,400	31,169	7,050,515
Profit for the year	-	-	-	200,859	-	-	-	200,859
Other comprehensive income								-
Net actuarial gains/(losses) on defined benefit obligations	-	-	-	-	-	-	207,490	207,490
Exchange gains on available for sale financial instruments	-	-	-	-	-	26,905	-	26,905
Fair value gains/(losses) on available for sale financial instruments	-	-	-	-	(19,599)	-	-	(19,599)
Total comprehensive loss for the year	-	-	-	200,859	(19,599)	26,905	207,490	415,655
Transactions within Equity:								
Transfer to Contingency reserve	-	-	55,091	(55,091)	-	-	-	-
Transfer to Ministry of Finance	-	-	-	(123,615)	-	-	-	(123,615)
At 31 December 2016	**2,500,000**	**76,670**	**858,156**	**3,654,148**	**(15,383)**	**30,305**	**238,659**	**7,342,555**

31 December 2015

	Share capital	Reserve fund contribution	Contingency Reserve	Retained Earnings	Fair value reserves	Exchange gains reserves	Actuarial Gain / (Loss) Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Restated balance at 1 January 2015	2,500,000	76,670	771,947	3,857,377	5,323	-	111,792	7,323,109
Loss for the year	-	-	-	(194,264)		-	-	(194,264)
Other comprehensive income								-
Net actuarial gains/(losses) on defined benefit obligations	-	-	-	-	-		(80,623)	(80,623)
Exchange gains on available for sale financial instruments	-	-	-	-	-	3,400	-	3,400
Fair value gains/(losses) on available for sale financial instruments	-	-	-	-	(1,107)	-	-	(1,107)
Total comprehensive income for the year	-	-	-	(194,264)	(1,107)	3,400	(80,623)	(272,594)
Transactions within Equity:								
Transfer to Contingency reserve	-	-	31,118	(31,118)				-
At 31 December 2015	**2,500,000**	**76,670**	**803,065**	**3,631,995**	**4,216**	**3,400**	**31,169**	**7,050,515**

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

Statement of Cash Flows

for the year ended 31 December 2016

	Note	31-Dec-2016 N'000	31-Dec-2015 N'000
Cash flows from operating activities:			
Premium received from policy holders		1,366,941	726,912
Cash paid to and on behalf of employees		(626,368)	(623,704)
Reinsurance premium paid		(254,029)	(169,029)
Commission received		91,954	47,143
Other income received	33	1,393	5,458
Claims paid		(257,048)	(206,270)
Claims recoveries		80,895	78,430
Other operating expenses		(232,390)	(220,428)
Commission paid		(110,598)	(86,203)
Retirement benefit obligation paid	18	(37,026)	-
Net cash from/used in operating activities		**23,724**	**(447,691)**
Cash flows from investing activities:			
Purchases of property and equipment	12	(3,097)	(78,934)
Additions to investment properties	11(a)	(6,806)	(28,900)
Purchase of intangible assets		-	(25,404)
Proceeds from sale of property and equipment		1,747	244
Acquisition of investments		(2,709,338)	-
Repayment by/(loans to) other parties		91,551	(80,000)
Investment income		85,481	249,750
Net cash used in/from investing activities		**(2,540,462)**	**36,756**
Cash flows from financing activities:			
Transfers to Ministry of Finance		(7,000)	-
Net cash used in financing activities		**(7,000)**	**-**
Net increase in cash and cash equivalents		(2,523,738)	(410,935)
Cash and cash equivalents at beginning of year		3,135,078	3,546,013
Cash and cash equivalents at end of year		**611,341**	**3,135,078**

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

Notes to the financial statements
for the year ended 31 December 2016

5 Cash and cash equivalents

	31-Dec-16	31-Dec-15
	N'000	N'000
Cash and bank balances	611,341	2,430,061
Treasury bills	-	705,017
	611,341	**3,135,078**

6 Financial assets

	31-Dec-16	31-Dec-15
	N'000	N'000
(a) **Available for sale**		
Treasury bills (see (i) below)	2,893,664	-
Quoted equities (see (ii) below)	8,583	9,767
Unquoted equities (see (iii) below)	77,909	51,004
	2,980,156	**60,771**
Within one year	2,893,664	-
More than one year	86,492	60,771
	2,980,156	**60,771**

Movement in available-for-sale assets

(i) Treasury bills

	31-Dec-16	31-Dec-15
	N'000	N'000
Balance as at 1 January	-	-
Additions	3,000,000	-
Unearned interest	(87,921)	-
Fair value gains /(losses)	(18,415)	-
	2,893,664	-

(ii) Quoted equities

	31-Dec-16	31-Dec-15
	N'000	N'000
Balance as at 1 January	9,767	10,874
Additions	-	-
Fair value gains /(losses)	(1,184)	(1,107)
	8,583	**9,767**

(iii) Unquoted equities

	31-Dec-16	31-Dec-15
	N'000	N'000
Balance as at 1 January	51,004	36,600
Additions	-	11,004
Exchange gains	26,905	3,400
	77,909	**51,004**

(b) **Loans and receivables at amortised cost**		
Staff motor vehicle and motorcycle loans	39,953	32,934
Loans to other parties	-	91,551
	39,953	**124,485**
Within one year	-	91,551
More than one year	39,953	32,934
	39,953	**124,485**
Total	**3,020,109**	**185,256**

Notes to the financial statements
for the year ended 31 December 2016

7 Trade receivables

	31-Dec-16	31-Dec-15
	N'000	N'000
Due from Federal government	1,260,032	730,880
Due from State governments	420,011	243,626
	1,680,043	974,506
Impairment allowance (see (b) below)	(900,265)	(664,150)
	779,778	**310,356**
Within one year	779,778	310,356
More than one year	-	-
	779,778	**310,356**

(a) Trade receivables represents 37.5% and 12.5% of the subsidies on qualifying premiums due from the Federal and state governments respectively.

(b) The movement in impairment allowance on trade receivables is analysed below:

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	664,150	430,508
Allowance made during the year (see note 32)	236,115	233,642
At 31 December	**900,265**	**664,150**

8 Reinsurance assets

	31-Dec-16	31-Dec-15
	N'000	N'000
Prepaid reinsurance premium (see (b) below)	36,835	35,774
Reinsurance share of claims outstanding (see (c) below)	132,051	67,366
Reserve for IBNR on claims recoverable (see (d) below)	36,602	24,267
	205,488	**127,407**
Within one year	205,488	127,407
More than one year	-	-
	205,488	**127,407**

(a) Reinsurance assets are valued after allowance for recoverability and the carrying amount is a reasonable approximation of fair value.

(b) The movement in prepaid reinsurance premium is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	35,774	35,672
Movement during the year (see note 26)	1,061	102
At 31 December	**36,835**	**35,774**

(c) The movement in reinsurance share of claims outstanding is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	67,366	-
Movement during the year (see note 28)	64,685	67,366
At 31 December	**132,051**	**67,366**

Notes to the financial statements
for the year ended 31 December 2016

(d) The movement in reinsurance share of IBNR claims is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	24,267	17,614
Movement during the year (see note 28)	12,335	6,653
At 31 December	**36,602**	**24,267**

9 Deferred acquisition cost

This represents the unexpired portion of the commission paid to brokers and agents as at the reporting date.

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	32,219	48,468
Additions in the year	110,598	86,203
Amortization for the year (See note 29)	(114,309)	(102,452)
At 31 December	**28,508**	**32,219**
Within one year	28,508	32,219
More than one year	-	-
	28,508	**32,219**

(a) Analysis of deferred acquisition cost by class of insurance is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
Subsidized agriculture	14,397	12,461
Commercial agriculture	1,402	1,439
Fire	2,805	6,308
Accident	851	2,031
Motor	8,780	7,629
Marine and aviation	273	1,836
Oil & gas	-	515
	28,508	**32,219**

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

10 Other receivables and prepayments

	31-Dec-16	31-Dec-15
	N'000	N'000
Prepayments	14,919	23,317
Prepaid staff benefit	1,073	5,362
Staff furniture grant	7,439	35,711
Prepaid staff allowances	18,653	18,298
Rental income receivables	155,672	72,435
Other receivables	16,768	14,801
	214,524	169,924
Impairment allowance (see (a) below)	(95,087)	(84,713)
	119,437	**85,211**

(a) Impairment allowance relates to impairment charges on rental income receivables and other receivables.

	31-Dec-16	31-Dec-15
	N'000	N'000
Balance, beginning of the year	84,713	-
Impairment loss for the year (see note 32)	46,805	84,713
Impairment no longer required (see note 33)	(36,431)	-
	95,087	**84,713**
Within one year	119,437	85,211
More than one year	-	-
	119,437	**85,211**

11 Investment properties

	31-Dec-16	31-Dec-15
	N'000	N'000
Balance as at 1 January	4,102,000	4,033,000
Additions	6,806	28,900
Fair value (losses)/gains	(96,506)	40,100
At 31 December	**4,012,300**	**4,102,000**

(a) Movement in investment properties are shown below:
31-Dec-16

Property details	Balance as at 1 January 2016 N'000	Additions during the year N'000	Fair value gain/(loss) N'000	Balance as at 31 December 2016 N'000
NAIC BUILDING, plot 590, Zone A/O, Central Area, Abuja	2,993,000	4,695	(47,695)	2,950,000
NAIC BUILDING, Plot 9 Bank Layout, off Udo Udoma Avenue, Itim Utoi, Uyo, Akwa Ibom State	330,000	2,111	(6,111)	326,000
NAIC BUILDING , No. 14, Hassan Katsina, Road, GRA, Katsina	485,000	-	(13,000)	472,000
NAIC BUILDING, 14 Sir Kashim Ibrahim, Road, Maiduguri.	294,000	-	(29,700)	264,300
	4,102,000	**6,806**	**(96,506)**	**4,012,300**

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

31-Dec-15

Property details	Balance as at 1 January 2015 N'000	Additions during the year N'000	Fair value gain/(loss) N'000	Balance as at 31 December 2015 N'000
NAIC BUILDING, plot 590, Zone A/O, Central Area, Abuja	2,969,000	28,900	(4,900)	2,993,000
NAIC BUILDING, Plot 9 Bank Layout, off Udo Udoma Avenue, Itim Utoi, Uyo, Akwa Ibom State	310,000	-	20,000	330,000
NAIC BUILDING , No. 14, Hassan Katsina, Road, GRA, Katsina	460,000	-	25,000	485,000
NAIC BUILDING, 14 Sir Kashim Ibrahim, Road, Maiduguri.	294,000	-	-	294,000
	4,033,000	**28,900**	**40,100**	**4,102,000**

(b) **Measurement of fair value**

The fair value was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Corporation's investment property annually.

The fair value of the Corporation's investment property is categorised into Level 3 of the fair value hierarchy. See (c) below for a summary of the valuation techniques used in measuring the fair value of investment property as well as the significant unobservable market inputs used.

(c) **Valuation techniques and significant unobservable inputs**

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value**
The fair value of investment properties has been determined based on valuations performed by Femi Shodunke and Associates (FRC/2013/NIESV/0000000012385), as at 31 December 2016. The valuer is an industry specialist in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount that would be received to sell the properties in an orderly transaction between market participants at the measurement date in the principal market to which the Corporation has access at the date of valuation, in accordance with standards issued by the International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are reported in profit or loss. The profits or losses on disposal are also reported in statement of profit or loss as they occurred.	- Prices per square metre - Rate of development in the area - Quality of the land - Influx of business and / or people to the area - Rental income	The estimated fair value would increase (decrease) if: - the rate of development in the area increases (decreases); - quality of the land increases (decreases); - influx of people, rental income increases (decreases); and/or - business to the area increases (decreases).

The addition to Investment properties of N6.8 million was in respect of reconstruction in the NAIC Building Abuja, and fence renovation in the Akwa-Ibom State office building.

(d) Two floors of the seven floors of the NAIC Building at Plot 590, Zone AO, Central Area, Abuja are used as head offices of the Corporation.

(e) **Amounts recognised in profit or loss**

During the year, investment property rentals of approximately N104 million (2015: N105 million) were included in 'investment income' (see note 30). Maintenance expense, included in 'management expenses' have been considered to be insignificant.

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

12 Property and equipment

	Building	Office Equipment	Furniture, Fittings	Motor Vehicles	Computer Equipment	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cost						
At 1 January 2016	9,226	53,046	148,023	343,458	73,951	627,704
Additions	-	620	1,453	346	678	3,097
Disposals		-	-	(25,101)	-	(25,101)
At 31 December 2016	**9,226**	**53,666**	**149,476**	**318,703**	**74,629**	**605,700**
At 1 January 2015	9,226	36,138	125,744	312,116	67,215	550,439
Additions	-	16,956	22,334	32,906	6,736	78,932
Disposals	-	(48)	(55)	(1,564)	-	(1,667)
At 31 December 2015	**9,226**	**53,046**	**148,023**	**343,458**	**73,951**	**627,704**

Accumulated depreciation

	Building	Office Equipment	Furniture, Fittings	Motor Vehicles	Computer Equipment	Total
	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2016	1,153	35,393	103,071	211,875	52,450	403,942
Charge for the year	231	4,039	13,060	39,521	6,611	63,462
Disposals	-	-	-	(18,452)	-	(18,452)
At 31 December 2016	**1,384**	**39,432**	**116,131**	**232,944**	**59,061**	**448,952**
At 1 January 2015	923	32,119	89,891	170,804	44,846	338,583
Charge for the year	230	3,322	13,235	42,635	7,604	67,026
Disposals		(48)	(55)	(1,564)	-	(1,667)
At 31 December 2015	**1,153**	**35,393**	**103,071**	**211,875**	**52,450**	**403,942**
Carrying amounts:						
At 31 December 2016	**7,842**	**14,234**	**33,345**	**85,759**	**15,568**	**156,748**
At 31 December 2015	**8,073**	**17,653**	**44,952**	**131,583**	**21,501**	**223,762**

(a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2015: nil)
(b) In the opinion of the directors, the market value of the Corporation's property and equipment is not less than the value shown in the financial statements.
(c) The Corporation had no capital commitments as at the reporting date (2015: nil)
(d) The Corporation had no restrictions to the use of its property, plant and equipment as at the balance sheet date.
(e) No leased assets are included in the property, plant and equipment. (2015: nil)

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

13 Intangible assets

	31-Dec-16	31-Dec-15
	N'000	N'000
Cost		
Balance, beginning of year	46,773	21,369
Additions	-	25,404
Balance, end of year	**46,773**	**46,773**
Accumulated Amortization		
Balance, beginning of year	7,966	-
Charge for the year	9,355	7,966
Balance, end of year	**17,321**	**7,966**
Net book value		
Balance, end of year	29,452	38,807
Balance, beginning of year	**38,807**	**21,369**

14 Statutory deposits

In line with section 10 (3) of the Insurance Act of Nigeria, a deposit of 10% of the regulatory share capital is kept with the Central Bank of Nigeria. The amount held will increase or decrease in relation to the amount of paid up share capital in issue. The cash amount held is considered to be a restricted cash balance.

	31-Dec-16	31-Dec-15
	N'000	N'000
Deposits with CBN	300,000	300,000
	300,000	**300,000**

15 **Insurance contract liabilities**

	31-Dec-16	31-Dec-15
	N'000	**N'000**
Unearned premium (see (a) below)	452,944	382,220
Outstanding claims:		
- Claims outstanding (see (b) below)	326,989	255,264
- Incurred but not reported (see (c) below)	199,393	98,991
	979,326	**736,475**
Within one year	979,326	736,475
More than one year	-	-
	979,326	**736,475**

(a) Unearned premium is summarised by class below:

	31-Dec-16	31-Dec-15
	N'000	N'000
Subsidized agriculture	354,917	246,711
Commercial agriculture	16,114	17,118
Motor	51,511	57,953
General accident	7,192	9,138
Fire	15,455	30,774
Marine and aviation	5,811	6,024
Oil and gas	1,944	14,502
Total	**452,944**	**382,220**

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

(i) The movement in unearned premium reserves is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	382,220	418,042
Movement during the year (see note 25)	70,724	(35,822)
At 31 December	**452,944**	**382,220**

(b) Outstanding claims represent the estimated ultimate cost of settling claims arising from incidents occurring as at the reporting date. Analysis of outstanding claims by class is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
Subsidized agriculture	118,215	79,763
Commercial agriculture	7,222	-
Fire	18,835	1,700
Accident	10,989	3,946
Motor	6,978	5,105
Marine and aviation	-	-
Oil and gas	49,000	49,000
Bonds	115,750	115,750
Total	**326,989**	**255,264**

(i) The movement in outstanding claims reserves is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	255,264	232,247
Movement during the year (see note 28)	71,725	23,017
At 31 December	**326,989**	**255,264**

(c) The incurred but not reported reserves by class of contract is summarised below by reference to liabilities.

	31-Dec-16	31-Dec-15
	N'000	N'000
Subsidized agriculture	107,721	35,678
Commercial agriculture	27,579	15,810
Fire	13,028	6,091
Accident	12,806	17,466
Motor	7,258	6,394
Marine and aviation	1,906	7,478
Oil and gas	29,093	10,074
Total	**199,393**	**98,991**

(i) The movement in incurred but not reported reserves is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	98,991	172,334
Movement during the year (See note 28)	100,402	(73,343)
At 31 December	**199,393**	**98,991**

16 **Trade payables**

	31-Dec-16	31-Dec-15
	N'000	N'000
Reinsurance payable	7,661	-
	7,661	**-**
Within one year	7,661	-
More than one year	-	-
	7,661	**-**

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

17 **Accruals and other payables**

	31-Dec-16	31-Dec-15
	N'000	N'000
Deferred rental income (see (a) below)	13,914	25,628
Deferred commission income (see (b) below)	21,187	9,978
Provision for NAICOM levy	15,500	8,500
Provision for professional fees	20,276	9,461
Pension payables	4,966	30,320
Payable to National Health Insurance Scheme	6,627	3,314
Payable to National Housing Fund	5,531	3,244
PAYEE payable	14,992	9,074
Pension payable under Defined Benefits Pension Scheme (see (c) below)	61,943	-
Unapplied payments (see (d) below)	44,063	-
Transfer to Ministry of Finance (see note 23)	116,614	-
Other creditors	43,269	9,477
	368,882	**108,996**
Within one year	368,882	108,996
More than one year	-	-
	368,882	**108,996**

(a) **Deferred rental income**
Deferred rental income relates to income received in advance from rent of investment properties to other tenants.

(b) **Deferred commission income**
Deferred commission income represents the unearned portion of commission earned from ceding out insurance business.

(c) **Pension payable under Defined Benefits Pension Scheme**
This amount represents pension due to affected current/past employees of the Corporation under the Defined Benefits Pension Scheme yet to be remitted to the relevant Pension Fund Administrators (PFAs).

(d) **Unapplied payments**
Unapplied payment relates to inflows during the year awaiting relevant details for application.

18 **Retirement benefit obligations**
The defined benefit obligation is actuarially determined at year end. The actuarial valuation was carried out using the "Projected Unit Credit" otherwise known as accrued benefit method. Gains and losses on experience adjustments and changes in actuarial assumptions are charged to other comprehensive income. The defined benefit obligation was actuarially determined by HR Nigeria Limited (FRC/NAS/00000000738) as at 31 December 2016. There are no explicit/physical assets held to fund gratuities. Gratuity payments are met by Corporation on a pay-as-you-go basis.

The amounts recognised in the statement of financial position are determined as follows:

	31-Dec-16	31-Dec-15
	N'000	**N'000**
Present value of funded obligations	-	-
Fair value of plan assets	-	-
Present value of unfunded obligations	564,737	644,110
	564,737	644,110
Liability in the statement of financial position	(564,737)	(644,110)

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

The movement in the gratuity obligation over the year is as follows:

	31-Dec-16 N'000	31-Dec-15 N'000
At 1 January	644,110	441,074
Current service cost	89,336	62,837
Interest cost	75,807	65,268
Past Service Cost (including curtailments)	-	-
Benefits paid	(37,026)	(5,692)
Actuarial (gains)/losses (see (b) below)	(207,490)	80,623
At 31 December	**564,737**	**644,110**
Within a year	-	-
More than a year	564,737	644,110
	564,737	**644,110**

(a)	Income statement charges:-		
	Past service costs	-	-
	Current service cost	89,336	62,837
	Interest cost	75,807	65,268
	Total recognised in income statement (see note 34)	**165,143**	**128,105**
(b)	Gains/(losses) on other comprehensive income		
	Gains/(losses) due to assumptions	144,298	(102,661)
	Gains/(losses) due to experience	63,192	22,038
	Total recognised in OCI	**207,490**	**(80,623)**

(c) Actuarial assumptions

The following are the actuarial assumptions at the reporting date:

	31-Dec-16	31-Dec-15
Long term average discount rate	15.8%	12%
Average future pay increase	12%	11%
Average future rate of inflation	12%	9%
Mortality rate	A67/70 Ultimate	A67/70 Ultimate
Retirement age	60 years or 35 years of service	60 years or 35 years of service

Assumptions regarding future mortality rates have been based on published statistics and mortality tables.

(d) Sensitivity analysis for actuarial valuation

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below.

	31-Dec-16 N'000	31-Dec-15 N'000
Base	564,737	644,110
Discount rate (+1%)	523,207	587,373
Discount rate (-1%)	611,660	709,328
Salary increase (+1%)	615,629	712,516
Salary increase (-1%)	519,187	583,764
Mortality (age rated up by 1 year)	565,384	644,325
Mortality (age down up by 1 year)	564,153	643,917

The analysis did not take account of the full distribution of cash flows expected under the plan, however it does provide an approximation of the sensitivity of the assumptions shown.

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

19 Share capital

Share capital comprises

	31-Dec-16	31-Dec-15
	N'000	N'000
Authorized share capital		
5,000,000,000 ordinary share of N1 each	**5,000,000**	**5,000,000**
Paid up share capital		
2,500,000,000 ordinary share of N1 each	**2,500,000**	**2,500,000**

20 Reserve fund contribution

Reserve fund contribution fund was maintained in compliance with Part 5, Section 18 of the NAIC enabling Act for payment of indemnities under the agricultural insurance scheme. The fund was contributed by the following institutions in the percentage appropriate thereto:

-Federal Government of Nigeria: 70%

-State Government and Federal Capital Territory, Abuja: 10%

-the Central Bank of Nigeria: 5%

-the commercial banks: 6%

-the merchant banks: 3%

-the development banks: 2%

-the insurance companies: 2%

-the oil companies: 2%

Part of the original amount of N200,000,000 was utilized in meeting the recapitalization need of the corporation leaving the current balance of N76 million (2015: N76 million).

21 Contingency reserves

In compliance with Section 21(1) of Insurance Act 2003, the contingency reserve for general business is transferred from general reserve and credited with the greater of 3% of gross premium or 20% of Net Profit and accumulated until it reaches the amount of greater of minimum Paid up Capital or 50% of Net Premium.

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	803,065	771,947
Transfer from general reserve	55,091	31,118
At 31 December	**858,156**	**803,065**

22 Fair value reserve

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	4,216	5,323
Changes in fair value of AFS treasury bills (see note 6a(i))	(18,415)	-
Changes in fair value of AFS quoted equities (see note 6a(ii))	(1,184)	(1,107)
At 31 December	**(15,383)**	**4,216**

23 General reserves

The General reserves are maintained in line with Part V(19) of the NAIC Act which provides that "without prejudice to the provisions of any enactment requiring the establishment of technical reserves by a registered insurer, the Corporation shall establish and maintain a general reserve fund out of the profits of the Corporation for meeting contingencies, depreciation of assets, for liquidation of any debt or liability of the Corporation and for such purposes as the Directors may consider necessary for the proper functioning of the Corporation under the Act"

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January - as restated	3,631,995	3,857,377
Transfer from profit/(loss)	200,859	(194,264)
Transfer to contingency reserve (see note 21)	(55,091)	(31,118)
Transfers to Ministry of Finance Incorporated (see (a) below)	(123,615)	-
At 31 December	**3,654,148**	**3,631,995**

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

(a) This relates to transfers to Ministry of Finance in accordance with Section 22 of the Fiscal Responsibility Act (2007) which requires that each Corporation shall establish a general reserve fund and shall allocate thereto at the end of each financial year, one fifth of its operating surplus for the year. The balance of the operating surplus shall be paid to the Consolidated Revenue Fund of the Federal Government, not later than one month following the statutory deadline for publishing each Corporation's account.

24 Other reserves

	31-Dec-16	31-Dec-15
	N'000	N'000
Actuarial gains/(losses) on defined benefit obligations (see (a) below)	238,659	31,169
Exchange gains reserves (see (b) below)	30,305	3,400
	268,964	**34,569**

(a) Actuarial gains/(losses) on defined benefit obligations

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	31,169	111,792
Actuarial gains/(losses) for the year (see note 18(b))	207,490	(80,623)
At 31 December	**238,659**	**31,169**

(b) Exchange gains reserves

The exchange gains reserve warehouses foreign exchange gains/lossess on available for sale financial assets denominated in other currencies apart from the Corporation's functional currency which is the Naira.

	31-Dec-16	31-Dec-15
	N'000	N'000
At 1 January	3,400	-
Foreign exchange gain on AFS investments	26,905	3,400
At 31 December	**30,305**	**3,400**

25 Gross premium income

	31-Dec-16	31-Dec-15
	N'000	N'000
Gross premium written	1,836,363	1,037,268
Changes in unearned premium reserve (see note 15a(i))	(70,724)	35,822
	1,765,639	**1,073,090**

26 Reinsurance expenses:

	31-Dec-16	31-Dec-15
	N'000	N'000
Reinsurance premium paid	(261,689)	(169,029)
Change in prepaid reinsurance (see note 8(b))	1,060	102
	(260,629)	**(168,927)**

27 Fee and commission income

	31-Dec-16	31-Dec-15
	N'000	N'000
Reinsurance commissions	80,745	47,144
Movement in deferred commission income	(11,209)	(9,978)
	69,536	**37,166**

28 Claims expenses

	31-Dec-16	31-Dec-15
	N'000	N'000
Insurance claims and benefits incurred	257,049	206,270
Claims recovered from reinsurers	(157,915)	(78,430)
Changes in reinsurers' share of outstanding claims (see note 8(c))	(64,685)	(67,366)
Changes in reinsurers' share of IBNR (see note 8(d))	(12,335)	(6,653)
Changes in outstanding claims (see note 15b(i))	71,725	23,017
Changes in IBNR (See note 15c(i))	100,401	(73,343)
	194,240	**3,495**

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

29 Underwriting expenses

	31-Dec-16	31-Dec-15
	N'000	N'000
Acquisition cost (see note 9 and (a) below)	114,309	102,452
	114,309	**102,452**

(a) The movement in acquisition cost is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
Commission paid	110,598	86,203
Movement in deferred acquistion cost (see (b) below)	3,711	16,249
At 31 December	**114,309**	**102,452**

(b) Analysis of movement in deferred acquisition cost is shown below:

	31-Dec-16	31-Dec-15
	N'000	N'000
Subsidized agriculture	(1,936)	7,235
Motor	(1,151)	(818)
Fire	3,503	(376)
General accident	1,180	10,025
Commercial agriculture	37	467
Marine and aviation	1,563	(1,451)
Oil and gas	515	1,167
Total	**3,711**	**16,249**

30 Investment income

	31-Dec-16	31-Dec-15
	N'000	N'000
Debt securities:		
- Loan & receivables (amortised cost)	2,272	3,452
Interest income on deposits with financial institutions	2,971	138,298
Interest income on treasury bills	210,942	108,000
Interest income on statutory deposit	65,311	-
Rental income from investment properties	103,949	105,039
	385,445	**354,789**

31 Government grants

	31-Dec-16	31-Dec-15
	N'000	N'000
Government grants (see (a) below)	-	-
	-	-

(a) This represents the allocation made to the Corporation by the Federal government of Nigeria to cater for overhead costs. No allocation was received in the 2015 financial year from the Federal government.

32 Impairment losses

	31-Dec-16	31-Dec-15
	N'000	N'000
Impairment allowance on trade receivables (see note 7)	(236,115)	(233,642)
Impairments allowance on other assets (see note 10)	(46,805)	(84,713)
	(282,920)	**(318,355)**

33 Other operating income

	31-Dec-16	31-Dec-15
	N'000	N'000
(Loss)/profit on disposal of property and equipment (see (a) below)	(4,902)	244
Impairment no longer required (see Note 10)	36,431	-
Other income	1,393	16,208
	32,922	**16,452**

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

(a)

	31-Dec-16	31-Dec-15
	N'000	N'000
Sales proceed	1,747	244
Net book value	6,649	-
(Loss)/profit on disposal of property and equipment	**(4,902)**	**244**

34 Personnel expenses

	31-Dec-16	31-Dec-15
	N'000	N'000
Wages and salaries	585,933	559,614
Pension costs	35,688	37,003
Interest expense on staff loans	5,953	3,130
Post employment benefit expenses (see note 18)	165,143	128,105
	792,717	**727,852**

35 Foreign exchange gain/(loss)

	31-Dec-16	31-Dec-15
	N'000	N'000
Gain/(loss) on translation of foreign currency transactions	28,753	(17,720)
	28,753	**(17,720)**

36 Operating expenses
(a) Management expenses analysed by nature

	31-Dec-16	31-Dec-15
	N'000	N'000
Depreciation on property and equipment	63,449	67,027
Amortisation of computer software	9,354	7,966
Audit fees	5,000	5,000
Professional fees	14,390	15,761
Rent and rates	18,925	21,685
Directors' fees	-	21,399
Donations	50	551
Bank charges	4,729	1,515
Insurance levy	16,782	9,246
Industrial training fund levy	3,497	2,706
Training and development	23,144	33,587
Insurance premium-corporation properties	22,479	25,229
Communication expenses	8,742	9,472
Computer consumables	1,121	1,761
Stationeries	7,117	7,193
Adverts and publicity	8,846	30,966
Travel expenses	37,844	22,766
Contract staff allowance	7,345	5,900
Offices- repairs and maintenance	19,502	28,779
Vehicle- repairs and maintenance	20,824	16,181
Office cleaning expenses	6,025	6,430
Entertainment	6,127	5,676
Utility expenses	6,632	5,157
Books and periodicals	15,323	9,784
Pre-insurance inspection	192	8,766
NSITF deduction	5,193	-
Penalties	1,180	-
Other administrative expenses	6,303	6,557
	340,115	**377,060**

38 Income taxes

In accordance with Section 1 and 2 of the NAIC Act of 1993, the Corporation is not liable for Company income taxes until the general reserve fund of the Corporation is for the first time equal to twice the amount of the paid-up capital of the Corporation. This condition was not met by the Corporation as at the reporting date. Consequently, no income taxes have been booked in the current reporting period.

Notes to the financial statements (Cont'd)

for the year ended 31 December 2016

39 Hypothecation of assets

Assets allocation was done in accordance with NAICOM guidelines in force to meet the minimum requirement of Section 26(1)(c) of the Insurance Act of Nigeria for hypothecation of investments representing the insurance funds as follows:

31 December 2016		**Policyholders' funds**	**Shareholders' funds**	**Total**
Assets		N'000	N'000	N'000
Cash and cash equivalents	5	-	611,341	611,341
Financial assets	6	2,437,090	583,019	3,020,109
Trade receivables	7	-	779,778	779,778
Reinsurance assets	8	205,488	-	205,488
Deferred acquisition cost	9	28,508	-	28,508
Other receivables and prepayments	10	-	119,437	119,437
Investment properties	11	-	4,012,300	4,012,300
Property, plant and equipment	12	-	156,748	156,748
Intangible assets	13	-	29,452	29,452
Statutory deposits	14	-	300,000	300,000
Total assets		**2,671,086**	**6,592,075**	**9,263,161**
Liabilities				
Insurance contract liabilities	15	979,326	-	979,326
Trade payables	16	-	7,661	7,661
Accruals & other payables	17	-	368,882	368,882
Retirement benefit obligations	18	-	564,737	564,737
Total Liabilities		**979,326**	**941,280**	**1,920,606**
Surplus		**1,691,760**	**5,650,795**	**7,342,555**

31 December 2015		**Policyholders' funds**	**Shareholders' funds**	**Total**
Assets		N'000	N'000	N'000
Cash and cash equivalents	5	705,017	2,430,061	3,135,078
Financial assets	6	-	185,256	185,256
Trade receivables	7	-	310,356	310,356
Reinsurance assets	8	127,407	-	127,407
Deferred acquisition cost	9	32,219	-	32,219
Other receivables and prepayments	10	-	85,211	85,211
Investment properties	11	-	4,102,000	4,102,000
Property, plant and equipment	12	-	223,762	223,762
Intangible assets	13	-	38,807	38,807
Statutory deposits	14	-	300,000	300,000
Total assets		**864,643**	**7,675,453**	**8,540,096**
Liabilities				
Insurance contract liabilities	15	736,475	-	736,475
Trade payables	16	-	-	-
Accruals & other payables	17	-	108,996	108,996
Retirement benefit obligations	18	-	644,110	644,110
Total Liabilities		**736,475**	**753,106**	**1,489,581**
Surplus		**128,168**	**6,922,347**	**7,050,515**

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

40 Related party transactions

(a) *Transactions with key management personnel*

The Corporation's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key management personnel and any entity over which key management personnel exercise control.

(i) Key management personnel and director transactions

The Corporation did not earn premium income from any director during the year as no insurance cover was provided to any director and key management personnel.

(ii) Compensation of key management personnel

Key management personnel of the Corporation includes all directors, executive and non-executive. The summary of compensation of key manangement personnel for the year is as follows:

	31-Dec-16	31-Dec-15
	N'000	N'000
Directors' fees:		
Fees and sitting allowance	-	21,399
Executive compensation	43,857	55,058
	43,857	**76,457**
The highest paid director	23,924	21,593

(iii) Staff information

The number of employees in receipt of emoluments including allowances within the following ranges were:

			2016	2015
Below		2,000,000	159	221
2,000,001	-	4,000,000	58	19
4,000,001	-	6,000,000	18	5
6,000,001	-	8,000,000	-	-
8,000,001	-	10,000,000	2	-
10,000,001	-	12,000,000	3	-
12,000,001	-	and above	2	3
			242	**248**

Average number of persons employed in the financial year and the related staff cost were as follows:

	31-Dec-16	31-Dec-15
Executive management	2	3
Senior management	22	16
Middle management	167	176
Junior staff	51	53
	242	**248**

(b) *Other related party transactions*

During the year, the Corporation provided insurance services to Ministry of Agriculture and Bank of Agriculture. The Corporation also earned rental income from the Bank of Agriculture. All the transactions with the related parties were conducted at arm's length. Related parties and related party transactions during the period include:-

Name of related party	Transaction	Amount N'000
Bank of Agriculture	Insurance premium	19,988
Bank of Agriculture	Rental Income	2,700
Federal Ministry of Agriculture and Rural Development	Insurance premium	60,237

Notes to the financial statements (Cont'd)
for the year ended 31 December 2016

41 Contingencies and commitments
The Corporation has no contingent assets or liabilities at the reporting date.

42 Events after the reporting period
There are no other events after the end of the reporting period which could have a material effect on the financial statements of the Corporation which have not been recognised and/or disclosed.

43 Contraventions
The Corporation paid a penalty of N1.2 million (2015: Nil) to NAICOM during the year in respect of late submission of financial statements.

44 Financial Risk Management

Factors relating to general economic conditions, such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, and inflation, all affect the profitability of businesses in Nigeria.

The Nigerian economy is characterized by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected following the general economic conditions and as such there is a need for the Corporation to manage its financial risks.

The Corporation's risk management process includes the identification and measurement of various forms of risk, the establishment of risk thresholds and the creation of processes intended to maintain risks within these thresholds while optimizing returns on the underlying assets and minimizing costs associated with liabilities. Risk range limits are established for each type of risk, and are approved by the Investment Committee and subject to ongoing review.

The Corporation's risk management strategy is an integral part of managing the Corporation's core businesses, and utilizes a variety of risk management tools and techniques such as:

- Measures of price sensitivity to market changes (e.g., interest rate and foreign exchange rate);
- Periodic Internal Audit and Control, and;
- Risk management governance, including risk oversight committee, policies and guidelines, and approval limits.

In addition, the Corporation monitors and manages the financial risks relating to the operations of the organization through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

(a) Financial asset valuation bases
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. Fair values are determined at prices quoted in active markets. In our environment, such price information is typically not available for all instruments and the Corporation applies valuation techniques to measure such instruments.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. The Corporation has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

Fair value hierarchy
IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 - This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, analyzed into Levels 1 to 3 based on the degree to which the fair value is observable.

31 December 2016		**Level 1**	**Level 2**	**Level 3**	**Total**
		N'000	N'000	N'000	N'000
Financial Assets:					
Available- for sale					
Quoted equity shares	6(a)	8,583	-	-	8,583
Unquoted equity shares	6(a)	-	-	77,909	77,909
Treasury bills	6(a)	2,893,664	-	-	2,893,664
Total financial assets measured at fair value		**2,902,247**	-	**77,909**	**2,980,156**

31 December 2015		**Level 1**	**Level 2**	**Level 3**	**Total**
		N'000	N'000	N'000	N'000
Financial assets:					
Available- for sale					
Quoted equity shares	6(a)	9,767	-	-	9,767
Unquoted equity shares	6(a)	-	-	51,004	51,004
Total financial assets measured at fair value		**9,767**	-	**51,004**	**60,771**

Financial instruments not measured at fair value

No fair value disclosures are provided for cash and cash equivalents, loans and receivables, trade receivables, other receivables, trade payables, accruals and other payables that are measured at amortised cost because their carrying value are a reasonable approximation of fair value.

(b) Risk Categorization

The Corporation is exposed to the following categories of risk as a consequence of offering different financial products and services.

(i) Market risk

This reflects the possibility that the value of the Corporation's investments will fall as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all investments traded in the market. The Corporation is exposed to this risk through its financial assets and comprises of currency risk, interest rate risk and price risk.

The Corporation seeks to manage its exposures to risk through control techniques which ensure that the residual risk exposures are within acceptable tolerances agreed by the Directors. A description of the risks associated with the Corporation’s principal products and the associated control techniques is detailed below;

Foreign Currency risk

This is the risk of the fair value of financial instruments being affected by changes in foreign exchange rates.

The Corporation accepts receipt of premiums in foreign currency, in addition to Naira, from its clients; hence, exposures to exchange rate fluctuations arise. The Corporation is also exposed to foreign currency risk as it maintains domiciliary bank accounts.

Foreign exchange risk arises from other recognized assets and liabilities denominated in other currencies, and their total sum.

The Corporation's exposure to foreign exchange risk as at year end amounted to approximately N113.1 million (2015: N87.4 million) arising from USD, Pounds and Euro denominated cash and bank balances and available-for-sale investments in USD.

44 Financial Risk Management

The carrying amounts of the Corporation's foreign currency denominated assets and liabilities are as follows:

31 December 2016

	Pounds sterling	Euro	US Dollar	Total
	N'000	N'000	N'000	N'000
Cash & cash equivalents	24	179	59,832	**60,035**
Available for sale financial assets	-	-	77,909	**77,909**
	24	179	137,741	**137,944**

31 December 2015

	Pounds sterling	Euro	US Dollar	Total
	N'000	N'000	N'000	N'000
Cash & cash equivalents	24	179	36,186	**36,389**
Available for sale financial assets	-	-	51,004	**51,004**
	24	179	87,190	**87,393**

Foreign currency sensitivity analysis

The following table details the Corporation's sensitivity to a 10% increase and decrease in foreign currency rates against the Naira. A 10% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity scenario, the impact of change in a single factor is shown, with other assumptions or variables held constant.

The following tables show the effect on the profit as at 31 December 2016 from N317.75/€, N374.17/£ and N304.5/$ closing rate. These closing rates were determined by obtaining the closing rate of the Central Bank of Nigeria.

31 December 2016

	Base	Pounds sterling	Euro	US Dollars	Total
	N'000	N'000	N'000	N'000	N'000
10% increase	137,944	2	18	13,774	**13,794**
10% decrease	137,944	(2)	(18)	(13,774)	**(13,794)**

31 December 2015

	Base	Pounds sterling	Euro	US Dollars	Total
	N'000	N'000	N'000	N'000	N'000
10% increase	87,393	2	18	8,719	**8,739**
10% decrease	87,393	(2)	(18)	(8,719)	**(8,739)**

Interest Rates risk

The Corporation's exposure to interest rate risk relates primarily to the market price and cash flow variability of assets and liabilities associated with changes in interest rates. Changes in interest rates result to reduction in income 'spread' or the difference between the amounts that the Corporation is required to pay under the contracts and the rate of return the Corporation is able to earn on investments intended to support obligations under the contracts. Investment spread is, arguably, one of the key components of the net income of insurers.

The Corporation's mitigation efforts with respect to interest rate risk are primarily focused on maintaining an investment portfolio with diversified maturities that has a weighted average duration or tenor approximately equal to the duration of our liability cash flow profile.

Also, the Corporation manages this risk by adopting close asset/liability matching criteria, to minimize the impact of mismatches between asset and liability values arising from interest rate movements.

Furthermore, the Corporation uses sensitivity analytics to measure the impact of interest rate changes and movements on the value of our financial assets scenarios.

The Corporation's exposure to interest rate risk is limited to changes in fixed income and money market instruments interest rates. These instruments have fixed interest rates.

Interest rate profile

At the end of the reporting period the interest rate profile of the Corporation's interest bearing financial instruments as reported to the Management of the Corporation are as follows:

Financial instruments	31-Dec-16 N'000	31-Dec-15 N'000
Cash and cash equivalents	611,341	3,135,078
Staff loans	39,953	124,485
	651,294	**3,259,563**

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	Base N'000	31-Dec-16 N'000	Base N'000	31-Dec-15 N'000
Increase in interest rate by 50 basis points (+0.5%)	651,294	3,256	3,259,563	16,298
Decrease in interest rate by 50 basis point (-0.5%)	651,294	(3,256)	3,259,563	(16,298)

Other price risk management

The Corporation is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed securities that present the Corporation with opportunity for return through dividend income and capital appreciation.
The carrying amounts of the Corporation's equity investments are as follows:

	31-Dec-16 N'000	31-Dec-15 N'000
Equity Securities; - Quoted	8,583	9,767
	8,583	**9,767**

Equity price sensitivity analysis

The sensitivity analyses set out below show the impact of a 10% increase and decrease in the value of equities on profit and shareholders' equity based on the exposure to equity price risk at the reporting date.

	Base N'000	31-Dec-16 N'000	Base N'000	31-Dec-15 N'000
10% increase	8,583	858	9,767	977
10% decrease	8,583	(858)	9,767	(977)

(ii) Credit risk

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Corporation. The key areas of exposure to credit risk for the Corporation are in relation to its investment portfolio, reinsurance program, trade receivables from Federal and State governments and receivables from reinsurers and other intermediaries.

The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

The Corporation has adopted a policy of dealing with only creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation transacts predominantly with entities that have an investment grade rating and above.

Financial Risk Management (Cont'd)

The Corporation's financial asset's exposure to credit risk can be analysed as follows:

	Notes	31-Dec-16	31-Dec-15
		N'000	N'000
Cash and cash equivalents	5	611,341	3,135,078
Loans and receivables	6 (b)	39,953	124,485
Trade receivables	7	779,778	310,356
Reinsurance assets	8	205,488	127,407
Other receivables	10	77,353	2,523
Total Carrying Amount		**1,713,913**	**3,699,849**

Loans and receivables
These includes motorycle and vehicle loans to staff. The loans to staff are for a maximum of six years. None of these loans have been impaired as at reporting date.(2015:Nil)

Trade receivables
The Corporation is exposed to risk from its core business. Trade receivables are short term in nature and consisting of premium receivables from the Federal and State governments in respect of subsidized premiums.
Oulined below is the Corporation's exposure to credit risk arising from trade receivables:

	31-Dec-16	31-Dec-15
	N'000	N'000
Gross amount		
Neither past due nor impaired	-	-
Past due but not impaired	779,778	310,356
Impaired	900,265	664,150
	1,680,043	974,506
Impairment		
Neither past due nor impaired	-	-
Past due but not impaired	-	-
Impaired	900,265	664,150
Carrying amount	**779,778**	**310,356**

Reinsurance
Reinsurance is placed with counterparties who have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Directors and are subject to regular reviews. Reinsurance treaties are reviewed annually by Management prior to the renewal of the reinsurance contract.

Other receivables
Other receivables constitute rental income receivables and other debtors. Oulined below is the Corporation's exposure to credit risk arising from other receivables:

	31-Dec-16	31-Dec-15
	N'000	N'000
Gross amount		
Neither past due nor impaired		
Past due but not impaired	77,353	2,523
Impaired	95,087	84,713
	172,440	87,236
Impairment		
Neither past due nor impaired	-	-
Past due but not impaired	-	-
Impaired	95,087	84,713
Carrying amount	**77,353**	**2,523**

(iii) Liquidity risk

The Corporation’s principal objective in managing liquidity is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due.

The Corporation's policy is to make sure that it will always have sufficient cash to allow it meet its liabilities when they become due without incurring unacceptable losses or the risk of damage to the Corporation's reputation.

The Corporation mitigates liquidity risk by monitoring cash activities and expected cahs flows. The Corporation's current liabilities arise as claims are made and claim payments are funded by current operating cash flows including investment income. There have been no significant changes in the exposure to risk or policies,procedures and methods used to measure the risk from one year to othe other.

At the Corporation level, there is a liquidity risk appetite which requires that sufficient liquid resources be maintained to cover net outflows in a stress scenario. The Corporation has a strong liquidity position and through the apllication of the Corporation's liquidity risk policy and business standard seek to maintain sufficient financial resources to meet their obligations as they fall due.

Maturity Profile

The following table shows the Corporation’s expected maturity for its non-derivative assets and liabilities. The table has been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the Corporation anticipates that the cash flow will occur in a different period.

It also shows details of the expected maturity profile of the Corporation’s undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognized insurance contract liabilities. It includes both interest and principal cash flows.

It should be noted that unit-linked assets and liabilities and reinsurers’ share of unearned premiums are excluded from this analysis.

31 December 2016	**Notes**	**Carrying amount**	**Contractual cashflow**	**< 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**> 5 years**
Non-derivative financial assets		N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	5	611,341	611,341	611,341	-	-	-	-
Available for sale financial assets	6(a)	2,980,156	2,980,156	-	2,437,090	456,574	86,492	-
Loans and receivables	6(b)	39,953	39,953	-	-	-	39,953	-
Trade receivables	7	779,778	1,680,043	1,680,043	-	-	-	-
Reinsurance assets - recoverable from reinsurers		168,653	168,653	-	-	168,653	-	-
		4,579,881	**5,480,146**	**2,291,384**	**2,437,090**	**625,227**	**126,445**	**-**
Non-derivative financial liabilities								
Trade payables	16	7,661	7,661	-	-	7,661	-	-
Insurance contract liabilities	15	326,989	326,989	-	-	326,989	-	-
		334,650	**334,650**	**-**	**-**	**334,650**	**-**	**-**
Gap (asset - liabilities)		**4,245,231**	**5,145,496**	**2,291,384**	**2,437,090**	**290,577**	**126,445**	**-**
Cumulative liquidity gap		**4,245,231**	**5,145,496**	**2,291,384**	**4,728,474**	**5,019,051**	**5,145,496**	**5,145,496**

31 December 2015	**Notes**	**Carrying amount**	**Contractual cashflow**	**< 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**> 5 years**
Non-derivative financial assets		N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	5	3,135,078	3,135,078	-	3,135,078	-	-	-
Available for sale	6(a)	60,771	60,771	-	-	60,771	-	-
Loans and receivables	6(b)	124,485	124,485	-	-	124,485	-	-
Trade receivables	7	310,356	974,506	974,506	-	-	-	-
Reinsurance assets - recoverable from reinsurers		91,633	91,633	-	-	91,633	-	-
		3,722,323	**4,386,473**	**974,506**	**3,135,078**	**276,889**	**-**	**-**
Non-derivative financial liabilities								
Trade payables	16	-	-	-	-	-	-	-
Insurance contract liabilities	15	255,264	255,264	-	-	255,264	-	-
		255,264	**255,264**	**-**	**-**	**255,264**	**-**	**-**
Gap (asset - liabilities)		**3,467,059**	**4,131,209**	**974,506**	**3,135,078**	**21,625**	**-**	**-**
Cumulative liquidity gap		**3,467,059**	**4,131,209**	**974,506**	**4,109,584**	**4,131,209**	**4,131,209**	**4,131,209**

Although the Corporation has access to financing facilities, the Corporation expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets and other sources.

Financial and Insurance Risk Management

(iv) Insurance risk management
The Corporation accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Corporation is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Corporation manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Corporation from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

The Corporation writes agricultural, fire, accident, oil & gas,bond, marine and motor risks primarily over a twelve month duration (usually longer for engineering policies). The most significant risks arise from natural disasters such as droughts and flood, climate change and other catastrophes (i.e. high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to different types of commercial business or agricultural business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of non-life insurance by type of contract is summarised below by reference to liabilities.

	Gross		**Reinsurance**		**Net**	
	2016	2015	2016	2015	2016	2015
Outstanding claims	N'000	N'000	N'000	N'000	N'000	N'000
Subsidized agriculture	118,215	79,763	71,407	29,988	46,808	49,775
Commercial agriculture	7,222	-	4,700	-	2,522	-
Fire	18,835	1,700	16,584	842	2,251	858
Accident	10,989	3,946	-	36,536	10,989	(32,590)
Motor	6,978	5,105	-	-	6,978	5,105
Marine and aviation	-	-	-	-	-	-
Oil and gas	49,000	49,000	-	-	49,000	49,000
Bonds	115,750	115,750	39,360	-	76,390	115,750
Total	**326,989**	**255,264**	**132,051**	67,366	**194,938**	**187,898**

	Gross		**Reinsurance**		**Net**	
	2016	2015	2016	2015	2016	2015
IBNR	N'000	N'000	N'000	N'000	N'000	N'000
Subsidized agriculture	107,721	35,678	20,684	12,893	87,037	22,785
Commercial agriculture	27,579	15,810	9,221	740	18,358	15,070
Fire	13,028	6,091	5,402	3,015	7,626	3,076
Accident	12,806	17,466	1,295	5,331	11,511	12,135
Motor	7,258	6,394	-	319	7,258	6,075
Marine and aviation	1,906	7,478	-	-	1,906	7,478
Oil and gas	29,093	10,074	-	1,969	29,093	8,105
Total	**199,393**	**98,991**	**36,602**	**24,267**	**162,791**	**74,724**

	Gross		**Reinsurance**		**Net**	
	2016	2015	2016	2015	2016	2015
Unearned premium	N'000	N'000	N'000	N'000	N'000	N'000
Subsidized agriculture	354,917	246,711	27,205	22,299	327,712	224,412
Commercial agriculture	16,114	17,118	-	-	16,114	17,118
Motor	51,511	57,953	-	2,475	51,511	55,478
General accident	7,192	9,138	1,945	2,579	5,247	6,559
Fire	15,455	30,774	7,306	5,871	8,149	24,903
Marine and aviation	5,811	6,024	379	55	5,432	5,969
Oil and gas	1,944	14,502	-	2,495	1,944	12,007
Total	**452,944**	**382,220**	**36,835**	**35,774**	**416,109**	**346,446**

(c) Outstanding claims on insurance contracts
Outstanding claim represents the estimated ultimate cost of settling all claims arising from incidents occurring as at the date of the statement of financial position.

Financial and Insurance Risk Management

(iv) Insurance risk management

(i) Reserving Methods and Assumptions - 31 December 2016

The provision for outstanding claims, including IBNR, was determined for each line of business on both gross and net of reinsurance basis. A yearly cohort was used to group claims to study the settlement pattern. For instances where only the accideent year was given, settlement year was assumed to be the accident year.

The actuarial calculations were made using the following two (2) approaches explained below;

(a) The Basic Chain Ladder Method (BCL)

The Basic Chain Ladder method forms the basics to the reserving methods explained below. Historical incremental claims paid were grouped into accident year cohorts by class of business – representing when they were paid after their accident year. These cohorts are called loss development triangles.

The incremental paid claims are cumulated to the valuation date and projected to their expected ultimate claim estimate. The gross claim reserve are then derived from the difference between the cumulated paid claims and the estimated ultimate claim.

For the later years where the cohorts are underdeveloped or has less than expected claims, the Bornheutter-Ferguson (BF) method was used to estimate the ultimate claims. The appropriate loss ratio used in estimating the BF ultimate claim was the average of fully developed historical years.

(b)The Inflation Adjusted Basic Chain Ladder Method (IACL):

Under this method, the historical paid losses are inflated using the corresponding inflation index in each of the accident years to the year of valuation and accumulated to their ultimate values for each accident year to obtain the projected outstanding claims. These projected outstanding claims are further multiplied by the future inflation index from the year of valuation to the future year of payment of the outstanding claims. The following official inflation index have been adopted:

Year	Inflation
2007	6.60%
2008	15.10%
2009	13.90%
2010	11.80%
2011	10.30%
2012	12.00%
2013	8.00%
2014	8.30%
2015	9.60%
2016	18.48%
2017+	15.00%

The calculation are on two bases;

- By discounting the claims estimated to the valuation date at a discount rate of 16% p.a. which at valuation date was close to the weighted average of bonds with an outstanding term of 4 years or less.
- With no discounting

Expected loss ratio

This method is simple and gives an approximate estimate. This method was used as a check on the ultimate projections and also where the volume of data available is too small to be credible when using a statistical approach. Under the method, the ultimate claims was obtained by studying the historical loss ratios, investigating any differences and using judgements to derive a loss ratio. Paid claims already emerged is then deducted for from the estimated ultimate claims to obtain the reserves.

Assumptions underlying the valuation methods

- Policies are written uniformly throughout the year for each class of business
- Claims occur uniformly throughout the year for each class of business. The implies that claims occur on average halfway through the year
- The methods assume the future claims follow a regression pattern from the historical data
- Hence, payment patterns will be broadly similar in each accident year. The proportionate increase in the known cumulative payments from one development year to the next is used to calculate the expected cumulative payments for future development periods.

Financial and Insurance Risk Management

(iv) Insurance risk management

 An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged in to the future.

 It is assumed that gross claim amount includes all related claim expenses. If this is not the case, a separate reserve is used to cover claims expenses.

 The UPR is calculated on the assumption that risk will occur evenly during the duration of the policy.

 Under the average cost per claim method, it was assumed that the early years e.g accident years 2007 and 2008 are fully developed.

The summary of gross outstanding claims reserves under the Basic Chain Ladder method is presented below:

Discounted Inflation adjusted basic chain ladder method
Summary of Expected Outstanding Claims (Net of Reinsurance) - Discounted

Class of Business	Outstanding Claims N'000	Reinsurance Recoveries N'000	Net Outstanding Claims N'000
Subsidized agric	225,937	(92,092)	133,845
Commercial agric *	34,802	(13,921)	20,881
Motor	14,236	-	14,236
General accident	139,545	(40,655)	98,890
Fire *	31,863	(21,985)	9,878
Marine and aviation *	1,907	-	1,907
Oil and gas *	78,093	-	78,093
TOTAL	**526,383**	**(168,653)**	**357,730**

**Estimated using Expected Loss Ratio Approach*

(ii) Claims data

The claims data has seven risk groups – (Marine, Motor, Subsidized agriculture, Fire, General Accident, Commercial agriculture and Oil and gas).

The incremental claims data, for the all lines of business except those estimated using the expected loss ratio method between 2007 and 2015, are summarized below:

Incremental Chain Ladder- Yearly Projections (N '000)									
Accident year	1	2	3	4	5	6	7	8	9
2007	22,150	36,660	4,872	-	-	284			
2008	31,503	68,323	1,814	39	-	-			
2009	77,618	43,121	8,857	-	637	-			
2010	50,717	24,684	284	1,426	1,026				
2011	55,706	8,840	4,112	64	485				
2012	62,449	164,000	5,302	313					
2013	61,037	37,064	11,225						
2014	83,763	53,852	7,662						
2015	68,735	138,741							
2016	75,266								

Financial and Insurance Risk Management

(iv) Insurance risk management
A further summary of this data for each individual class of business is detailed below:

(a) Incremental Claims Development Pattern: Subsidized Agric

Incremental Chain Ladder- Yearly Projections (N'000)									
Accident year	1	2	3	4	5	6	7	8	9
2007	19,102	29,951	4,858	-	-	-			
2008	26,228	59,454	974	7	-	-			
2009	67,769	27,257	7,981	-	637	-			
2010	44,852	17,542	0	-	-	-			
2011	39,446	7,465	309	64	-				
2012	46,270	151,086	5,006	201					
2013	48,545	34,084	11,088						
2014	73,667	38,957	3,696						
2015	62,640	126,574							
2016	70,286								

(b) Incremental Claims Development Pattern: General Accident

Incremental Chain Ladder- Yearly Projections (N)									
Accident year	1	2	3	4	5	6	7	8	9
2007	3,048	6,709	14	-	-	284			
2008	1,366	2,964	88	32	-	-			
2009	1,560	398	136	-	-	-			
2010	607	3,861	284	1,426	1,026	-			
2011	4,940	541	9	-	485				
2012	5,750	3,356	23	112					
2013	1,105	1,377	-						
2014	2,098	8,478	514						
2015	1,320	6,271							
2016	1,642								

(c) Incremental Claims Development Pattern: Motor

Incremental Chain Ladder- Yearly Projections (N)									
Accident year	1	2	3	4	5	6	7	8	9
2007	-	-	-	-	-	-			
2008	3,909	5,905	752	-	-	-			
2009	8,289	15,466	740	-	-	-			
2010	5,258	3,281	-	-	-	-			
2011	11,320	834	3,794	-	-				
2012	10,429	9,558	273	-					
2013	11,387	1,603	137						
2014	7,998	6,417	3,452						
2015	4,775	5,896							
2016	3,338								

Financial Risk Management (Cont'd)

(c) Capital Management

The Corporation's capital management framework is primarily based on statutory risk-based capital and solvency margin measures. The Corporation manages its capital to ensure that it continues as a going concern and complies with the regulators' capital requirements while maximizing the return to stakeholders through the optimization of its equity balance.The capital structure of the Corporation consists of equity attributable to equity holders of the Corporation, comprising issued capital, reserves and retained earnings.

The regulatory capital (as required under Insurance Act 2003 and NAICOM Guideline) within the Corporation has been maintained and preserved over the reporting periods. The minimum regulatory capital for general insurers in Nigeria is N3 billion.

The Corporation equally measures its capital using an economic capital model which is the Corporation's own assessment of the amount of capital it needs to hold and takes into account both financial and non-financial assumptions. In most cases the internally required capital is determined by the application of percentages to premiums, claims, reserves and expenses.
The capital management process is governed by the Directors who have the ulitmate responsibility for the capital management process.
There was no change made neither to the capital base nor to the objectives, policies and processes for managing capital.

The Insurance Act 2003 (Section 24) prescribed that an insurer shall in respect of its business other than life insurance business, maintain a margin of solvency being the excess of the value of its admissible assets in Nigeria over its liabilities in Nigeria.
The solvency margin, which is determined as the excess of admissible assets over total liabilities shall not be less than 15% of the gross premium income less reinsurance premiums paid out during the year under review or the minimum paid up capital, whichever is greater.

The Corporation's solvency position is as follows:

Solvency margin computation

	31-Dec-16			31-Dec-15
Admissible Assets	N'000	N'000	N'000	N'000
	Total	**Inadmissible**	**Admissible**	**Admissible**
Cash and cash equivalents	611,341	-	611,341	3,135,078
Other financial assets:				
- Available for sale	2,980,156	-	2,980,156	60,771
- Loans and receivables	39,953	-	39,953	124,485
Trade receivables	779,778	779,778	-	-
Deferred acquisition cost	28,508	-	28,508	32,219
Other receivables and prepayments	119,437	92,272	27,165	59,371
Reinsurance assets	205,488	-	205,488	127,407
Investment properties	4,012,300	-	4,012,300	4,102,000
Property and equipment	156,748	-	156,748	223,762
Intangible assets	29,452	29,452	-	0
Statutory deposit	300,000	-	300,000	300,000
	9,263,161	**901,502**	**8,361,659**	**8,165,093**
Less: Admissible liabilities				
Insurance liabilities	979,326	-	979,326	736,475
Trade payables	7,661	-	7,661	-
Accruals and other payables	368,882	-	368,882	108,996
Retirement benefit obligations	564,737	-	564,737	644,110
	1,920,606	**-**	**1,920,606**	**1,489,581**
Solvency margin (A-B)			**6,441,053**	**6,675,512**
Minimum paid up capital			3,000,000	3,000,000
Net premium			1,505,010	904,163
15% of Net premium			**225,752**	**135,624**

The Corporation's solvency margin of N6.44 billion (2015: N6.68 billion) was above the minimum capital of N3 billion (2015: N3,000,000,000) prescribed by the Insurance Act of Nigeria.

Notes to the financial statements
for the year ended 31 December 2016

45 Segment Reporting

This is the measure reported to the Corporation's Chief Executive for the purpose of resource allocation and assessment of segment performance. The Corporation has one operating segment; which is its non-life business. As a result, no additional disclosures are made in this regard. The Corporations assets, liablities and revenue information for its operating segmenat have already been prepared in accordance with IFRSs.

OTHER NATIONAL DISCLOSURES

Other National Disclosures

STATEMENT OF VALUE ADDED

	31-Dec-2016 N'000	%	31-Dec-2015 N'000	%
Gross premium income	1,765,639	110	1,073,090	89
Reinsurance, claims, commission and other expenses	(567,395)	(35)	(215,328)	(20)
Investment income	385,445	23	354,789	30
Other income	32,922	2	16,452	1
Value added	**1,616,611**	**100**	**1,229,003**	**100**
Applied as follows:				
Salaries, wages and other benefits	1,060,029	66	1,029,919	83
Impairment losses	282,920	18	318,355	26
Retained in the business				
Depreciation of property and equipment	63,449	4	67,027	5
Amortization of intangible assets	9,354	-	7,966	-
To augment contingency reserve	55,091	3	31,118	2
To owners of capital	123,615	8	-	2
To (deplete)/augment reserves	22,153	1	(225,382)	(18)
	1,616,611	**100**	**1,229,003**	**100**

Other National Disclosures

FINANCIAL SUMMARY

	31-Dec-16 ₦'000	31-Dec-15 ₦'000	31-Dec-14 Restated* N'000	31-Dec-13 Restated* ₦'000	31-Dec-12 ₦'000
ASSETS					
Cash and cash equivalents	611,341	3,135,078	3,546,013	3,730,585	4,099,607
Financial assets	3,020,109	185,256	161,525	44,868	46,932
Trade receivables	779,778	310,356	233,643	117,028	151,794
Reinsurance assets	205,488	127,407	53,286	128,246	10,798
Deferred acquisition cost	28,508	32,219	48,468	34,938	47,028
Other receivables and prepayments	119,437	85,211	59,576	54,202	10,573
Investment properties	4,012,300	4,102,000	4,033,000	4,028,000	3,936,000
Property, plant and equipment	156,748	223,762	211,856	115,817	111,227
Intangible assets	29,452	38,807	21,369	-	-
Statutory deposits	300,000	300,000	300,000	300,000	300,000
Total assets	**9,263,161**	**8,540,096**	**8,668,736**	**8,553,684**	**8,713,959**
EQUITY & LIABILITIES					
Share Capital & Reserves:					
Paid up share capital	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Reserve fund contribution	76,670	76,670	76,670	76,670	76,670
Contingency reserves	858,156	803,065	771,947	692,957	661,715
Fair value reserves	(15,383)	4,216	5,323	6,878	4,002
General reserves	3,654,148	3,631,995	3,857,377	3,651,295	4,716,186
Actuarial gains on defined benefit obligation	238,659	31,169	111,792	-	-
Exchange gains reserve	30,305	3,400	-	-	-
Total equity	**7,342,555**	**7,050,515**	**7,323,109**	**6,927,800**	**7,958,573**
Insurance contract liabilities	979,326	736,475	822,623	1,085,888	642,797
Trade payables	7,661	-	4,671	4,671	23,627
Accruals & other payables	368,882	108,996	77,259	75,714	88,962
Retirement benefit obligations	564,737	644,110	441,074	459,611	-
Total liabilities	**1,920,606**	**1,489,581**	**1,345,627**	**1,625,884**	**755,386**
Total equity & liabilities	**9,263,161**	**8,540,096**	**8,668,736**	**8,553,684**	**8,713,959**
TURNOVER AND PROFIT					
Gross premium written	1,836,363	1,037,268	1,243,237	995,816	1,009,680
Net premium earned	1,574,546	941,329	980,134	1,039,513	830,468
(Loss)/Profit for the year	200,859	(194,264)	301,696	(505,181)	(156,122)

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. Information related to prior periods has not been presented as it is based on a different financial reporting framework (Nigerian GAAP) and is therefore not directly comparable.

Other National Disclosures

Revenue Account

	31 December 2016								
	Subsidized Agric	**Commercial Agric**	**Motor**	**Fire**	**General Accident**	**Marine and Aviation**	**Bond and Engineering**	**Oil & Gas**	**Total**
Income:	N'000	N'000	N'000	N'000	N'000	N'000		N'000	N'000
Gross premium revenue	1,560,206	56,437	117,348	36,688	34,740	17,149	140	13,655	1,836,363
Change in unearned premium reserve	(108,206)	1,004	6,442	15,319	1,946	213	-	12,558	(70,724)
Gross premium earned	**1,452,000**	**57,441**	**123,790**	**52,007**	**36,686**	**17,362**	**140**	**26,213**	**1,765,639**
Reinsurance premium expenses	(181,352)	-	(7,295)	(44,981)	(10,964)	(2,519)	(5,290)	(8,228)	(260,629)
Net insurance premium earned	1,270,648	57,441	116,495	7,026	25,722	14,843	(5,150)	17,985	1,505,010
Fee and commission income	57,762	-	844	16,225	3,616	329	1,719	250	80,745
Changes in deferred commission income	(9,021)	-	690	(2,877)	(206)	(109)	(383)	697	(11,209)
Net underwriting income/(loss)	**1,319,389**	**57,441**	**118,029**	**20,374**	**29,132**	**15,063**	**(3,814)**	**18,932**	**1,574,546**
Gross claims incurred	200,557	6,512	12,686	9,796	8,314	6,460	114	12,609	257,048
Change in outstanding claims/IBNR	110,495	18,991	2,737	24,072	2,383	(5,572)	-	19,019	172,127
Gross claims expenses incurred	311,052	25,503	15,423	33,868	10,697	888	114	31,628	429,175
Reinsurance claims recovery	(142,112)	-	(71)	(3,535)	(3,201)	(868)	(97)	(8,031)	(157,915)
Changes in reinsurance share of outstanding claims/IBNR	(49,210)	(13,181)	319	(18,129)	1,212	-	-	1,969	(77,020)
Net claims expenses incurred/(recovered)	**119,730**	**12,322**	**15,671**	**12,204**	**8,709**	**20**	**17**	**25,567**	**194,240**
Underwriting expenses:									
Acquisition cost	75,804	5,506	12,954	10,385	6,291	2,854	-	515	114,309
Total underwriting expenses	**195,534**	**17,828**	**28,625**	**22,589**	**15,000**	**2,874**	**17**	**26,082**	**308,549**
Underwriting profit/(loss)	**1,123,855**	**39,613**	**89,404**	**(2,215)**	**14,132**	**12,189**	**(3,831)**	**(7,150)**	**1,265,997**

Other National Disclosures

Revenue Account (Cont'd)

	31 December 2015								
	Subsidized Agric	**Commercial Agric**	**Motor**	**Fire**	**General Accident**	**Marine and Aviation**	**Bond and Engineering**	**Oil & Gas**	**Total**
	N'000	N'000	N'000	N'000	N'000	N'000		N'000	N'000
Income:									
Gross premium revenue	649,287	39,927	147,847	58,842	57,851	17,844	-	65,671	1,037,269
Change in unearned premium reserve	(55,660)	(2,143)	15,799	3,269	74,940	(3,226)	-	2,842	35,821
Gross premium earned	**593,627**	**37,784**	**163,646**	**62,111**	**132,791**	**14,618**		**68,513**	**1,073,090**
Reinsurance premium expenses	(109,308)	-	(2,475)	(20,647)	(14,139)	(6,799)	(3,559)	(11,999)	(168,926)
Net insurance premium earned	484,319	37,784	161,171	41,464	118,652	7,819	(3,559)	56,514	904,164
Fee and commission income	35,415	-	-	5,751	3,383	1,598	995	-	47,142
Changes in deferred commission income	(6,219)		(690)	(1,637)	(719)	(15)		(696)	(9,976)
Net underwriting income/(loss)	**513,515**	**37,784**	**160,481**	**45,578**	**121,316**	**9,402**	**(2,564)**	**55,818**	**941,330**
Gross claims incurred	112,886	15,120	13,291	7,526	10,395	36,277	-	10,774	206,269
Change in outstanding claims/IBNR	42,640	(9,908)	(5,931)	(14,951)	(52,836)	2,409		(11,749)	(50,326)
Gross claims expenses incurred	155,526	5,212	7,360	(7,425)	(42,441)	38,686		(975)	155,943
Reinsurance claims recovery	(63,460)	-	(154)	(4,860)	(4,155)	(5,085)	-	(717)	(78,430)
Changes in reinsurance share of outstanding claims/IBNR	(37,206)	1,065	406	(2,522)	(37,334)	-	-	1,572	(74,019)
Net claims expenses incurred/(recovered)	**54,860**	**6,277**	**7,615**	**(14,807)**	**(83,930)**	**33,601**	**-**	**(120)**	**3,494**
Underwriting expenses:									
Acquisition cost	40,630	3,732	17,318	11,640	21,591	1,790	-	5,751	102,452
Total underwriting expenses	**95,490**	**10,009**	**24,933**	**(3,167)**	**(62,339)**	**35,391**		**5,631**	**105,948**
Underwriting profit/(loss)	**418,025**	**27,775**	**135,548**	**48,745**	**183,655**	**(25,989)**	**(2,564)**	**50,187**	**835,382**