Royal Exchange General Insurance Company Limited (RC: 725727)

Individual Financial Statements
For the year ended 31 December 2014
Together with Directors' and Auditor's Report

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CORPORATE INFORMATION

Registered office	New Africa House 31, Marina Lagos Nigeria
Operations office	34-36 Oshodi/Apapa Expressway, Oshodi, Lagos
Company Secretary	Sheila Ezeuko
Company registration number	RC: 725727
Preparation supervised by	Nicholas Nwachukwu *Chief Financial Officer*
Auditors	KPMG Professional Services, KPMG Towers, Bishop Aboyade Cole Street, Victoria Island, Lagos. Nigeria

Directors' Report

for the year ended 31 December, 2014

The Directors are pleased to submit to the Members of the Company their 7th Annual Report together with the audited financial statements for the year ended 31 December, 2014

1 LEGAL FORM AND PRINCIPAL ACTIVITIES

The Company was incorporated as a private limited company on January 16, 2008.

The Company is principally engaged in the provision of various classes of insurance such as general purpose accident, motor and fire. The Company also transacts insurance business for oil and gas, marine and other special risks.

2 RESULTS FOR THE YEAR

The highlights of the Company's operating results for the year ended 31 December, 2014 are as follows:

For the year ended 31 December 2014	**2014**	**2013**
	N'000	***N'000***
Gross written premium	**6,719,311**	**6,733,550**
Profit before taxation	159,413	539,520
Income taxes	(57,116)	110.033
Minimum tax	(45,188)	(37.975)
Profit after taxation	57,109	611,578
Transfer to contingency reserve	(201,579)	(202,007)
Net transfer to revenue reserve	(144,470)	409,571
Earnings per share - basic and diluted (kobo)	1.52	16.46

3 DIRECTORS AND DIRECTORS' INTEREST AND SHAREHOLDING

A Board of 6 (six) Directors determined the general policy of the Company in the year under review

3.1 The Directors of the Company who held office during the year were as follows:

Mr. Chike Mokwunye	- Chairman
Alhaji Auwalu Muktari	- Vice Chairman
Chief Gilbert Temisan Grant	- Director
Mr. Donald Nosiri	- Director
Mr. Mukesh Malhotra*	- Director
Mr. Richard Olutayo Borokini	- Managing Director

3.2 Resignation, Appointment and Re-appointment of Directors:

*Mr. Mukesh Malhotra resigned as a director of the company with effect from October, 2014.

3.3 The Directors did not have any interest in the issued share capital of the company.

3.4 The Directors do not have any interest in contracts with the Company during the year.

4 SHARE CAPITAL AND SHAREHOLDING

4.1 *Authorized Share Capital*

The authorized share capital of the Company is ₦5,000,000,000 (2013:₦3,716,666,666) made up of 5,000,000,000 (2013: 3,716,666,666) ordinary shares of ₦1.00 each.

4.2 *Called Up, Issued and Fully Paid Share Capital*

The issued and paid-up share capital of the Company currently is ₦4,366,666,666 (2013: N3,716,666,666) made up of 4,366,666,666 (2013: 3,716,666,666) Ordinary Shares of N1.00 each. An analysis of the shareholding interest in the issued share capital of the Company is disclosed below:

	2014	2014	2013	2013
	No. of Ordinary Shares	**% Holding**	**No. of Ordinary Shares**	**% Holding**
Royal Exchange Plc	4,366,666,665	99.9%	3,716,666,665	99.9%
Mr. K.E. Odogwu	1	0.1%	1	0.1%
Total	4,366,666,666	100%	3,716,666,666	100%

5 PROPERTY AND EQUIPMENT

Information relating to changes in property and equipment during the year is shown in Note 10 to the financial statements. In the opinion of the Directors, the fair value of the Company's properties is not less than the value shown in the accounts.

6 DONATIONS

The Company made a total donation of N1,370,000 (2013:N3,392,000) to different organisations during the year.

7 EVENTS AFTER REPORTING DATE

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

8 AGENTS, BROKERS AND INTERMEDIARIES

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

9 EMPLOYERS' INVOLVEMENT, TRAINING AND WELFARE

9.1 *Employment of Physically Challenged Persons*

It is the policy of the Company that there will be no discrimination in the consideration of all applications for employment. As at December 31, 2014 (2013: nil), there was no disabled person employed by the Company.

9.2 *Health and Safety at Work and Welfare of Employees*

The Company is concerned about the health, safety and welfare of its employees as well as safety of all visitors. The Company provides medical services to its staff through health insurance with a registered Health Management Organization.

9.3 *Involvement and Consultation*

The Company's consultation machinery was fully used in the year to disseminate management policies and encourage the employees' involvement in its affairs.

9.4 *Training*

The Company recognizes that the acquisition of knowledge is constant. The Company recognizes also that to foster commitment its employees need to hone their awareness of factors, economic, financial or otherwise, that affects its growth. To this end, the Company, in the execution of its training programs encourages and provides the opportunity for its staff to develop and enhance their skill awareness and horizon.

10 AUDITORS

The Auditors, KPMG Professional Services have indicated their willingness to continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria.

11 COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

The Directors confirm that they have reviewed the structure and activities of the Company in view of the Code of Best Practices on Corporate Governance for the Insurance Industry in Nigeria published in February, 2009. The Directors confirm that the Company has substantially complied with the provisions of the Code of Best Practices on Corporate Governance with regards to matters stated therein concerning the Board of Directors, the Shareholders and the Audit Committee.

BY ORDER OF THE BOARD

Sheila Ezeuko
Company Secretary
Lagos, Nigeria.
FRC/2013/NBA/000000004059
26 March 2015

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2014

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 8 to 87 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria 2003, and relevant National Insurance Commission of Nigeria (NAICOM) circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria 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 an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS:

Chike Mokwunye
Chairman
(FRC/2013/IODN/00000004071)
26 March 2015

Olutayo Borokini
Managing Director
(FRC/2012/CIIN/000000000994)
26 March 2015

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INDEPENDENT AUDITOR'S REPORT

To the Members of **Royal Exchange General Insurance Company Limited:**

Report on the Financial Statements

We have audited the accompanying individual financial statements of **Royal Exchange General Insurance Company Limited** ("the Company"), which comprise the statements of financial position as at 31 December, 2014, and the statements of profit or loss and other comprehensive income, statements 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 8 to 85.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

KPMG

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of **Royal Exchange General Insurance Company Limited** ("the Company") as at 31 December, 2014, and of the Company's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act 2011, the Insurance Act of Nigeria 2003 and relevant National Insurance Commission of Nigeria (NAICOM) guidelines and circulars.

Report on Other Legal and Regulatory Requirements

Compliance with the Requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

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

Compliance with the requirements of National Insurance Commission of Nigeria Guidelines

The Company paid penalties in respect of contraventions of the requirement of certain sections of the National Insurance Commission of Nigeria's Operational Guidelines 2011 during the financial year. The details of these contraventions and penalties paid are disclosed in note 42 to the financial statements.

Signed:

Akinyemi J. Ashade, ACA
FRC/2013/ICAN/00000000786
For: KPMG Professional Services
Chartered Accountants
26 March 2015
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 0855123

Company information and statement of accounting policies

1 Reporting Entity

Royal Exchange General Insurance Company Limited is a private limited liability company registered in Nigeria by the Corporate Affairs Commission with registration number 725727 and registered office at New Africa House, 31 Marina, Lagos. It was licensed to transact general insurance business by the National Insurance Commission (NAICOM) on July, 9th 2008.

Its principal activities include general insurance underwriting, claims payment and investments. These services, supported by outstanding customer service, are primarily undertaken in Nigeria.

The Company, which is a wholly owned subsidiary of Royal Exchange Plc., has issued and fully paid share capital of 4,366,666,666 ordinary shares of N1 each.

2 Basis of preparation

(a) Statement of compliance with International Financial Reporting Standards

These financial statements for the year ended 31 December 2014 have been prepared in accordance with, and comply with the, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The financial statements comply with the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act,2011, the Insurance Act of Nigeria 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") circulars.

(b) Functional and presentation currency

The financial statement is presented in Naira, which is the Company'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:

(i) Carried at fair value:

- financial instruments at fair value through profit or loss;
- available-for-sale financial assets;
- investment properties.

(ii) Carried at a different measurement basis

- Retirement benefit obligations are measured in terms of the projected unit credit method;

(d) Reporting period

The financial statements have been prepared for a 12 month period.

(e) Use of estimates and judgment

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in Note 4.

(f) Regulatory authority and Financial Reporting:

The Company is regulated by the National Insurance Commission of Nigeria under the National Insurance Act of Nigeria. The Act specifies certain provisions which have impact on financial reporting as follows:

i) section 20 (1a) provides that provisions for unexpired risks shall be calculated on a time apportionment basis of the risks accepted in the year:

ii) section 20 (1b) requires provision for outstanding claims to be credited with an amount equal to the total estimated amount of all outstanding claims with a further amount representing 10 per centum of the estimated figure for outstanding claims in respect of claims incurred but not reported at the end of the year under review;

iii) sections 21 (1a) and 22 (1b) require maintenance of contingency reserves for general and life businesses respectively at specified rates as set out under note 23 to the financial statements to cover fluctuations in securities and variation in statistical estimates;

iv) section 24 requires the maintenance of a margin of solvency to be calculated in accordance with the Act

The Financial Reporting Council Act, 2011 (FRC Act) provides that in the matters of financial reporting if there is any inconsistency between the FRC Act and of other Act or law, the FRC Act shall supercede the other Act or law.

The FRC Act provides that IFRS shall be the national financial reporting framework in Nigeria. Consequently, the following provision of the National Insurance Act, 2003 which conflicts with the provisions of IFRS have not been adopted:

i) the requirement to provide 10 per cent for outstanding claims in respect of claims incurred but not reported at the end of the year under review under section 20 (1b);

(g) Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies set out in note 3 to all periods presented in these financial statements.

The Company 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 2014. Neither of these amendments has a material impact on these financial statements.

(a) Offsetting financial assets and financial liabilities - Amendments to IAS 32

Amendments to IAS 32 "Financial instruments: Presentation" clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

(b) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement.The amendments also require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries.

Further, an investment entity will be required to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

(c) Recoverable amount disclosures for non-financial assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

(d) IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation.
The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.

(h) Standards and interpretations not yet effective for a 31 December 2014 year-end

(i) ***Effective for the financial year commencing 1 January 2015***

(a) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- Set out in the formal terms of the plan;
- Linked to service; and
- Independent of the number of years of service.

The Company is currently in the process of performing more detailed assessment of the impact of this standard on the Company and will provide more information in the year ending 31 December 2015 financial statement.

(ii) ***Effective for the financial year commencing 1 January 2016***

(a) IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

This standard has no impact on the Company as it does not fall under the category of entities to apply this standard since it is not a first time adopter of IFRS or a rate regulated entity.

(b) Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the company will end its accounting policy with effect from 1 July 2016 for acquisitions of interests in a joint operation.

The amendments which will apply prospectively has no impact on the financial statements of statements of the Company.

(c) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Properties,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 company does not apply the revenue based ammortisation method for it's intangible assets. Therefore, this amendments has no impact on the Company.

(d) Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 and IAS 41 include bearer plants in the scope of IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Agriculture requires all biological assets related to agricultural activity to be measured at fair value less costs to sell.

This ammendment has no impact on the Company as there are no agriculture assets owned by the Company or plans to invest in agriculture.

(iii) *Effective for the financial year commencing 1 January 2017*

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue-Barter of Transactions involving Advertising Services.

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 Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing more detailed assessment of the impact of this standard on the Company and will provide more information in the year ending 31 December 2015 financial statement.

The Company will adopt the amendments for the year ending 31 December 2017.

(iv) *Effective for the financial year commencing 1 January 2018*

IFRS 9Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model which is expected to increase the provision of bad debts recognised in the company.

The amendments apply retrospectively. The Company will adopt the amendments for the year ending 31 December 2018

3 Summary of Significant Accounting Policies

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

(a) Foreign currency transactions

Foreign currency transactions (i.e. transactions denominated, or that require settlement, in a currency other than the functional currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured (i.e. spot exchange rate).

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency with the closing rate (spot exchange rate) as at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year

Non-monetary items measured at historical cost denominated in a foreign currency are translated with the spot exchange rate as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

(b) Cash and Cash Equivalents

Cash comprises cash in hand, and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in their fair value. Cash equivalents comprise investments with original maturities of three months or less and used by the Company to manage its short - term commitments.

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

For the purpose of the statement of cash flows, cash and cash equivalents are net of outstanding overdrafts.

(c) Financial Instruments

(i) Classification of Financial Assets

The classification of the Company'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 Company classifies its financial assets into the following categories:
• financial assets at fair value through profit or loss (FVTPL),
• Available-for-sale' (AFS) financial assets, and
• Loans and receivables.

The Company's financial liabilities are classified as other financial liabilities. They include: investment contract liabilities, trade and other payables.

Financial Assets at Fair Value through Profit or Loss (FVTPL)
Financial instruments are classified at FVTPL when the financial instrument is either held for trading or it is designated as at FVTPL. Financial instruments at FVTPL are stated at fair value.

Available-for-sale financial assets (AFS)
Available-for-sale financial instruments are non-derivatives that are either designated as AFS or are not classified as:

(a) loans and receivables;
(b) held-to-maturity investments; or
(c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

(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 at fair value through profit and loss.

(iii) Subsequent measurement
Subsequent to intial recognition, financial assets are measured either at fair value or amortised cost, depending on their categorization:

Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial assets at FVTPL are stated at fair value. Any gains or losses arising on re-measurement are recognized in the statement of profit or loss in the period in which they arise. The net gain or loss recognized in the statement of profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'investment income' line item in the company's profit or loss statement.

Available-for-sale financial assets (AFS)
Available-for-sale financial assets are carried at fair value, with the exception of investments in equity instruments where fair value cannot be reliably determined, which are carried at cost. The fair values for quoted instruments are determined by reference to regulated exchange quoted ruling prices. If quoted market prices are not available, reference is also made to readily and regularly available broker or dealer price quotations.
The fair values of unquoted equities and other instruments for which there is no active market, are established using valuation techniques. These include the use of recent arm's length transactions, reference to the current market value of other instruments that are substantially the same and discounted cash flow analysis. Where the fair value of financial assets is determined using discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Available for sale equity instruments for which fair value cannot be reliably determined are carried at cost less impairment allowance, if any. Impairment losses are recognised in profit or loss and reflected in an allowance account in the statement of financial position.

Changes in the fair value of available-for-sale financial assets are recognized in the statement of other comprehensive income as a separate component of equity under the heading of AFS reserves.

When an AFS carried at fair value is disposed of, the cumulative gain or loss previously accumulated in the AFS reserve is reclassified to profit or loss and gains or losses on disposal recognised.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Loans and receivables

Loans and receivables on the statement of financial position comprise mortgage loans, unlisted debt securities 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 "other operating income".

When the asset is impaired, impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Financial liabilities

Subsequent to initial recognition, financial liabilities designated at fair value through profit or loss are measured at fair value while other financial liabilities are measured at amortised cost.

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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company 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 Company 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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. 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 Company recognises transfers between levels of the fair value heirachy as of the end of the reporting period during which the change has occurred.

(iv) Impairment of financial assets

The Company assesses its financial assets, other than those at FVTPL, for indicators of impairment at the end of each reporting period. 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.

For Available-for-sale (AFS) equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence that a financial asset or group of financial assets is impairment 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.

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. 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 investment 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 financial assets (AFS)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(v) De-recognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset. The Company continues to recognize the financial asset and financial liability separately.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(vi) Impairment of other non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets and investment property) to determine whether there is any indication of impairment. 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 Company 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 Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and 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.

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.

(d) Trade recievables

Trade receivables arising under insurance contracts are recognized when due. These include premium due from agents, brokers, co-insurers and insurance contract holders for which credit notes issued are within 31days, in conformity with the "NO PREMIUM NO COVER" policy. Trade receivables are stated at cost less impairment.

An impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impaired. The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account and recognized as impairment loss in income statement.

The Company's allowance for impairment is based on the incurred loss model for each customer. The probability of default and the age of the debts are also taken into account in arriving at the impairment amount.

When a trade receivable is considered uncollectible, it is written off against the impairment allowance account.

(e) Reinsurance Assets

The Company 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 Company 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.

Reinsurance assets are assessed for impairment at each reporting date. If there is reliable objective evidence that a reinsurance asset is impaired as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairement loss is calculated following the same method used for financial assets.

The Company has the right to set off reinsurance payables against amounts due from reinsurers and co-assurers in line with the agreed arrangement between both parties.

(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. For non-life insurance contracts, acquisition costs include both incremental acquisition costs and other indirect costs of acquiring and processing new businesses.

Deferred acquisition costs are amortised in the income statement systematically over the life of the contracts at each reporting date.

(g) Other Receivables and Prepayments

Other receivables balances include dividend receiveable, intercompany balances, accrued rental income and security holding trust account. The Company has an internal system of assessing the credit quality of other receivables through establised policies and approval systems. The Company constantly monitors its exposure to thier receivables via periodic review.

Prepayment are essentially prepaid rents and staff upfront payments. Other receivables and prepayments are carried at ammortised cost less accumulated impairment losses.

(h) Investment in associates (equity-accounted investees)

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is primarily presumed to exist when the Company holds between 20% and 50% of the voting power of another entity. However, where other factors are involved, these are taken into consideration in exercising judgment.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate

The Company does not equity account for associates that meet all the exemption criteria as specified by IFRS as follows:

- The entity is wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not applying the equity method.
- The entity's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets):
- The entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
- The ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with IFRSs.

The Company's share of post-acquisition profit or loss is recognised in the income statement; its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the amount of profit/ (loss) of an associate' in the income statement.

(i) Investment Properties

Investment properties are properties held for long-term rental yields 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

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

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 the statement of profit or loss in the period in which they arise. Fair values are evaluated and assessed annually by a Financial Reporting Council's accredited external valuer.

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 the income statement in the period of de-recognition.

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 Company 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.

(j) Property and Equipment

Recognition and measurement

All property and equipment used by the Company is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. If significant parts of a property and equipment have different useful lives, then they are accounted for as seperate items (major components) of property and equipment.

Subsequent costs
Subsequent expenditures are recognized in the carrying amount of the asset or as a seperate asset as appropriate if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be reliably measured. The costs of the day-today servicing of property and equipment are recognized in the statement of profit or loss as incurred.

Depreciation
Depreciation is recognized so as to allocate the cost 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. Freehold land is not depreciated

The estimated useful lives of property and equipment are as follows:

Leasehold land		Over the lease period
Buildings		50 years
Furniture and office equipment		5 years
Motor vehicles	- New	4 years
	- Salvage	3 years
Computer hardware		4 years

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.

(k) Intangible Assets
Software expenditure
An internally-generated intangible asset arising from the Company's software development is recognized if and only if all of the following conditions are met:
• The technical feasibility of completing the intangible asset so that it will be available for use or sale;
• The intention to complete the intangible asset and use or sell it;
• The ability to use or sell the intangible asset;
• How the intangible asset will generate probable future economic benefits;
• The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
• The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Acquired computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is stated at cost less amortization and impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

Amortization

Computer software costs, whether developed or acquired, are amortized for a period of five years using the straight line method.

(l) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely Company income tax (based on taxable income (or loss) for the year; and Minimum tax (determined based on the sum of the highest of 0.25% of revenue of N500,000, 0.5% of gross profit, 0.25% of paid up share capital and 0.5% of net assets and 0.125% of revenue in excess of N500,000). Taxes based on taxable profit for the period are treated as current income tax in line with IAS 12; whereas taxes which is based on gross amounts is outside the scope of IAS 12 and therefore are not treated as current income tax.

Where the minimum tax is higher than the Company Income Tax (CIT), a hybrid tax situation exits. In this situation, the CIT is recognized in the income tax expense line in the profit or loss and the excess amount is presented above income tax line as minimum tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Company's statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

The current taxes include: Company Income Tax @ 30% of taxable profit; Education Tax @ 2% of assessable profit; Capital Gain Tax @ 10% of chargeable gains; and Information Technology Development levy @ 1% of accounting profit.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Company's financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill (arising in a business combination) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for properties held for sale that are measured using the fair value model, the carrying amount of such properties are presumed to be recovered entirely through the sale unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale.

(m) Statutory Deposits

Statutory deposits are cash balances held with the Central Bank of Nigeria (CBN) in compliance with the Insurance Act, CAP 117, LNF 2004 for the general insurance companies.
The deposits are only available as a last resort to the Company if it goes into liquidation. Statutory deposits are measured at cost.

(n) Hypothecation of Assets

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

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 Note 19(d) to the financial statements.

(o) Borrowings

Borrowings by way of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.
Borrowing costs comprise interest payable on loans and bank overdrafts. They are charged to profit or loss as incurred, except those that relate to qualifying assets. Arrangement fees in respect of financing arrangements are charged to borrowing costs over the life of the related facility.

(p) Leases

Lease assets - lessee
Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases.

Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Lease assets - lessor
If the Company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances

(q) Deferred income
Deferred income comprises deferred rental income and deferred commission.

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

(r) Trade payables

Trade payables are recognized when due. These include amounts due to agents, reinsurers, co-assurers and insurance contract holders. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest 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 omitted.

(s) Provisions and other liabilities
Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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).

Other liabilities
Other liabilities 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 omitted.

(t) Insurance Liabilities

(i) Classification
IFRS 4 requires contracts written by insurers to be classified as either 'insurance contracts' or 'investment contracts' depending on the level of insurance risk transferred.

Insurance contracts are those contracts when 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.

The Company only enters into insurance contracts. Therefore, its insurance contract liabilities represent the Company's liability to the policy holders. It comprises the unearned premium, unexpired risk, outstanding claims and the incurred but not reported claims. At the end of each accounting period, this liability is reflected as determined by the actuarial valuation report.

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

(ii) Defined Contribution Plans

The Company operates a defined contribution plan in accordance with the provisions of the Pension Reform Act 2014. The Company contributes 10% and employees contribute 8% each of the qualifying monthly emoluments in line with the Pension Reform Act.

The Company's monthly contribution to the plan is recognized as an expense in profit or loss.

The Company pays contributions to privately administered pension fund administration on a monthly basis. The Company 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) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iv) Gratuity

The Company operates a staff gratuity scheme for some of its employees. The gratuity liability is valued by an actuary 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. Only staff of the Company as at 1 June 2008 are eligible for the staff gratuity scheme. Benefits accrued after a minimum of five years of service.

(v) Pension

The Company operated a funded pension scheme for its employees prior to the Pension Reform Act 2004. It therefore has continuing pension obligation to its staff who either retired prior to the commencement of the contributory pension scheme.
Pensioners are entitled to 3% annual increment. Over 90% of the pension assets are being managed by a pension fund administrator while the balance is invested in marketable securities and bank placement.

The pension liability is valued by an actuary 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. Service costs are recognised immediately in the statement of profit or loss for all qualified employees.

(vi) Long Service Award

The Company operates a long service award plan for eligible staff who have rendered continued service to the organization. Benefits accrue after a minimum of 10 years and a maximum of 35 years. The main benefits payable on the scheme are both cash and gift items which vary according to the number of years of service.

The Company meets benefits on a pay-as-you-qualify basis as the plan is an unfunded scheme.

(v) Capital and Reserves

(i) Share capital

The equity instruments issued by the Company which include ordinary shares 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 Company are recognized as the proceeds are received. net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(ii) Share premium

This represents the excess amount paid by shareholders on the nominal value of the shares. The share premium is classified as an equity instrument in the statement of financial position.

(iii) Earnings per share

The Company presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

(w) Revenue Recognition

(i) Gross Written Premium

Gross written premiums for non-life (general) insurance comprise premiums received in cash as well as premiums that have been received and confirmed as being held on behalf of the Company by insurance brokers and duly certified thereto. Gross written premiums are stated gross of commissions, net of taxes and stamp duties that are payable to intermediaries and relevant regulatory bodies respectively.

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.

(ii) Reinsurance expenses

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

(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 is recognized as the services are provided.

(iv) Investment Income

Investment income consists of dividends, interest and rental income on investment properties, interest income on loans and receivables, realized gains and losses as well as unrealized gains and losses on fair value assets. Rental income is recognized on an accrual basis.

Interest income

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

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Realized gains and losses and unrealized gains and losses

Realized gains and losses on investments include gains and losses on financial assets and 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.

(v) Other operating income

Other operating income represents income generated from sources other than premium revenue and investment income. It includes rental income, profit on disposal of fixed assets. Rental income is recognized on an accrual basis.

(x) Expense Recognition

(i) Insurance claims 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.

Salvage

Some non-life insurance contracts permit the Company to sell (usually damaged) property acquired in the process of settling a claim.

Subrogation

Subrogation is the right of an insurer to pursue a third party that caused an insurance loss to the insured. This is done as a means of receiving the amount of the claim paid to the insured for the loss.

(ii) 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 income statement as they accrue or become payable.

(iii) Management expenses

Management expenses are charged to 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.

(y) Operating Segments

Operating segments are identified and reported in consonance with the internal reporting policy of the Company that are regularly reviewed by the Chief Executive who allocates resources to the segment and assesses their performance thereof.

The Company's reportable segments, for management purpose, are organized into business units based on the products and services offered as follows:

- Motor and accident;
- Marine;
- Engineering;
- Fire and Industrial All Risk (IAR);
- Bond; and
- Special Risk.

This is the measure used by the Company's Chief Executive for the purposes of resource allocation and assessment of segment performance.

(z) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares. Diluted EPS as determined by adjusting profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effect of all diluted potential ordinary shares

The Company presents basic and diluted earnings per share

4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A Judgements

Management applies its judgement to determine whether the control indicators set out in Note 3(h) indicate that the Company has significant influence over it's investment in associates.

B Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2015 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

i) Liabilities arising from insurance contracts

Claims arising from non-life insurance contracts

Liabilities for unpaid claims are estimated on case by case basis. The liabilities recognised for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and the Company deems liabilities reported as adequate. Assumptions used in determining the liabilities are disclosed in Note 37

(ii) Impairment of available-for-sale equity financial assets

Investment in equity securities are evaluated for impairment on the basis described in Note 3(c)(iv). The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment relating to the period over which the losses occur. In making this judgment, the Company evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, decline in quoted market price that has lasted for 3 years, industry and sector performance, changes in technology, and operational and financing cash flows etc.

(iii) Fair value of financial instruments

The directors use their judgment in selecting an appropriate valuation technique for some financial assets. 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 determination of fair value of financial assets are as shown in the statement of accounting policies note 3 (c)(iii).

(iv) Determination of fair value of investment property

Management employed the services of estate surveyors and valuers to value its investment properties. The estimated open market value is deemed to be the fair value based on the assumptions that there will be willing buyers and sellers. Recent market prices of neighborhood properties were also considered in deriving the open market values. Other key assumptions are as disclosed in Note 9 to the financial statements.

(v) Defined benefit plan

The present value of the employee benefit obligations depends on a number of factors that are determined in an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of obligations. The assumptions used in determining the net cost (income) for pensions include the discount rate.

The Company determines the appropriate discount rate at the end of the reporting period. In determining the appropriate discount rate, reference is made to the yield on Nigerian Government Bonds that have maturity dates approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions as disclosed in Note 13.

(vi) Income Taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.Income taxes are recognised on basis described in note 3(l)

(vii) Determination of impairment of property and equipment, and intangible assets excluding goodwill

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

(viii) 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. Depreciation is recognised on the basis described in note 3(j)

Statement of Financial Position

For the year ended 31 December 2014

	Notes	31-Dec-14 ₦'000	31-Dec-13 ₦'000
ASSETS			
Cash and cash equivalents	2	5,617,944	835,809
Financial assets	3	3,193,407	2,542,277
Trade receivables	4	32,832	140,284
Reinsurance assets	5	1,745,574	1,896,185
Deferred acquisition cost	6	327,004	390,154
Other receivables and prepayments	7	1,133,203	1,040,217
Investment in associates	8	518,580	437,024
Investment properties	9	3,341,640	3,014,763
Property and equipment	10	1,435,078	1,498,849
Intangible assets	11	21,078	32,887
Statutory deposits	12	340,000	340,000
Employees retirement benefits	13.1	170,198	166,963
Deferred tax assets	14	671,643	699,334
Total assets		18,548,181	13,034,746
LIABILITIES			
Bank borrowing	2	15,552	5,723
Deferred income	15	102,234	84,797
Trade payables	16	5,121,897	431,363
Other liabilities	17	464,182	599,188
Finance lease obligations	18	12,331	41,820
Insurance contract liabilities	19	4,733,745	4,802,573
Current income tax liabilities	20.2	222,666	211,432
Employee benefit liability	13.1	515,093	479,239
Deferred tax liabilities	14	180,756	148,068
Total liabilities		11,368,456	6,804,203
EQUITY			
Share capital	21	4,366,667	3,716,667
Share premium	22	802,737	412,737
Contigency reserve	23	1,081,952	880,373
Retained earnings	24	797,208	1,090,345
Other component of equity	25	131,162	130,421
Total equity		7,179,726	6,230,543
Total equity and liabilities		18,548,181	13,034,746

These financial statements were approved by the Board of Directors on 26 March 2015 and signed on behalf of the board of directors by:

Onike Mokwunye
Chairman
FRC/2013/IODN/00000004071)

Olufayo Borokini
Managing Director
(FRC/2013/CIIN/00000000994)

Additionally certified by:

Nicholas Nwachukwu
Chief Financial Officer
(FRC/2013/ICAN/00000000463)

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 2014

	Notes	31-Dec-14 ₦'000	31-Dec-13 ₦'000
Gross premium written		6,719,311	6,733,550
Unearned premium		202,749	(1,068,540)
Gross premium income		6,922,060	5,665,010
Reinsurance expenses	26	(2,165,027)	(1,748,103)
Net premium income		4,757,033	3,916,907
Fees and commission income	27	376,915	289,506
Net underwriting income		5,133,948	4,206,413
Insurance claims and benefits incurred	28	(1,976,074)	(1,973,305)
Insurance claims and benefits incurred - recoverable from reinsurers	29	473,122	245,524
Net claims expenses		(1,502,952)	(1,727,781)
Underwriting expenses	30	(2,246,859)	(1,841,499)
Total underwriting expenses		(3,749,811)	(3,569,280)
Underwriting profit		1,384,137	637,133
Net investment income	31	330,165	161,795
Share of (loss)/profit on investment in associate	8	(17,031)	12,342
Net fair value (loss)/gain on financial assets	31(a)	(68,130)	1,159,315
(Charge)/write-back of impairment allowance	32	(88,698)	177,597
Other operating income	33	156,199	134,557
		312,505	1,645,606
Net income		1,696,642	2,282,739
Foreign exchange gains/(losses)	34	33,440	(43,949)
Management expenses	35	(1,570,669)	(1,699,270)
Expenses		(1,537,229)	(1,743,219)
Profit before taxation		159,413	539,520
Income taxes	20.1	(57,116)	110,033
Minimum tax	20.1	(45,188)	(37,975)
Profit after taxation attributable to shareholders		57,109	611,578
Other comprehensive income, net of tax			
Items that will never be classified in profit or loss:			
Net actuarial gains/(losses) on employee benefits	13.3	(44,538)	110,639
Tax effects on employee benefits	20.1	(12,054)	1,066
Items that may be classified in profit or loss:			
Fair value changes on available for sale financial assets		57,332	-
Total other comprehensive income, net of tax		740	111,705
Total comprehensive income for the year		57,849	723,283
Total comprehensive income attributable to shareholders		57,849	723,283
Earnings per share - Basic and Diluted (kobo)		1.52	16.46

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

Statement of Changes in Equity

as at 31 December 2014

	Share capital	Share Premium	Contingency Reserve	Retained Earnings	Actuarial Gain/(Loss) Reserve	Fair value reserve	Total
	₦'000	₦'000	₦'000	₦'000	₦'000		₦'000
Balance as at 1 January 2014	3,716,667	412,737	880,373	1,090,345	130,421	-	6,230,543
Profit for the year	-	-	-	57,109	-	-	57,109
Transfer to Contingency Reserve	-	-	201,579	(201,579)	-	-	-
Other comprehensive income:	-	-	-	-	(44,538)	57,332	12,794
Tax effects on other comprehensive income	-	-	-	-	(12,054)	-	(12,054)
Total comprehensive income for the year	-	-	201,579	(144,470)	(56,592)	57,332	57,849
Transactions with owners of the Company:							
Issue of ordinary shares	650,000	390,000	-	-	-	-	1,040,000
Dividend paid	-	-	-	(148,667)	-	-	(148,667)
	650,000	390,000	-	(148,667)	-	-	891,333
As at 31 December 2014	4,366,667	802,737	1,081,952	797,208	73,829	57,332	7,179,725

As at 31 December 2013

	Share capital	Share Premium	Contingency Reserve	Retained Earnings	Actuarial Gain/Loss Reserve	Fair value reserve	Total
	₦'000	₦'000	₦'000	₦'000	₦'000		₦'000
Balance as at 1 January 2013	3,716,667	412,737	678,366	978,107	18,716	-	5,804,593
Profit for the year	-	-	-	611,578	-	-	611,578
Transfer to contingency reserve	-	-	202,007	(202,007)	-	-	-
Other comprehensive income:					110,639		110,639
Tax effects on other comprehensive income					1,066	-	1,066
Total comprehensive income for the year	-	-	202,007	409,571	111,705	-	723,283
Transactions with owners of the Company:							
Dividend paid	-	-	-	(297,333)	-	-	(297,333)
	-	-	-	(297,333)	-	-	(297,333)
As at 31 December 2013	3,716,667	412,737	880,373	1,090,345	130,421	-	6,230,543

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

	Notes	31-Dec-14 ₦'000	31-Dec-13 ₦'000
Cash flows from operating activities			
Profit after taxation		57,109	611,578
Minimum tax expense	20.1	45,188	37,975
Tax charge/(credit)	20.1	57,116	(110,033)
Profit before taxation		159,413	539,520
Adjustments for:			
Depreciation	10	194,456	79,323
Amortisation charge	11	11,808	5,409
Impairment/(writeback) on trade and other receivables	32	88,698	(177,597)
Interest income	31	(160,663)	(94,836)
Dividend income	31	(172,978)	(65,368)
Rental income from investment properties	33	(60,918)	(61,541)
Exchange (gain)/loss on assets	34	(33,440)	43,949
Share of loss/(profit) in equity accounted investees	8(a)	17,031	(12,342)
Gain on sale of property, plant and equipment	33	(7,964)	(5,812)
Loss on disposal of FVTPL	31(a)	3,476	-
Changes in fair value of assets recognised in P/L	31(a)	68,130	(1,159,315)
Net cash flow before changes in working capital		**107,050**	**(908,610)**
Changes in working capital:			
Decrease in trade receivables		13,378	16,665
Decrease/(increase) in reinsurance assets		150,611	(355,737)
Decrease/(increase) in other receivables and prepayment		(97,121)	427,482
Decrease/(increase) in deferred acquisition cost		63,150	(181,706)
(Decrease)/increase in insurance contract liabilities		(68,828)	1,038,267
Increase/(decrease) in trade payables		4,690,534	90,603
(Decrease)/Increase in other liabilities		(117,564)	440,058
Change in employee benefits		81,513	75,030
		4,822,723	**642,052**
Pension benefits paid by employer on behalf of fund managers	13.4	(64,117)	-
Long service awards paid	13.6	(1,999)	-
Gratuity and long service awards paid	13.5	(27,316)	-
Company income taxes paid	20.2	(42,745)	(44,979)
Net cash from operating activities		**4,686,547**	**597,073**

		2014	2013
Cash flows from investing activities:		**₦'000**	**₦'000**
Purchases of property and equipment	10	(121,793)	(342,315)
Proceeds from sale of property and equipment		8,582	10,059
Purchase of intangible assets	11	-	(12,241)
Purchase of financial assets	3(d)	(1,161,719)	(210,047)
Dividend from equity accounted investees	8	-	19,382
Additional investment in associate	8(a)	(96,908)	-
Rental income from investment properties		60,918	61,541
Interest income		160,663	121,096
Dividend income		172,978	65,368
Proceeds redemption/disposal of financial assets		170,734	94,944
Net cash used in investing activities		**(806,545)**	**(192,213)**
Cash flows from financing activities:			
Proceeds from issue of shares		1,040,000	-
Dividend paid	24	(148,667)	(297,333)
Payment of finance lease liabilities	18	(29,489)	(56,461)
Net cash used in financing activities		**861,844**	**(353,794)**
Net increase in cash and cash equivalents		4,741,846	51,066
Effect of exchange rate flunctuations on cash and cash equivalents		30,464	-
Cash and cash equivalents at beginning of year		830,086	779,020
Cash and cash equivalents at end of year	2	**5,602,396**	**830,086**

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

1 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.

In a sustained economic phase of low growth, 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.

The Company'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 Board's Investment Committee and subject to ongoing review.

The Company's risk management strategy is an integral part of managing the Company'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);
- Asset/Liability management;
- Periodic Internal Audit and Control, and;
- Risk management governance, including risk oversight committee, policies and guidelines, and approval limits.

In addition, the company 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 Company 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 company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions could generate different results.

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

Fair value hierarchy

IFRS 7 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 company'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 Company 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 2014		Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	3(a)	1,412,737	-	-	1,412,737
Treasury bills	3(a)	6,145	-	-	6,145
Federal Government Bonds	3(a)	99,990	-	-	99,990
		106,135	-	-	1,518,872
Available for sale financial assets:-					
Equity shares	3(c)	72,573	-	-	72,573
Total financial assets measured at fair value		178,708	-	-	1,591,445

31 December 2013		Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	3(a)	1,813,724	-	-	1,813,724
Treasury bills	3(a)	100,038	-	-	100,038
Federal Government Bonds	3(a)	110,178	-	-	110,178
		2,023,940	-	-	2,023,940
Available for sale financial assets:-					
Equity shares	3(c)	1,722	-	177,876	179,598
Total financial assets measured at fair value		2,025,662	-	177,876	2,203,538

(b) *Reconciliation*

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:-

Available for sale financial assets:-

Unquoted equity shares	31-Dec-14	31-Dec-13
	₦'000	₦'000
Balance as at beginning of the year	177,876	183,360
Total gains in OCI	55,653	-
Additions	87,586	-
Impairment losses in profit or loss	-	(3,762)
Transfers out of level 3	(321,114)	(1,722)
Balance at year end	-	177,876

Total gains and impairment allowance for the year in the above table are recognized in the statement of profit or loss and other comprehensive income

During 2014 and 2013, certain available for sale financial assets were transferred out of Level 3 of the fair value hierarchy when the entities became quoted on the stock exchange and the prices per share which is the significant input used in their fair value measurements that were previously unobservable became observable.

(c) *Financial instruments not measured at fair value*

The table below sets out the fair values of financial instruments not measured at fair value at the end of the reporting period and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorized:

31 December 2014		Level 1	Level 2	Level 3	Total
		₦'000	₦'000	₦'000	₦'000
Assets:					
Cash and cash equivalents	2	-	5,617,944	-	5,617,944
Available for sale financial assets	3(c)	-	-	250,263	250,263
Loans and receivables	3(b)	-	1,351,699	-	1,351,699
Trade receivables	4	-	32,832	-	32,832
Other receivables less prepayment	7	-	1,133,203	-	1,133,203
Liabilities:					
Bank borrowing	2	-	15,552	-	15,552
Trade payables	16	-	5,121,897	-	5,121,897
Other liabilities	17	-	464,182	-	464,182
Finance lease obligations	18	-	12,331	-	12,331

31 December 2013		Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Assets:					
Cash and cash equivalents	2	-	835,809	-	835,809
Loans and receivables	3(b)	-	338,739	-	338,739
Trade receivables	4	-	140,284	-	140,284
Other receivables less prepayment	7	-	1,040,217	-	1,040,217
Liabilities:					
Bank borrowing	2	-	5,723	-	5,723
Trade payables	16	-	431,363	-	431,363
Other liabilities	17	-	599,188	-	599,188
Finance lease obligations	18	-	41,820	-	41,820

Financial instruments not measured at fair value

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and current balances with banks.

The carrying amounts of current balances with banks is a reasonable approximation of fair value which is the amount receivable on demand.

Available for sale financial assets

Available for sale financial assets consist of investments in quoted and unquoted equities, the carrying amount of quoted equities have been recognised using the quoted prices obtained while the unquoted equities are recognised at cost less impairments if any.

Impairment for unquoted equities is evaluated on the basis described in Note 3(c)(iv).

Loans and receivables

Loans and receivables consists of state government bonds, corporate bonds, unlisted debentures and staff mortgage loans. The carrying amounts of state government bonds and corporate bonds is reasonable approximation of their fair value.

The estimated fair value of staff mortgage loans represents the market values of the loans, arrived at by recalculating the carrying amount of the loans using the estimated market rate.

The fair value of unlisted debenture approximates the gross value of the asset net of impairment.

Trade receivables and Other receivables

The carrying amounts of trade receivables and other receivables are reasonable approximation of their fair values which are receivable on demand.

Bank borrowings, Trade payables, Provision and other payables and Finance lease obligations

The carrying amounts of bank borrowings, trade payables, provision and other payables and finance lease obligations are reasonable approximation of their fair values which are repayable on demand.

(b) Financial risks

The Company is exposed to the following categories of risk as a consequence of offering different financial products and services by the Company:-

(i) *Market risk*

This reflects the possibility that the value of the funds' 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 Company is exposed to this risk through its financial assets and comprises of currency risk, interest rate risk and price risk.

Currency risk

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

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

Foreign Currency risk

The Company accepts receipt of premiums in foreign currency, in addition to Naira, from its clients; hence, exposures to exchange rate fluctuations arise. The Company is exposed to foreign currency denominated in dollars through a domiciliary bank balance.

The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance and investment contract liabilities. As a result, foreign exchange risk arises from other recognized assets and liabilities denominated in other currencies.

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

31 December 2014

	Pounds sterling	Euro	US Dollars	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**
Assets (Cash & Cash Equivalent)	11,906	11,594	4,997,073	5,020,573
Quoted equities	-	-	108,104	108,104
Liabilities	-	-	-	-
	11,906	11,594	5,105,177	5,128,677

31 December 2013

	Pounds sterling	Euro	US Dollars	Total
	N'000	**N'000**	**N'000**	**N'000**
Assets (Cash & Cash Equivalent)	1,861	12,204	293,690	307,755
Liabilities	-	-	-	-
	1,861	12,204	293,690	307,755

Foreign currency sensitivity analysis

The following table details the Company'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 31st December 2014 from N167.50/$ closing rate and as at 31st December 2013 from N155.70/$ closing rate respectively.

31 December 2014

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
10% increase	1,191	1,159	510,518	512,868
10% decrease	(1,191)	(1,159)	(510,518)	(512,868)
Impact of increase on:				
Pre-tax Profit	-	-	-	672,281
Shareholders' Equity	-	-	-	7,692,593
Impact of decrease on:				
Pre-tax Profit	-	-	-	(353,455)
Shareholders' Equity	-	-	-	6,666,858

31 December 2013

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
10% increase	186	1,220	29,369	30,775
10% decrease	(186)	(1,220)	(29,369)	(30,775)
Impact of increase on:				
Pre-tax (loss)/profit	-	-	-	570,295
Shareholders' Equity	-	-	-	6,261,318
Impact of decrease on:				
Pre-tax Profit	-	-	-	508,745
Shareholders' Equity	-	-	-	6,199,768

Interest Rates Risk

The Company'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 Company is required to pay under the contracts and the rate of return the Company 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 Company'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 Company 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 Company uses sensitivity analytics to measure the impact of interest rate changes and movements on the value of our financial assets scenarios.

The Company is very moderately exposed to interest rate risk as it invests in fixed income and money market instruments.

Interest rate profile

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

Financial instruments	Notes	31-Dec-14	31-Dec-13
		₦'000	₦'000
Fixed interest rate instruments:			
Federal government bonds	3(a)	99,990	110,178
State government bonds	3(b)	8,734	66,736
Corporate bonds	3(b)	148,478	128,217
Treasury bills	3(a)	6,145	100,038
Debenture (unlisted)	3(b)	328	1,231
		263,675	406,400
Others:			
Cash and cash equivalents	2	5,617,944	834,932
Mortgage loans	3(b)	127,403	142,555
Finance lease obligations	18	(13,712)	(41,820)
Borrowings	2	(15,552)	(5,723)
		5,716,083	929,944

Interest rate sensitivity analysis

The sensitivity analysis 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.

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Increase in interest rate by 50 basis points (+0.5%)	28,580	4,650
Decrease in interest rate by 50 basis point (-0.5%)	(28,580)	(4,650)
Impact of increase on:		
Pre-tax profit/(loss)	187,993	546,202
Shareholders' Equity	7,208,306	6,237,225
Impact of decrease on:		
Pre-tax profit/(loss)	130,832	532,838
Shareholders' Equity	7,151,145	6,223,861

Other price risk management

The Company 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 Company with opportunity for return through dividend income and capital appreciation.

Equity investments designated as available-for- sale are held for strategic rather than trading purposes. The Company has no significant concentration of price risk.

The carrying amounts of the Company's equity investments are as follows:

	2014	2013
	₦'000	₦'000
Equity Securities; - Listed	1,485,310	1,813,724
Equity Securities; - Unlisted	250,263	179,598
	1,735,573	1,993,322

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 before tax and shareholders' equity based on the exposure to equity price risk at the reporting date.

	2014	2013
	₦'000	₦'000
10% increase	173,557	199,332
10% decrease	(173,557)	(199,332)
Impact of increase on:		
Pre-tax profit/(loss)	332,970	738,852
Shareholders' Equity	7,353,283	6,429,875
Impact of decrease on:		
Pre-tax profit/(loss)	(14,144)	340,188
Shareholders' Equity	7,006,168	6,031,211

(ii) Credit risk

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

The Company 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 Company transacts with only entities that have an investment grade rating and above.

This information is supplied by independent rating agencies, where available, and if not available, the Company uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.

The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties. Concentration of credit, otherwise known as single obligor credit, did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and other near cash financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The majority of debt securities are investment grade and the Company has very limited exposure to sub-standard credits.

Reinsurance assets are reinsurers' share of outstanding claims and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability.

Loans and receivables from policyholders, agents and intermediaries generally do not have a credit rating.

The following table shows aggregated credit risk exposure for assets with external credit ratings:-

Analysis of financial assets based on credit risk grades

31 December 2014	AAA	AA	A+	A	BBB	Not rated	Carrying Amount
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Available for sale financial assets:							
- Unquoted equity securities	-	-	-	-	-	322,836	179,598
							179,598
Fair value through profit or loss carried at fair value (FVTPL)							
- FGN Bond 16 39% January 2022	-	99,990	-	-	-	-	99,990
- Treasury bills (> 90 days)	6,145	-	-	-	-	-	6,145
- Quoted equity securities	-	-	-	-	-	1,412,737	1,412,737
							1,518,872
Loans and receivables:							
- Lagos State Government Bond	-	-	-	-	-	-	-
- Kaduna State Government Bond	-	-	8,734	-	-	-	8,734
- Unlisted debentures	-	-	-	-	-	328	328
- Mortgage Loans	-	-	-	-	-	127,403	127,403
							136,465
- Individual Loans - Leases	-	-	-	-	-	-	-
							-
Cash and cash equivalents:							
Tenor Deposits (30-90 days)	-	-	-	-	-	303,218	303,218
							303,218
Reinsurance assets							
Reinsurance claims recoverable	-	-	-	-		832,728	832,728
Trade/Insurance receivables	-	-	-	-	32,832	-	32,832
							3,003,714

31 December 2013	Notes	AAA	AA	A+	A	BBB	Not rated	Carrying Amount
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Available for sale financial assets:								
- Unquoted equity securities							179,598	179,598
	3(a)							179,598
Fair value through profit or loss carried at fair value (FVTPL)								
- FGN Bond 16 39% January 2022		-	110,178	-	-	-	-	110,178
- Treasury bills (> 90 days)		100,038	-	-	-	-	-	100,038
- Quoted equity securities							1,813,724	1,813,724
	3(b)							2,023,940
Loans and receivables								
- Lagos State Government Bond		-	-	52,559	-	-	-	52,559
- Kaduna State Government Bond		-	-	14,177	-	-	-	14,177
- Unlisted debentures		-	-	-	-	-	1,231	1,231
- Mortgage Loans		-	-	-	-	-	142,555	142,555
	3(c)							210,522
- Individual Loans - Leases		-	-	-	-	-	-	-
	3(d)							-
Cash and cash equivalents:								
Tenor Deposits (30-90 days)		-	-	-	-	-	331,733	331,733
	2							331,733
Reinsurance assets								
Reinsurance claims recoverable		-	-	-	-		865,930	865,930
Trade Insurance receivab	4	-	-	-	-	140,284	-	140,284
								3,752,007

Analysis of financial assets based on past due status
31 December 2014

Past due status	Assets carried at fair value through profit loss (FVTPL) ₦'000	Available for sale financial assets ₦'000	Loans and receivables ₦'000	Reinsurance from reinsurers ₦'000	Insurance trade receivables ₦'000	Total ₦'000
Past due and impaired	-	-	-	-	48,510	
Past due more than 90 days	-	-		832,728	2,806	
Past due 31 to 90 days	-	-	-	-	142,644	
Past due less than 30 days	-	-	127,403	-	34,441	
Neither past due nor impaired	1,518,872	322,836	9,062	-	24,662	
Total Carrying Amount	1,518,872	322,836	136,465	832,728	253,063	

31 December 2013

Past due status	Notes	Assets carried at fair value through profit loss (FVTPL) ₦'000	Available for sale financial assets ₦'000	Loans and receivables ₦'000	Receivables from reinsurers ₦'000	Insurance trade receivables ₦'000
Past due and impaired		-	-	-	-	-
Past due more than 90 days	5, 4	-	-	-	865,930	140,284
Past due 31 to 90 days	3	-	-	-	-	-
Past due less than 30 days	3	-		142,555	-	-
Neither past due nor impaired	3	2,023,940	179,598	338,739	-	-
Total Carrying Amount		2,023,940	179,598	196,184	865,930	140,284

(iii) Liquidity risk

The Company's principal objective in managing our liquidity and our capital resources is to maximize the returns on capital to shareholders, while enabling us to pay claims, pay dividends, pay staff and fulfill our statutory obligations to our regulators and the different tiers of government in the environment in which we operate. Effective and prudent liquidity is a priority across the company.

Management monitors the liquidity of Royal Exchange General Insurance Limited on a daily basis and projects her financial needs over a multi-year time horizon through our quarterly budget and review process. We believe that the cash flows from the sources of fund available to the Company are sufficient to satisfy the current liquidity requirements of the Company, including under reasonably foreseeable stress scenarios.

In managing our liquidity (and of course our capital), we seek to:

- Match the profile of our assets and liabilities, taking into account the risks inherent in each line of product.
- Maintain financial strength to support new business growth whilst still satisfying the requirements of policyholders and regulators.
- Retain financial flexibility by maintaining strong liquidity, and,
- Allocate liquid resources efficiently to support growth while we pay claims and other commitments promptly.

Sources of Liquidity

In managing our cash flow position, we have a number of sources of liquidity, including the following principal sources:

- Premium Income,
- Investment income
- Investment assets

Application of funds

The principal uses of our liquidity include:

- Payment of Claims
- Staff benefits,
- Purchase of investments' and,
- Payment in connection with financing activities

In practice, most of the company's assets are marketable securities which could be converted into cash when required.

Maturity Profile

The following table shows the company's expected maturity for its non-derivative assets. 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 company anticipates that the cash flow will occur in a different period.

It also shows details of the expected maturity profile of the company'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.

The following table details the Company's expected maturity for its non-derivative assets. The tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period. Reinsurers' share of unearned premiums are excluded from this analysis.

31 December 2014

Non-derivative financial assets	Carrying amount ₦'000	Contractual cashflow ₦'000	< 1 month ₦'000	1 - 3 months ₦'000	3 - 12 months ₦'000	1 - 5 years ₦'000	> 5 years ₦'000
Cash and cash equivalents	5,617,944	5,617,944	5,314,726	303,218	-	-	-
Fair value through profit or loss carried at fair value (FVTPL)	6,145	6,145	-	6,145	-	-	
Other receiveables less prepayments	981,638	981,638	-	981,638	-	-	-
Loans and receivables	1,351,699	1,351,699	1,066,756	-	157,212	127,731	-
Insurance/trade receivables	253,293	253,293	-	253,293	-	-	-
Reinsurance assets - recoverable from reinsurers	832,728	832,728	-	832,728	-	-	-
	9,043,447	9,043,447	6,381,482	2,377,022	157,212	127,731	-
Non-derivative financial liabilities							
Bank borrowing	15,552	15,552	15,552	-	-	-	-
Trade payables	5,121,897	5,121,897	-	4,957,183	164,715	-	-
Finance lease obligations	12,331	13,443	-	1,254	12,189	-	-
Insurance contract liabilities - outstanding claims	2,430,405	2,430,405	-	158,887	643,856	1,552,911	74,751
Other liabilities	464,182	464,182	464,182	-	-	-	-
	8,044,367	8,045,479	479,734	5,117,324	820,760	1,552,911	74,751
Gap (asset - liabilities)	999,079	997,967	5,901,749	(2,740,301)	(663,548)	(1,425,181)	(74,751)
Cumulative liquidity gap	999,079	1,997,047	7,898,796	5,158,494	4,494,946	3,069,766	2,995,015

31 December 2013

Non-derivative financial assets		Carrying amount ₦'000	Contractual cashflow ₦'000	< 1 month ₦'000	1 - 3 months ₦'000	3 - 12 months ₦'000	1 - 5 years ₦'000	> 5 years ₦'000
Cash and cash equivalents		835,809	835,809	506,146	329,663	-	-	-
Available for sale financial assets		179,598	179,598	-	-	-	179,598	-
Fair value through profit (FVTPL)		2,023,940	2,174,909	-	-	100,038	1,936,521	138,350
Loans and receivables		338,739	338,739	-	-	-	338,739	-
Insurance/trade receivables		140,284	156,949	-	156,949	-	-	-
Reinsurance assets - recoverable from reinsurers		865,930	865,930	5,404	518,989	101,214	230,937	9,386
		4,384,300	4,551,934	511,550	1,005,601	201,252	2,685,795	147,736
financial liabilities								
Bank borrowing		5,723	5,723	5,723	-	-	-	-
Trade payables		431,363	431,363	-	172,545	258,818	-	-
Finance lease obligations		41,820	49,348	2,304	6,912	29,282	10,850	-
Insurance contract liabilities - outstanding claims	19(c)	2,296,484	2,296,484	459,297	688,946	688,945	459,296	-
		2,775,390	2,782,918	467,324	868,403	977,045	470,146	-
Gap (asset - liabilities)		1,608,910	1,769,016	44,226	137,198	(775,793)	2,215,649	147,736
(Cumulative liquidity gap)		1,608,910	3,377,926	3,422,152	3,559,350	2,783,557	4,999,206	5,146,942

Although the company has access to financing facilities, the company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets and other sources listed in "Sources of Liquidity" above

Insurance risk management

The Company 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 Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts

The Company 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 Company 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.

Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Company is exposed

Non-life insurance

The Company writes fire, general accident, oil & gas, engineering, bond, marine and motor risks primarily over a twelve month duration (usually longer for engineering policies) The most significant risks arise from natural disasters, 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 a particular demographic type of policyholder, within a geographical location or to types of commercial 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 the location of the underlying risk is summarised below by reference to liabilities.

	Gross			Reinsurance			Net	
	2014	2013		2014	2013		2014	2013
	₦'000	₦'000		₦'000	₦'000		₦'000	₦'000
Non-life insurance								
- Within Nigeria	4,733,745	4,802,573		1,745,574	1,896,181		2,988,171	2,906,392
- Outside Nigeria	-	-		-	-		-	-
	4,733,745	4,802,573	-	1,745,574	1,896,181	-	2,988,171	2,906,392

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

	Gross			Reinsurance			Net	
	2014	2013		2014	2013		2014	2013
	₦'000	₦'000		₦'000	₦'000		₦'000	₦'000
Fire	820,105	1,011,536		499,088	450,623		321,017	560,913
Accident	590,676	483,040		97,355	44,269		493,320	438,771
Motor	926,625	1,030,689		118,315	127,353		808,310	903,336
Marine	225,627	193,989		91,766	66,287		133,861	127,702
Oil and Gas	1,989,664	1,901,988		855,436	1,176,014		1,134,228	725,974
Engineering	141,159	152,931		59,857	20,160		81,302	132,771
Bond	39,889	28,400		23,756	11,475		16,133	16,925
	4,733,745	4,802,573	-	1,745,574	1,896,181	-	2,988,171	2,906,392

Outstanding Claims

	Gross			Reinsurance			Net	
	2014	2013		2014	2013		2014	2013
	₦'000	₦'000		₦'000	₦'000		₦'000	₦'000
Fire	643,856	681,339		421,642	358,341		222,214	322,998
Accident	428,890	358,333		65,093	30,011		363,797	328,322
Motor	324,866	480,120		67,714	66,053		257,152	414,067
Marine	158,887	128,373		57,371	42,043		101,516	86,330
Oil and Gas	765,075	563,213		162,759	358,394		602,316	204,819
Engineering	74,751	72,558		36,723	5,481		38,027	67,077
Bond	34,080	12,548		21,425	5,607		12,655	6,941
Total	2,430,405	2,296,484	-	832,728	865,930	-	1,597,677	1,430,554

Unexpired Risk

	Gross			Reinsurance			Net	
	2014	2013		2014	2013		2014	2013
	₦'000	₦'000		₦'000	₦'000		₦'000	₦'000
Fire	339,394	330,197		83,463	87,677		255,931	242,520
Accident	161,786	124,707		29,970	15,377		131,816	109,330
Motor	601,759	550,569		50,601	56,844		551,158	493,725
Marine	66,740	65,616		36,343	24,743		30,397	40,873
Oil and Gas	1,044,108	1,338,775		687,003	825,081		357,105	513,694
Engineering	83,744	80,373		23,134	14,664		60,610	65,709
Bond	5,810	15,852		2,331	5,869		3,478	9,983
Total	2,303,340	2,506,089	-	912,846	1,030,255		1,390,494	1,475,834

Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost and expected loss ratio. The key method used by the Company for estimating liabilities is upward or downward adjustment based on documentation and professional judgement

The Company has minimal exposure to these risks, the exposure of which is determined by the number of claims filed and the Court process

The Company considers that the liability for non-life insurance claims recognised in the balance sheet is adequate However, actual experience will differ from the expected outcome.

Some results of sensitivity testing are set out below, showing the impact on profit before tax and shareholders' equity gross and net of reinsurance For each sensitivity the impact of a unchanged change in a single factor is shown, with other assumptions.

	Pre-tax profit		Shareholders' equity	
	2014	2013	2014	2013
	₦'000	₦'000	₦'000	₦'000
Non-Life Insurance:				
5% increase in loss ratios	159,412	539,520	7,207,259	6,230,543
- Gross	(186,691)	183,328	7,020,568	6,043,853
- Net	(78,439)	171,338	7,128,820	6,308,983
5% decrease in loss ratios				
- Gross	505,515	129,423	7,712,774	6,359,966
- Net	397,264	117,433	7,604,523	6,347,976

Claims development table for Royal General Insurance

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis In 2012, in the year of adoption of IFRS, only 5 years were required to be disclosed This will be increased in each succeeding year, until 8 - 10 years of information is presented The top half of the table shows how the estimates of total claims for each accident year develop over time The lower half of the table reconciles the cumulative claims to the amount appearing in the Statement of Financial Position

The cumulative claims estimates and payments for each accident year are translated into Nigerian Naira at the year rates that applied at the end of each accident year

Claims Development Pattern: Non- Life insurance

31 December 2014			Incremental Chain ladder-Yearly Projections (N)					
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
2007	90,369	130,760	40,801	16,493	20,453	4,601	2,386	1,605
2008	224,573	320,685	10,146	8,950	29,856	2,088	564	
2009	267,763	144,617	172,929	35,249	23,592	16,790		
2010	423,867	348,593	151,026	19,854	21,506			
2011	690,737	1,100,807	274,558	104,755				
2012	484,693	976,236	349,847					
2013	703,893	571,066						
2014	740,384							

31 December 2013			Incremental Chain ladder-Yearly Projections (N)				
Accident year	**1**	**2**	**3**	**4**	**5**	**6**	**7**
2007	90,369	130,760	40,801	16,493	20,453	4,601	2,386
2008	224,573	320,685	10,146	8,950	29,856	2,088	
2009	267,763	144,617	172,929	35,249	23,592		
2010	423,867	348,593	151,026	19,854			
2011	690,737	1,100,807	274,558				
2012	484,693	976,236					
2013	703,893						

c Capital Management

Our capital management framework is primarily based on statutory risk-based capital and solvency margin measures The Company 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 its equity balance The capital structure of the company consists of equity attributable to equity holders of the company, comprising issued capital, reserves and retained earnings Reinsurance is also used as part of capital management

The regulatory capital (as required under Insurance Act 2003 and NAICOM Guideline) within the Company has been maintained and preserved over the reporting periods. The minimum regulatory capital for general insurers in Nigeria is N3billion.

The Company equally measures its capital using an economic capital model which is the Company'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 economic capital is used within the Solvency II/NAICOM requirement on Individual Capital Assessment (ICA) Developments in the Solvency II project are being monitored.

The Company fully complied with all externally imposed capital requirements throughout the year and this Solvency requirement was revalidated by HR Nigeria Ltd, the Company's Consultant Actuary in 2013 Actuarial Valuation Report

There was no change made neither to the capital base nor to the objectives, policies and processes for managing capital Under our capital management policy approved by the Board of Directors, the Managing Director and the Chief Financial Officer are authorized to approve capital actions on behalf of the company and to further delegate authority with respect to capital actions to appropriate officers. Any capital commitment that exceeds the authority granted to senior management is separately authorized by the Board

The table below sets out the capital that is managed by the Company on an IFRS and regulatory basis

The table below sets out the capital that is managed by the Company on an IFRS and regulatory basis

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 Company's solvency position is as follows:

Solvency margin computation

	2014	2013
Admissible Assets	**N'000**	**N'000**
Cash and cash equivalents	5,617,944	835,809
Financial assets:		
- Available for sale	322,836	179,598
- At fair value through profit or loss	1,518,872	2,023,940
- Loans and receivables	1,351,699	338,739
Investment in associates	518,580	437,024
Trade receivables	27,698	140,284
Other receivables:		
- Accrued investment income	109,093	24,865
- Security holding company	500,000	500,000
Deferred acquisition cost	327,004	390,154
Reinsurance assets	1,745,574	1,896,185
Investment properties	2,824,488	1,000,000
Statutory deposit	340,000	340,000
Property and equipment	401,181	343,719
Employees benefits assets	170,198	166,963
A	**15,775,165**	**8,617,280**
Less: Admissible liabilities		
Borrowings	15,552	5,723
Trade and other payables	5,121,897	431,363
Provision and other payables	464,182	599,188
Deferred income	102,234	84,797
Insurance liabilities	4,733,745	4,802,573
Finance lease obligations	12,331	41,820
Employees benefits obligations	515,093	479,239
Income tax payable	222,666	211,432
B	**11,187,701**	**6,656,135**
Solvency margin (A-B)	**4,587,464**	**1,961,145**
Minimum paid up capital	3,000,000	3,000,000
Net premium	4,757,033	3,916,907
15% of Net premium	713,555	587,536

The Company's solvency margin of N4,587,464,000 (2013: N1,961,145,000) is more than the minimum paid up capital of N3,000,000,000 (2013: N3,000,000,000). The Company is solvent since the solvency margin is higher than the minimum paid up capital & 15% of net premium.

d Segment Reporting

The accounting policies of the reportable segments are the same as the Company's accounting policies in note 3(z).

Segment result represents the result of each segment without allocation of certain expenses, finance costs and income tax. This is the measure reported to the Company's Chief Executive for the purpose of resource allocation and assessment of segment performance.

All revenue are earned in Nigeria. The classes of business that have similar risk and econimic characteristics are grouped together.

The following is an analysis of the Company's revenue and result by reportable segment in 2014.

	2014						
	Motor and Accident	Marine Life	Engineering	Fire & IAR	Bond	Special Risk	Total
Income:	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Gross written premiums	2,857,821	614,999	230,850	1,463,899	29,290	1,522,452	6,719,311
Net change in unearned premiums	(88,269)	(519)	(3,371)	(9,802)	10,042	294,667	202,749
	2,769,552	614,480	227,479	1,454,097	39,332	1,817,119	6,922,060
Insurance premium ceded to reinsurers	344,495	250,630	90,254	529,490	9,868	822,884	2,047,619
Net change in unearned premiums	(5,013)	(11,932)	(8,455)	1,194	3,537	138,077	117,408
	339,482	238,698	81,799	530,684	13,404	960,961	2,165,027
Net insurance premium income	2,430,070	375,781	145,681	923,414	25,928	856,158	4,757,033
Fee and commission income	98,846	73,134	14,982	150,677	3,882	35,394	376,915
Segment income	2,528,916	448,916	160,662	1,074,091	29,810	891,552	5,133,947
Expenses:							
Claims and benefits	639,615	212,212	67,837	522,275	21,532	512,603	1,976,074
Reinsurers' share - Change in insurance liabilities	(214,211)	(49,449)	(107,710)	(242,850)	(15,818)	156,916	(473,122)
Fees and commission expense	335,780	102,711	34,904	245,057	7,443	117,770	843,664
Business Acquisition cost	19,173	4,126	1,549	9,821	197	10,214	45,081
Salaries & Allowances - Undewriting personnel	349,890	75,296	28,264	179,229	3,586	186,398	822,663
Other Underwriting Expenses	227,735	49,008	18,396	116,656	2,334	121,322	535,451
	1,357,983	393,904	43,239	830,189	19,274	1,105,222	3,749,810
Segment underwriting profit	1,170,933	55,012	117,423	243,902	10,537	(213,670)	1,384,137
Net investment return	132,913	28,603	10,736	68,084	1,362	70,807	312,505
Foreign exchange gains	14,223	3,061	1,149	7,285	146	7,577	33,440
Management expenses	(668,028)	(143,759)	(53,962)	(342,193)	(6,847)	(355,880)	(1,570,669)
Profit before Tax	650,040	(57,084)	75,346	(22,922)	5,198	(491,166)	159,413
Income Tax expense							(57,116)
Minimum Tax Expense							(45,188)
Profit after Tax							57,109
Net actuarial gains/(losses) on employee benefits							(44,538)
Fair value changes on available for sale financial assets							57,332
Tax effects on other comprehensive income							(12,054)
Total comprehensive income							**57,849**

	2013						
	Motor and Accident	Marine Life	Engineering	Fire & IAR	Bond	Special Risk	Total
Income:	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Gross written premiums	2,462,864	497,902	212,050	1,269,228	43,627	2,247,879	6,733,550
Net change in unearned premiums	(88,088)	3,198	(31,886)	(102,160)	(9,757)	(839,847)	(1,068,540)
	2,374,776	501,100	180,164	1,167,068	33,870	1,408,032	5,665,010
Insurance premium ceded to reinsurers	295,206	181,300	51,145	559,821	15,891	1,280,637	2,384,000
Net change in unearned premiums	(30,122)	(903)	(5,181)	(3,659)	(2,720)	(593,312)	(635,897)
	265,084	180,397	45,964	556,162	13,171	687,325	1,748,103
Net insurance premium income	2,109,692	320,703	134,200	610,906	20,699	720,707	3,916,907
Fee and commission income	83,067	74,694	15,958	104,374	3,867	7,546	289,506
Segment income	2,192,759	395,397	150,158	715,280	24,566	728,253	4,206,413
Expenses:							
Claims and benefits	819,263	108,206	(190,275)	395,725	8,976	831,410	1,973,305
Reinsurers' share - Change in insurance liabilities	(45,519)	20,677	61,703	30,863	(3,826)	(309,422)	(245,524)
Fees and commission expense	322,774	79,863	29,470	210,385	6,619	48,743	697,854
Business Acquisition cost	140,236	28,351	12,074	72,270	2,484	127,994	383,409
Salaries & Allowances - Undewriting personnel	160,219	32,390	13,795	82,568	2,838	146,233	438,044
Other Underwriting Expenses	117,845	23,824	10,146	60,731	2,087	107,558	322,192
	1,514,818	293,311	(63,087)	852,542	19,179	952,517	3,569,280
Segment underwriting profit	677,941	102,086	213,245	(137,262)	5,387	(224,264)	637,133
Net investment return	601,897	121,682	51,823	310,185	10,662	549,357	1,645,606
Other income	(16,075)	(3,250)	(1,384)	(8,284)	(285)	(14,672)	(43,949)
Management expenses	(621,525)	(125,650)	(53,513)	(320,301)	(11,010)	(567,272)	(1,699,270)
Profit before Tax	642,238	94,868	210,171	(155,662)	4,755	(256,850)	539,520
Income Tax expense							110,033
Minimum Tax Expense							(37,975)
Profit after Tax							611,578
Net actuarial gains/(losses) on employee benefits							110,639
Tax effects on other comprehensive income							1,066
Total comprehensive income							**723,283**

e **Financial assets and liabilities**
Accounting classification, measurement basis and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values.

31 December 2014

	Notes	Loans and receivables	Designated at fair value	Available- for-sale	Other financial liabilities at amortised cost	Total carrying amount	Fair value
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	2	5,617,944	-	-	-	5,617,944	5,617,944
Financial assets	3	1,351,699	1,518,872	322,836	-	3,193,407	3,193,407
Trade receivables	4	32,832	-	-	-	32,832	32,832
Other receivables less prepayments		981,638	-	-	-	981,638	981,638
Statutory deposits	12	340,000	-	-	-	340,000	340,000
Reinsurance assets		832,728				832,728	832,728
		8,324,113	1,518,872	322,836	-	10,165,820	10,998,549
Borrowings	2	-	-	-	15,552	15,552	15,552
Trade payables	16	-	-	-	5,121,897	5,121,897	5,121,897
Other payables	17	-	-	-	464,182	464,182	464,182
Finance lease obligations	18				12,331	12,331	12,331
Insurance contract liabilities		-	-	-	-	-	-
Investment contract liabilities		-	-	-		-	-
		-	-	-	5,613,962	5,613,962	5,613,962

31 December 2013

		Loans and receivables	Designated at fair value	Available- for-sale	Other financial liabilities at amortised cost	Total carrying amount	Fair value
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	2	835,809	-	-	-	835,809	835,809
Financial assets	3	338,739	2,023,940	179,598	-	2,542,277	2,542,277
Trade receivables	4	140,284	-	-	-	140,284	140,284
Other receivables less prepayments		874,426	-	-	-	874,426	874,426
Statutory deposits	12	340,000	-	-	-	340,000	340,000
		2,529,258	2,023,940	179,598	-	4,732,796	4,732,796
Borrowings	-	-	-	-	5,723	5,723	5,723
Trade payables	2	-	-	-	431,363	431,363	431,363
Other payables	16	-	-	-	599,188	599,188	599,188
Finance lease obligations	17				41,820	41,820	41,820
Insurance contract liabilities		-	-	-	-	-	-
Investment contract liabilities		-	-	-		-	
		-	-	-	1,078,094	1,078,094	1,078,094

2 Cash and cash equivalents

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Cash	747	877
Bank balances	5,313,979	503,199
Short-term deposits (including demand and time deposits)	303,218	331,733
Cash and cash equivalents (as per statement of financial position)	5,617,944	835,809
Bank overdrafts	(15,552)	(5,723)
Cash and cash equivalents (as per statement of cash flows)	5,602,392	830,086

Short–term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. All deposits were subject to an average variable interest rate of [12%] (2013: 9.7%).
The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

3 Financial assets

The financial assets are categorized by measurement as summarized below :

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Fair value through profit or loss (FVTPL) - (see note 3(a) below)	1,518,872	2,023,940
Loans and receivables (see note 3(b) below)	1,351,699	338,739
Available for sale (see note 3(c) below)	322,836	179,598
	3,193,407	**2,542,277**
Within one year	1,200,305	100,038
More than one year	1,993,102	2,442,239
	3,193,407	2,542,277

3(a) Fair value through profit or loss (FVTPL)

Federal Government bonds	99,990	110,178
Treasury bills	6,145	100,038
Quoted equities	1,412,737	1,813,724
	1,518,872	2,023,940

3(b) Loans and receivables

State government bonds	8,734	66,736
Corporate bonds	148,478	128,217
Unlisted debentures	328	1,231
Staff mortgage loans	127,403	142,555
Placements	1,066,756	
	1,351,699	338,739

3(c) Available for sale financial assets:

Available for sale financial instruments represent investment in listed and unlisted entities as at period end as shown below:

Unlisted equities at cost	415,670	345,005
Listed equities at market value	72,573	-
Specific allowance on impairment on available for sale assets	(165,407)	(165,407)
Carrying amount as at year end	322,836	179,598

Listed available for sale equities are measured at fair value using the quoted prices in active markets and fair value changes recognized in other comprehensive income while unlisted available for sale equities are measured at cost less any identified impairment losses at the end of each reporting period because there is no active market to determine their fair value. At the reporting date, there were some available for sale assets that were impaired and an allowance for impairment to the sum of N165million were provided (31 December 2013: N165m).

Unlisted equity investments with a cost of N415million (2013: N345million) are carried at cost because their fair value cannot be determined as the range of reasonable fair value estimate is significant and the probability of the various estimates cannot be reasonably assessed.
An analysis of available for sale financial assets as at 31 December 2014 is as shown below

Name of entity	Value of equities ₦'000	% holding %
Sterling Assurance	153,267	4%
African Reinsurance Corporation	70,551	3%
Energy Risk Liability Pool	67,000	4 Lines
Royal Exchange Microfinance Bank	20,586	17%
Nigeria Liability Insurance Pool	10,000	11%
Others	1,432	-
	322,836	

3(d) The movement in financial assets are summarized as follows:-

31-DEC-14

	Fair value through profit and loss N'000	Loans and receivables N'000	Available for sale N'000	Total N'000
As at 1 January 2014	2,023,940	338,739	179,598	2,542,277
Additions during the year	7,377	1,066,756	87,586	1,161,719
Disposal (sales & redemptions)	(120,414)	(53,796)	-	(174,210)
Fair values gains/(losses) through profit or (loss)	(395,007)	-	-	(395,007)
Fair values gains/(losses) through OCI	-	-	55,653	55,653
Foreign exchange gains/(losses)	2,976	-	-	2,976
Impairment losses	-	-	-	-
As at 31 December 2014	1,518,872	1,351,699	322,836	3,193,408

31-DEC-13

	Fair value through profit and loss N'000	Loans and receivables N'000	Available for sale N'000	Total N'000
As at I January 2013	1,535,167	364,166	183,360	2,082,693
Additions during the year	210,047	-	-	210,047
Disposal (sales & redemptions)	(283,684)	(100,038)	(788)	(384,510)
Fair values gains/(losses) through profit or (loss)	562,410	-	-	562,410
Impairment losses	-	-	(2,974)	(2,974)
As at 31 December 2013	2,023,940	264,128	179,598	2,467,666

4 Trade receivables

	31-Dec-14 ₦'000	31-Dec-13 ₦'000
Due from agents (see note 4(a) below)	27,698	21,466
Due from co-insurers (see note 4(b) below)	5,134	118,818
	32,832	140,284
Within one year	32,832	93,389
More than one year	-	46,895
	32,832	140,284

The carrying amount is a reasonable approximation of fair value

4(a) The analysis of due from agents is as follows:

	31-Dec-14 ₦'000	31-Dec-13 ₦'000
Gross receivable from agents	110,649	21,466
Less: Impairment allowance (see note a(i) below)	(82,951)	-
	27,698	21,466

4(a)(i) The movements in impairment allowance on amount due from agents is analysed below;

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Balance, beginning of year	-	1,675,036
Allowance made during the year(see note 32)	82,951	-
Write off	-	(1,483,793)
Reversal during the year	-	(191,243)
	82,951	-

The implementation of Section 50 of the Insurance Act 2003 on "No Premium No Cover" by the regulator (NAICOM) with effect from 1st January 2013 has necessitated that any outstanding premium receivables as at that date should be written off. Consequently only outstanding premium backed by broker's credit note and collectible within 30 days from the end of financial year is permissible.

4(b) Due from co-insurers

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Gross receivables from co-insurers	142,644	245,205
Less: Impairment allowance (see note 4(b)(i) below)	(137,510)	(126,387)
	5,134	118,818

4(b)(i) The movements in impairment allowance on reinsurance receivables is analysed below;

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Balance, beginning of year	126,387	136,789
Allowance made during the year (see note 32)	11,123	8,122
Writebacks during the year	-	(18,524)
	137,510	126,387

5 Reinsurance assets

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Prepaid reinsurance premium	912,846	1,030,255
Reinsurance claims recoverable	832,728	865,930
	1,745,574	1,896,185

5(a) Analysis of reinsurance assets by business classes are as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Fire	505,106	448,557
General Accident	95,063	46,337
Motor	118,315	127,354
Marine	93,714	66,286
Oil & Gas	849,763	1,176,015
Engineering	59,857	20,161
Bonds	23,756	11,475
	1,745,574	1,896,185
JLT Reinsurance – Profit commission	-	-
Total reinsurance recoverables	1,745,574	1,896,185
Within one year	1,745,574	1,896,185
More than one year	-	-
	1,745,574	1,896,185

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

6 Deferred acquisition cost

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

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Balance at start of the year	390,154	208,448
Additions in the year	780,516	879,560
Amortization in the year	(843,666)	(697,854)
Balance as at year end	327,004	390,154

6(a) Analysis of deferred acquisition cost by class of insurance are as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Fire	56,450	53,896
Accident	28,050	21,264
Motor	47,493	66,013
Marine and aviation	10,403	9,729
Oil & Gas	168,741	222,792
Engineering	14,885	13,410
Bond	982	3,050
	327,004	390,154

7 Other receivables and prepayment

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Intercompany receivables (see note 7(a) below)	346,677	238,251
Other receivables (see note 7(b) below)	25,868	111,310
Security Holding Trust account (see note 7(c) below)	500,000	500,000
Prepayments (see note 7(d) below)	151,565	165,791
Accrued dividend income (see note 7(e) below)	109,093	24,865
	1,133,203	1,040,217
Within one year	472,059	428,907
More than one year	661,144	611,310
	1,133,203	1,040,217

7(a) Intercompany receivables

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Royal Exchange Plc	206,584	40,245
Royal Exchange Prudential Life Assurance	81,876	135,229
Royal Exchange Healthcare Ltd	46,792	60,080
Royal Exchange Finance	11,425	2,013
Royal Exchange Microfinance Bank Ltd	-	684
	346,677	238,251

7(b) Other Receivables

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Other receivables	624,029	680,146
Accrued rental income	21,943	18,630
Staff loans and other debtors	168,595	204,737
Impairment on other receivables (see 7(b)(i) below	(788,699)	(792,202)
	25,868	111,310

7(b)(i) The movements in impairment allowance on other receivables is analysed below:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Balance, beginning of year	792,202	1,019,635
Allowance made during the year (see note 32)	6,352	21,074
Reclassifications	6,700	-
Write off	-	(248,507)
Write back of other receivables (see not 32)	(16,555)	-
Balance, end of year	788,699	792,202

7(c) Security holding trust account relates to amounts receivable from Security Holding Trust in respect of an investment in a proposed staff share incentive scheme which is a subject of litigation in suit FHC/L/CS/5479/09. Assets in cash dividends of N231million and ordinary shares of Royal Exchange Plc with market value of N462 million as at 31 December 2014 are being held as guarantee that value will not be lost.

7(d) Prepayment

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Prepaid Furniture allowance	41,833	39,165
Prepaid Rent allowance	61,730	59,143
Prepaid expenses	48,001	67,483
	151,565	165,791

The movement in prepayment is analysed below

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Balance, beginning of year	165,791	99,784
Amortisations to P&L	(256,367)	(184,171)
Additions	251,651	250,178
Reclassifications to property and equipments	(9,510)	-
Balance, end of year	151,565	165,791

7(e) Accrued dividend income

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Dividend receivables	117,948	24,865
Impairment on accrued investment (see not 7(e)(i) below)	(8,855)	(4,027)
	109,093	20,838

7(e)(i) The movement in impairment on accrued investment is analysed below:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Balance, beginning of year	4,027	4,027
Allowance made during the year (see note 32)	4,828	-
	8,855	4,027

8 Investment in associates

8(a) The movement in balances of investment in associates are as shown below:

31 DECEMBER 2014	CBC EMEA	REHL	TOTAL
	₦'000	₦'000	₦'000
Opening balance	213,695	223,329	437,024
Additional investment during the year	96,908	-	96,908
Dividend income	-	-	-
Share of current year result recognised in profit or loss	(17,031)	-	(17,031)
Share of current year result recognised in other comprehensive income	1,679	-	1,679
Balance, end of the year	295,251	223,329	518,580

31 DECEMBER 2013	CBC EMEA	REHL	TOTAL
	₦'000	₦'000	₦'000
Opening balance	220,735	223,329	444,064
Additional investment during the year	-	-	-
Dividend income	(19,382)	-	(19,382)
Share of current year result recognised in profit or loss	12,342	-	12,342
Balance, end of the year	213,695	223,329	437,024

8(b) An analysis of investment in associates as at year end is as shown below

	2014		2013	
	Value of equities	Percentage holding	Value of equities	Percentage holding
Name of entity	₦'000	%	₦'000	%
Royal Exchange Healthcare Limited (see note (b)(i) below)	223,329	33.00%	223,329	33.00%
CBC EMEA Limited (see note (b)(ii) below)	295,251	24.90%	213,695	22.92%
Balance, end of year	518,580		437,024	

8(b)(i)

This represents the Company's investment in the ordinary shares of Royal Exchange Healthcare Limited, a company incorporated in Nigeria. The Company's investment in Royal Exchange Healthcare Limited exceed 20% which qualifies it as an associate to be equity accounted for. However, this investment was not accounted for using equity accounting method as it fully met the exemption criteria stated in IAS 28.

Royal Exchange Healthcare Limited is owned by three (3) entities (i.e. Royal Exchange Plc which holds 30%, Royal Exchange General Insurance which holds 33% and Royal Exchange Prudential life Plc which holds 37%).

Royal Exchange Prudential Life Plc and Royal Exchange General Insurance are wholly owned subsidiaries of Royal Exchange Plc. Hence, Royal Exchange Plc indirectly owns 100% of Royal Exchange Healthcare Limited.

The ultimate parent company, Royal Exchange Plc, produces consolidated financial statements for public use which complies with IFRSs. Also, the ultimate parent company does not object to not applying the equity accounting method.

(b)(ii) This represents the Company's investment in the ordinary shares of CBC EMEA Limited incorporated in Nigeria, representing 24.90% (December 2013: 22.92%) equity interest in the company. The investee company has a 31 December year end.

As at year end, the Company holds 193,816,780 ordinary shares of N1 each in CBC EMEA (December 2013: 193,719,872).

The summarised financial information of CBC EMEA Limited are as set out below:

	2014	2013
	₦'000	₦'000
Non-Current Asset	2,119,641	2,165,670
Current Asset	2,116,344	2,738,952
Non-Current Liabilities	-	(94,534)
Current Liabilities	(3,511,503)	(3,927,713)
Net assets	724,482	882,375
Company's share of net assets	180,396	231,490
Revenue	1,832,003	6,492,489
(Loss)/profit after tax	(107,676)	143,351
(Loss)/Profit after tax attributable to owners of CBC EMEA	(20,459)	53,843
Company's share of (loss)/profit	(17,031)	12,342
Other comprehensive income arising from AFS	7,325	-
Company's share of OCI	1,679	-
Total comprehensive income attributable to owners of CBC EMEA	(19,067)	-
Total comprehensive income	(100,351)	143,351
Company's share of total comprehensive income	(4,370)	35,694

9 Investment properties

	31-Dec-14	31-Dec-13
	₦'000	₦'000
At 1 January	3,014,763	2,457,859
Additions during the year	-	-
Disposals during the year	-	-
Transfer to property and equipments	-	(40,000)
Fair value gains	326,877	596,904
At 31 December	3,341,640	3,014,763

Rental income from investment properties of ₦60.9 million (2013: ₦61.5milion) has been recognised in other operating income. There are no restrictions on income and proceeds arising from investment properties and no contractual obligations to purchase, construct and develop investment property for repairs and maintenance.

9(a) The items of investment properties are valued as shown below:

Investment properties location	Name of valuer	Address of Valuer	FRC NOS.	NIESVA Reg. no	2014	2013
					₦'000	₦'000
2 Storey Building located at Kano	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja	FRC/2013/NIESV/000000 00834	A-1277	302,450	289,400
2 Storey Building located at Kaduna	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja	FRC/2013/NIESV/000000 00834	A-1277	214,700	202,500
No. 7, Usuma Cresent Maitama Abuja	Emeka Orji Partnership	Suite 9G, 9th floor, Ahmed Talib House (NNDC) 18/19 Ahmadu Bello Way, Kaduna	FRC/2013/NIESV/000000 00976	A-1672	513,500	430,000
No 6A/6B Usuma Cresent,Maitama, Abuja.	Emeka Orji Partnership	Suite 9G, 9th floor, Ahmed Talib House (NNDC) 18/19 Ahmadu Bello Way, Kaduna	FRC/2013/NIESV/000000 00976	A-1672	541,886	442,862
No 1, Eleko Close, Ikoyi,Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/000000 00730	A-1878	608,970	520,000
No. 2, Eleko Close Ikoyi Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/000000 00730	A-1878	570,000	580,000
No. 26, Abduraman Okene Cresent,Victoria Island, Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/000000 00730	A-1878	590,132	550,000
					3,341,638	**3,014,762**

9(b) Movement in investment properties are shown below:

Property details	Balance as at 1 January 2014	Addition during the year	Transfer	Fair value gain	Balance as at 31 December 2014
No.2, bank road,off Ibrahim Taiwo way, Kano	289,400	-	-	13,050	302,450
No.5, NBC road,off Ahmadu Bello way, Kaduna	202,500	-	-	12,200	214,700
No. 7, Usuma Cresent Maitama Abuja	429,999	-	-	83,501	513,500
No 6A/6B Usuma Cresent,Maitama, Abuja.	442,862	-	-	99,024	541,886
No 1, Eleko Close, Ikoyi,Lagos	580,000	-	-	28,970	608,970
No. 2, Eleko Close Ikoyi Lagos	520,000	-	-	50,000	570,000
No. 26, Abduraman Okene Cresent, Victoria Island,	550,000	-	-	40,132	590,132
Land at Odonla in Odogunyan Area of Ikorodu,Lagos	-	-	-	-	-
	3,014,761	-	-	**326,877**	**3,341,638**

Property details	Balance as at 1 January 2013	Addition during the year	Transfer	Fair value gain	Balance as at 31 December 2013
No.2, bank road,off Ibrahim Taiwo way, Kano	236,477	-	-	52,923	289,400
No.5, NBC road,off Ahmadu Bello way, Kaduna	168,241	-	-	34,259	202,500
No. 7, Usuma Cresent Maitama Abuja	403,765	-	-	26,234	429,999
No 6A/6B Usuma Cresent,Maitama, Abuja.	414,375	-	-	28,487	442,862
No 1, Eleko Close, Ikoyi,Lagos	450,000	-	-	130,000	580,000
No. 2, Eleko Close Ikoyi Lagos	375,000	-	-	145,000	520,000
No. 26, Abduraman Okene Cresent,Victoria Island. Lagos	370,000	-	-	180,000	550,000
Land at Odonla in Odogunyan Area of Ikorodu,Lagos	40,000		(40,000)		-
	2,457,858	-	**(40,000)**	**596,903**	**3,014,761**

9(c) Valuation techniques used for fair valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed by Messrs Yayok Associates, Emeka Orji partnership & Saibu Makinde Associates as at 31 December 2014. They are industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with 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 profit or loss as they occurred.

Investment properties are categorised as a level 2 fair value hierachy based on the unobservable inputs used in the valuation techniques. This category includes assets valued using unobservable inputs which are not readily available in an active market due to market illiquidity or complexity. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques.

The details of valuation techniques and significant observable inputs used in determining the fair value of investment properties are presented below:

Valuation techniques	Significant unobservable inputs	Inter- relationship between key of unobservable inputs and fair value measurement
The fair values of property located at no 2 bank road, off Ibrahim Taiwo way, Kano are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	- Prices per square meter (₦200,033) - Rate of development in the area - the property is situated at the heart of the city, where its prominantly a commercial neighbourhood. - Quality of the building - the structure is of high quality materials commensurate to the standard of the users. -Influx of people and/or businesses to the area - its prominantly commercial area.	The estimated fair value would increase/(decrease) if the rate of development increases/(decreases) in the area, quality of buiding increases or (decreases), influx of people and/ or business in the area increases or (decreases)
The fair values property located at no 5, nbc road, off Ahmadu Bello way, Kaduna are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	- Prices per square meter (₦41,416) - Rate of development in the area - 3rd populated city in Nigeria. - Quality of the building - the structure is of high quality materials commensurate to the stardand of the users. -Influx of people and/or businesses to the area - well populated.	The estimated fair value would increase/(decrease) if the rate of development increases/(decreases) in the area, quality of buiding increases or (decreases), influx of people and/ or business in the area increases or (decreases)
The fair values of property located at no 7, Usman cresent Maitama Abuja are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	- Prices per square meter (₦240,673) - Rate of development in the area -the proprty is situated in a high brow low density Residual neighbourhood. - Quality of the building - the structure is of high quality materials commensurate to the stardand of the users. -Influx of people and/or businesses to the area - its prominantly a commercial area.	The estimated fair value would increase/(decrease) if the rate of development increases/(decreases) in the area, quality of buiding increases or (decreases), influx of people and/ or business in the area increases or (decreases)
The fair values of property located at no 6A/6B Usman cresent, Maitama, Abuja are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	- Prices per square meter (₦202,174) Rate of development in the area -the proprty is situated in a high brow low density Residual neighbourhood. - Quality of the building - the structure is of high quality materials commensurate to the stardand of the users. -Influx of people and/or businesses to the area - its prominantly a commercial area.	The estimated fair value would increase/(decrease) if the rate of development increases/(decreases) in the area, quality of buiding increases or (decreases), influx of people and/ or business in the area increases or (decreases)
The fair values of property located at no 1, Eleko close, Ikoyi, Lagos are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	- Prices per square meter (₦598,958) - Rate of development in the area - the neighbourhood is fully developed and enjoys adequate infrastructural facilities. - Quality of the building- its relatively new and of good construction with standardised finishing materials. -Influx of people and/or businesses to the area - fully developed area.	The estimated fair value would increases/(decreases) if the rate of development increasess/(decreases) in the area, quality of buiding increases or (decreases), influx of people and/ or business in the area increases or (decreases)

Valuation technique	Significant unobservable inputs	Inter- relationship between key of unobservable inputs and fair value measurement
The fair values of property located at no 2. Eleko close Ikoyo, Lagos are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	- Prices per square meter (₦301.983) - Rate of development in the area - the neighbourhood is fully developed and enjoys adequate infrastructural facilities. - Quality of the building- its relatively new and of good construction with standardised finishing materials. -Influx of people and/or businesses to the area - fully developed area.	The estimated fair value would increase/(decrease) if the rate of development increases/(decreases) in the area, quality of buiding increases or (decreases), influx of people and/ or business in the area increases or (decreases)
The fair values of property located at no 26, Abduraman Okene cresent. Victoria Island are determined by applying the direct market evidence comparative method of valuation to derive the open market value. This valuation model reflects the current price on actual transaction for similar properties in the neighbourhood in recent time. References were made to prices of land and comparable properties in the neighbourhood. The data obtained were analysed and adjustment was made to reflect differences in site area and the actual location. quality of construction and off-site facilities.	- Prices per square meter (₦468.359) - Rate of development in the area - the neighbourhood is mostly developed and enjoys adequate infrastructural facilities. - Quality of the building- its relatively new and of good construction with standardised finishing materials. -Influx of people and/or businesses to the area - mostly developed neighbourhood.	The estimated fair value would increase/(decrease) if the rate of development increases/(decreases) in the area. quality of buiding increases or (decreases). influx of people and/ or business in the area increases or (decreases)

10 Property and equipment

	Leasehold Land	Freehold buildings	Computer Equipment	Furniture, Fittings	Motor vehicles	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost						
Balance at 1 January 2014	1,217,925	-	208,923	406,287	486,212	2,319,347
Transfer from prepayments	-	-	-	-	-	-
Reclassifications	(1,082,899)	1,082,899	-	10,288	-	10,288
Additions	2,623	5,444	12,601	32,365	68,760	121,793
Disposals	-	-	(2,869)	(20,973)	(77,191)	(101,033)
Balance at 31 December 2014	137,649	1,088,343	218,654	427,967	477,781	2,350,395
Balance at 1 January 2013	1,075,226	-	246,057	351,646	353,178	2,026,107
Transfer from investment properties	40,000	-	-	-	-	40,000
Additions	102,699	-	15,751	54,816	169,049	342,315
Disposals	-	-	(52,885)	-	(36,016)	(88,901)
Balance at 31 December 2013	1,217,925	-	208,923	406,462	486,211	2,319,521

Depreciation

	Leasehold Land	Freehold buildings	Computer Equipment	Furniture, Fittings	Motor vehicles	Total
Balance at 1 January 2014	62,795	-	177,619	302,416	277,669	820,499
Transfer/reclassifications	(62,795)	62,795	-	778	-	778
Charge for the year	16	45,711	16,253	41,984	90,492	194,456
Disposals			(2,626)	(20,973)	(76,817)	(100,416)
Balance at 31 December 2014	16	108,506	191,247	324,205	291,344	915,317
Balance at 1 January 2013	57,067	-	222,809	285,095	261,032	826,003
Charge for the year	5,728	-	8,401	16,788	48,406	79,323
Disposals	-	-	(52,885)	-	(31,769)	(84,654)
Balance at 31 December 2013	62,795	-	178,325	301,883	277,669	820,672
Carrying amounts						
Balance at 31 December 2014	137,633	979,838	27,407	103,762	186,437	1,435,078
Balance at 31 December 2013	1,155,130	-	30,598	104,579	208,542	1,498,849

(a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2013: nil)
(b) In the opinion of the directors, the market value of the Company's property and equipment is not less than the value shown in the financial statements
(c) The Company had no capital commitments as at the balance sheet date (2013: nil)
(d) The net carrying value of assets under finance lease are N24.4m (2013: N52.8m)

11 Intangible assets

	31-Dec-14	31-Dec-13
	₦'000	**₦'000**
Cost:		
At 1 January	165,007	152,766
Additions	-	12,241
At 31 December	165,007	165,007
Accumulated amortisation:		
At 1 January	132,121	126,712
Charge for the year	11,808	5,409
At 31 December	143,929	132,121
Carrying Amount as at 31 December	21,078	32,887

Intangible assets as at year end are made up of acquired computer software licenses.

12 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 cash amount held is considered to be a restricted cash balance.

	31-Dec-14	31-Dec-13
	₦'000	**₦'000**
Deposits with CBN	340,000	340,000
	340,000	340,000

13 Employee benefit obligations

The Company operates defined contribution pension plan based on the New Pension Act 2004, and a defined benefit gratuity plan based on employee's pensionable and other post-employment remuneration and length of service.

Defined benefit plan:

The Company offers its employees defined benefit plans in the form of gratuity scheme and long service awards. The Gratuity Scheme covers all employees who were in service as at 31 Decembe, 2014 and it is payable to an employee on resignation only if the employee has served the company for more than five years. The gratuity benefit is based on a percentage of an employee's annual emolument.

The company operates a Long Service Award scheme for its employees. Qualification for long service awards are 10 years, 15 years, 20 years, 25 years, 30 years and 35 years.

The defined benefit obligations are actuarially determined at the year end by H R Nigeria Limited with FRC number FRC/2012/NAS/00000000738. The actuarial valuation is done based on the "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to other comprehensive income.

The details of the defined benefit plans are as below:

13.1

	31-Dec-14	31-Dec-13
	₦'000	**₦'000**
Employees retirement benefits (see note 13.4)	170,197	166,963
Gratuity (outstanding liability) (see note 13.5)	(482,612)	(446,724)
Long Service Award (Outstanding liability) (see note 13.6)	(32,481)	(32,515)
Employee benefit liability	(515,093)	(479,239)

13.2

	31-Dec-14	31-Dec-13
Company's Asset for:-	**₦'000**	**₦'000**
– Pension benefits (Note 13.4)	363,743	418,732
Total	363,743	418,732

11 Intangible assets

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Cost:		
At 1 January	165,007	152,766
Additions	-	12,241
At 31 December	165,007	165,007
Accumulated amortisation:		
At 1 January	132,121	126,712
Charge for the year	11,808	5,409
At 31 December	143,929	132,121
Carrying Amount as at 31 December	21,078	32,887

Intangible assets as at year end are made up of acquired computer software licenses.

12 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 cash amount held is considered to be a restricted cash balance.

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Deposits with CBN	340,000	340,000
	340,000	340,000

13 Employee benefit obligations

The Company operates defined contribution pension plan based on the New Pension Act 2004, and a defined benefit gratuity plan based on employee's pensionable and other post-employment remuneration and length of service.

Defined benefit plan:

The Company offers its employees defined benefit plans in the form of gratuity scheme and long service awards. The Gratuity Scheme covers all employees who were in service as at 31 Decembe, 2014 and it is payable to an employee on resignation only if the employee has served the company for more than five years. The gratuity benefit is based on a percentage of an employee's annual emolument.

The company operates a Long Service Award scheme for its employees. Qualification for long service awards are 10 years, 15 years, 20 years, 25 years, 30 years and 35 years.

The defined benefit obligations are actuarially determined at the year end by H R Nigeria Limited with FRC number FRC/2012/NAS/00000000738. The actuarial valuation is done based on the "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to other comprehensive income.

The details of the defined benefit plans are as below:

13.1

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Employees retirement benefits (see note 13.4)	170,197	166,963
Gratuity (outstanding liability) (see note 13.5)	(482,612)	(446,724)
Long Service Award (Outstanding liability) (see note 13.6)	(32,481)	(32,515)
Employee benefit liability	(515,093)	(479,239)

13.2

	31-Dec-14	31-Dec-13
Company's Asset for:-	₦'000	₦'000
– Pension benefits (Note 13.4)	363,743	418,732
Total	363,743	418,732

		31-Dec-14	31-Dec-13
13.3	Company's obligations for:-	₦'000	₦'000
	– Pension benefits	(193,545)	(251,769)
	– Gratuity	(482,612)	(446,724)
	– Long Service Award	(32,481)	(32,515)
	Total Company's obligation	(708,638)	(731,008)
	Income statement charge for:-		
	– Pension benefits	(23,835)	(10,507)
	– Gratuity	96,822	123,153
	– Long Service Award	8,526	7,389
	Total (See note 35)	81,513	120,035
	Gain/ (loss) on other comprehensive income		
	-Adjustments for Net Pension Assets	(84,717)	107,086
	-Adjustments for Gratuity Obligations	33,618	(471)
	-Adjustments for Long-Service Awards Obligations	6,561	4,024
	Total (see note 25)	(44,538)	110,639

13.4 Pension benefits

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

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Present value of funded obligations	(193,545)	(251,769)
Fair value of plan assets	363,743	418,732
Asset in the statement of financial position	170,198	166,963

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Current	-	-
Non-current	170,198	166,963
Asset in the statement of financial position	170,198	166,963

The movement in the defined benefit obligation over the year is as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
At 1 January	251,769	302,327
Current service cost	-	-
Interest cost	30,600	38,731
Past service cost (including curtailments)	-	-
Actuarial losses/(gains)-assumption	(12,241)	-
Actuarial losses/(gains)-experience	38,949	(89,289)
Benefit paid by employer	(64,117)	-
Benefits paid by the Fund	(51,415)	-
At 31 December	193,545	251,769

The movement in the fair value of plan assets of the year is as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
At 1 January	418,732	351,697
Expected return on plan assets	54,435	49,238
Benefit paid from the fund	(51,415)	-
Actuarial gains/(losses)	(58,009)	17,797
At 31 December	363,743	418,732

The amounts recognised in the profit or loss are as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Current service costs	-	-
Net interest costs/income:		
- Interest costs	30,600	38,731
- Expected return on plan asset	(54,435)	(49,238)
At 31 December	(23,835)	(10,507)

The periodic pension and gratuity costs are included in the staff costs for the reporting period and treated as a single line item.

The principal actuarial assumptions used were as follows:

	31-Dec-14	31-Dec-13
Discount rate	15%	13%
Future pension increases	3%	3%
Inflation rate	9%	10%
Staff turnover rate(average)	N/A	N/A
Average staff promotion rate	N/A	N/A
Average mortality rate	N/A	N/A
Average salary increase	N/A	N/A

The average life expectancy in years of a pensioner retiring at age 65, at the end of the reporting period is as follows:

	31-Dec-14	31-Dec-13
Male	80	80
Female	84	84

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the end of the reporting period, is as follows:

	31-Dec-14	31-Dec-13
Male	80	80
Female	84	84

The sensitivity of overall pension liability to changes in the weighted principal assumptions is:

31-Dec-14

	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	5,061	(4,810)

31-Dec-13

	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	6,035	(5,711)

13.5 **Gratuity Benefits**

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

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Present value of funded obligations	-	-
Fair value of plan assets	-	-
	-	-
Present value of unfunded obligations	482,612	446,724
Liability in the statement of financial position	482,612	446,724

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Current	-	-
Non-current	(482,612)	(446,724)
Liability in the statement of financial position	(482,612)	(446,724)

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

	31-Dec-14	31-Dec-13
	₦'000	₦'000
At 1 January	446,724	365,181
Current service cost	36,888	31,987
Interest cost	59,934	46,730
Past service cost (including curtailments)	-	44,436
Benefits paid	(27,316)	(42,081)
Actuarial losses/(gains)	(33,618)	471
At 31 December	482,612	446,724

The amounts recognised in the profit or loss are as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Current service costs	36,888	31,987
Net interest costs/income:		
- Interest costs	59,934	46,730
- Expected return on plan asset	-	-
Past service costs (including curtailment)	-	44,436
At 31 December	96,822	123,153

The periodic pension and gratuity costs are included in the staff costs for the reporting period and treated as a single line item

The principal actuarial assumptions used were as follows:

	31-Dec-14	31-Dec-13
Discount rate	15%	13.5%
Future salary increases	12%	12%
Inflation rate	9%	9%
Staff turnover rate(average)	N/A	N/A
Average staff promotion rate	N/A	N/A
Average mortality rate	N/A	N/A
Average salary increase	N/A	N/A

The average life expectancy in years of a pensioner retiring at age 65, at the end of the reporting period is as follows:

	31-Dec-14	31-Dec-13
Male	N/A	N/A
Female	N/A	N/A

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the end of the reporting period, is as follows:

	31-Dec-14	31-Dec-13
Male	N/A	N/A
Female	N/A	N/A

The sensitivity of overall gratuity liability to changes in the weighted principal assumptions is:

31-Dec-14

	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	1,053	(1,045)
Future salary increases	-0.50%	0.50%	(2,154)	2,155

31-Dec-13

	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	2,947	(2,915)
Future salary increases	-0.50%	0.50%	(3,959)	3,976

13.6 Long Service Awards

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Present value of funded obligations	-	-
Fair value of plan assets	-	-
	-	-
Present value of unfunded obligations	32,481	32,515
Liability in the statement of financial position	(32,481)	(32,515)
Current	-	-
Non-current	(32,481)	(32,515)
Liability in the statement of financial position	(32,481)	(32,515)

The movement in the defined benefit obligation over the year is as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
At 1 January	32,515	31,008
Current service cost	4,284	3,560
Interest cost	4,242	3,829
Benefits paid	(1,999)	(1,858)
Actuarial losses/(gains)	(6,561)	(4,024)
At 31 December	32,481	32,515

The amounts recognised in the profit or loss are as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Current service costs	4,284	3,560
Net interest costs/income:		
- Interest costs	4,242	3,829
- Expected Return on plan asset	-	-
At 31 December	8,526	7,389

The principal actuarial assumptions used were as follows:

	31-Dec-14	31-Dec-13
Discount rate	15%	13.5%
Future salary increases	12%	12%
Inflation rate	9%	9%
Average staff promotion rate	N/A	N/A
Average salary increase	N/A	N/A

The average life expectancy in years of a pensioner retiring at age 65, at the end of the reporting period is as follows:

	31-Dec-14	31-Dec-13
Male	N/A	N/A
Female	N/A	N/A

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the end of the reporting period, is as follows:

	31-Dec-14	31-Dec-13
Male	N/A	N/A
Female	N/A	N/A

The sensitivity of overall long service award liability to changes in the weighted principal assumptions is:

31-Dec-14

	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	966	(923)
Future salary increases	-0.50%	0.50%	(631)	651
Inflation rate	-0.50%	0.50%	(405)	420

31-Dec-13

	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	1,105	(1,363)
Future salary increases	-0.50%	0.50%	(682)	714
Inflation rate	-0.50%	0.50%	(463)	490

14 Deferred Taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The movement in the net deferred tax assets/(liabilities) during the year are shown below:

In thousands of Naira

2014	Note	Net balance as at 1 January	Recognised in profit or loss	Recognised in OCI	Net balance as at 31 December 2014	Deferred tax asset	Deferred tax liabilities
Net Deferred tax assets							
Property and equipment, and software		(99,795)	109,677	-	9,882	9,882	-
Allowances for loans and receivables		37,916	(37,916)	-	-	-	-
Unrelieved loss		617,442	(110,245)	-	507,197	507,197	-
Employee benefits		143,771	22,847	(12,054)	154,564	154,564	-
Deferred tax assets		**699,334**	**(15,637)**	**(12,054)**	**671,643**	**671,643**	-
Deferred tax liabilities							
Investment properties		(148,068)	(32,688)	-	(180,756)	-	(180,756)
Deferred tax assets/(liabilities)		**551,266**	**(48,325)**	**(12,054)**	**490,887**	**671,643**	**(180,756)**

2013	Note	Net balance as at 1 January	Recognised in profit or loss	Recognised in OCI	Net balance as at 31 December 2013	Deferred tax asset	Deferred tax liabilities
Net Deferred tax assets							
Property and equipment, and software		(139,401)	39,606	-	(99,795)	-	(99,795)
Allowances for loans and receivables		543,695	(505,779)	-	37,916	37,916	-
Unrelieved loss		-	617,442	-	617,442	617,442	-
Employee benefits		118,856	23,849	1,066	143,771	143,771	-
Deferred tax assets		**523,150**	**175,118**	**1,066**	**699,334**	**799,129**	**(99,795)**
Deferred tax liabilities							
Investment properties		(88,378)	(59,690)	-	(148,068)	-	(148,068)
Deferred tax assets/(liabilities)		**434,772**	**115,428**	**1,066**	**551,266**	**799,129**	**(247,863)**

Deferred tax assets have been recognised in the account because it is probable that future taxable profit will be available against which the company can utilise the benefits therefrom.

There were no unrecognized deferred tax assets or liabilities as at 31 December 2014 (31 December 2013: Nil)

15 Deferred Income

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Deferred Rental Income (see note 15(a) below)	28,716	17,350
Deferred Commission Income (see note 15(b) below)	73,518	67,447
	102,234	84,797
Within one year	95,161	84,797
More than one year	7,073	-
	102,234	84,797

15(a) Deferred Rental Income

	31-Dec-14	31-Dec-13
	₦'000	₦'000
At 1 January	17,350	48,192
Additions during the year	28,716	-
Amortised for the year	(17,350)	(30,842)
Refunded for the year	-	-
At 31 December	28,716	17,350

15(b) Deferred Commission Income

This represents the unexpired portion of commission received from businesses ceded to Reinsurers as at the reporting date

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Balance at start of the year	67,447	44,482
Additions in the year	382,986	312,471
Amortization during the year	(376,915)	(289,506)
Balance as at year end	73,518	67,447

Analysis of deferred commission income by class of insurance are as follow:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Fire	22,081	21,957
Accident	9,718	4,830
Motor	14,719	18,869
Marine and aviation	7,154	7,338
Oil & Gas	10,320	9,083
Engineering	6,062	3,610
Bond	3,464	1,760
	73,518	67,447

16 Trade payables

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Reinsurance payables	164,714	431,363
YOA Insurance brokers- Premium received in advance	4,957,183	-
	5,121,897	431,363
Due within 1 - 12months	5,121,897	431,363
Due afer more than 12months	-	-
	5,121,897	431,363

17 Other liabilities

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Accruals	60,947	117,714
NAICOM levy	36,017	39,117
Other liabilities	367,129	442,357
Payables to related parties (Royal Exchange Microfinance Bank Ltd)	89	-
	464,182	599,188
Due within 1 - 12months	36,106	105,180
Due afer more than 12months	428,076	494,008
	464,182	599,188

18 Finance Lease Obligations

The Company leased certain of its property, plant and equipment under finance leases. The average lease term is 3 years. The Company has options to purchase the equipment for a nominal amount at the end of the lease terms. The Company's obligations under finance leases are secured by the lessors' title to the leased assets (see note 10).

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 18% to 22% (2013: 18% to 22%) per annum.

	Future minimum Lease Payments		Interest		Net present value of future lease payments	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Not later than one year	13,712	34,320	1,381	4,831	12,331	29,489
Later than one year and not later than 5 years	-	13,712	-	1,381	-	12,331
Later than 5 years	-	-	-	-	-	-
	13,712	48,032	1,381	6,212	12,331	41,820

19 Insurance contract liabilities

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Non-life business		
Unexpired risk (See note 19(b) below)	2,303,340	2,506,089
- Claims outstanding	1,495,477	1,441,397
- Incurred but not reported	934,928	855,087
Outstanding claims: (See note 19(c) below)	2,430,405	2,296,484
	4,733,745	4,802,573

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

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Fire	820,105	1,011,536
Accident	590,676	483,040
Motor	926,625	1,030,689
Marine	225,627	193,989
Oil and Gas	1,989,664	1,901,988
Engineering	141,159	152,931
Bond	39,889	28,400
	4,733,745	4,802,573

19(b) Unexpired Risk is summarised by type below

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Fire	339,394	330,197
Accident	161,786	124,707
Motor	601,759	550,569
Marine	66,740	65,616
Oil and Gas	1,044,107	1,338,775
Engineering	83,744	80,373
Bond	5,810	15,852
Total	2,303,340	2,506,089

19(c) Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring as at the reporting date.
Analysis of outstanding claims per class of non-life insurance business is shown below:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Fire	643,856	681,339
Accident	428,890	358,333
Motor	324,866	480,120
Marine	158,887	128,373
Oil and Gas	765,075	563,213
Engineering	74,751	72,558
Bond	34,080	12,548
Total	2,430,405	2,296,484

19(d) Hypothecation of Insurance Fund on Assets

	31-Dec-14		31-Dec-13	
	₦'000	₦'000	₦'000	₦'000
Insurance liabilities	-	4,733,745	-	4,802,573
Less Reinsurance recoverable:	-	-	-	-
Reinsurers' expense prepaid	912,846	-	1,030,254	-
Reinsurers' share of claims expense outstanding	436,159			
Reinsurers' share of incurred but not reported claim	396,570	(1,745,575)	865,928	(1,896,181)
Net insurance funds		**2,988,170**		**2,906,392**
Asset Cover:				
Quoted equity, not more than 50% of insurance liability	747,043		1,453,196	
Cash and cash equivalents	660,761		835,809	
Loans and receivables	1,040,000		-	
Federal government bond	99,990		110,178	
State government and Corporate bond	157,212		194,953	
Unlisted debentures	328		1,231	
Treasury Bills	6,145		100,038	
Mortgage loan	127,403		142,555	
Unquoted equity	298,817		179,598	
Total asset cover		**3,137,699**		**3,017,558**
Surplus in asset cover		**149,528**		**111,166**

20 Taxation

20.1 Charge for the year

	31-Dec-14	31-Dec-13
Recognised in profit or loss	₦'000	₦'000
Income tax	-	-
Education Tax	7,197	-
Technology Tax	1,594	5,395
	8,791	5,395
Deferred tax charge/(credit) (see note 14)	48,325	(115,428)
	57,116	(110,033)
Minimum tax	45,188	37,975
Recognised in other comprehensive income		
Deferred tax on remeasurement of defined benefit scheme (see note 14)	12,054	(1,066)

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004 as amended and Education Tax Act, CAP E4 LFN 2004.

Reconciliation of effective tax rate

	31-Dec-14		31-Dec-13	
	Tax rate	Amount	Tax rate	Amount
	%	₦'000	%	₦'000
Profit/(loss) before tax		159,413		611,578
Income tax using the domestic corporation tax rate	30%	47,824	30%	183,473
Non-deductible expenses	108%	172,497	6%	37,427
Tax exempt income	-39%	(61,751)	-55%	(336,328)
Tertiary education tax	5%	7,197	0%	-
Technology tax	1%	1,594	1%	5,395
Derecognition of tax losses	-69%	(110,245)	0%	-
	36%	57,116	-18%	(110,033)

20.2 Current income tax liabilities

	31-Dec-14	31-Dec-13
	₦'000	₦'000
At January 1	211,432	213,041
Charge for the year	53,979	43,370
Paid during the year	(42,745)	(44,979)
	222,666	211,432

21 Share capital

Share capital comprises

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Authorized share capital		
5,000,000,000 ordinary shares of N1 each	5,000,000	5,000,000
Ordinary share capital		
3,716,667,000 ordinary shares of N1 each	3,716,667	3,716,667
Addition during the year	650,000	-
4,366,666,000 ordinary shares of N1 each	4,366,667	3,716,667

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the end of the reporting period are dealt with in the subsequent period.

Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act of Nigeria.

During the year, the parent Company Royal Exchange Plc made additional investment of N1.04 billion in the issued shares of REGIC. The nomial value of N650 million has been accounted for in share capital, while the premium of N390 on the shares issued has been accounted for in share premium.

22 Share premium

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Beginning of the year	412,737	412,737
Additions during the year	390,000	-
As at year end	802,737	412,737

23 Contingency reserve

The Company maintains Contingency reserves for the general business in accordance with the provisions of S.21 (1) of the Insurance Act 2003.

In compliance with the regulatory requirements in respect of Contingency Reserve for general business, the Company maintains contingency reserve at the rate equal to the higher of 3% of gross premium or 20% of the total profit after taxation until the reserve reaches the greater of minimum paid up capital or 50% of net premium.

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Beginning of the year	880,373	678,366
Transfer from profit or loss account	201,579	202,007
As at year end	1,081,952	880,373

24 Retained earnings

The reserve comprises undistributed profit/ (loss) from previous years and the current year available for dividend distribution to the equity shareholders of the company (if approved at the Annual General Meeting). For the analysis of movement in Retained Earnings, see the 'Statement of Changes in Equity'

	31-Dec-14	31-Dec-13
	₦'000	₦'000
At the beginning of the year	1,090,345	978,107
Transfer from profit and loss	57,109	611,578
Transfer to contingency reserve	(201,579)	(202,007)
Dividend paid during the year	(148,667)	(297,333)
At end of the year	797,208	1,090,345

25 Other component of equity

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Balance at the beginning of the year	130,421	18,716
Fair value changes:		-
- Available for sale financial assets (see note 3(d))	55,653	
- Share of current year results in equity accounted investees (see note 8(a))	1,679	-
Total fair value changes in statement of changes in equity	57,333	-
Actuarial gains/(losses) on employee benefit obligations (see note 13.3)	(44,538)	110,639
Tax effects on OCI (see note 20.1)	(12,054)	1,066
At end of the year (see note 25 (b) below)	131,162	130,421

b Nature and purpose of other components of equity

Fair value reserves

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

Asset revaluation reserve

The revaluation reserve relates to the surplus on revaluation of land and building at the end of the financial period. Increases in the value of these assets are recognised in other comprehensive income and accumulated in assets revaluation reserve until the assets are derecognised.

Acturial reserves

Actuarial (surplus)/deficit on employee benefits represent changes in benefit obligation due to changes in actuarial valuation assumptions or actual experience differing from experience. The gains/losses for the year, net of applicable deferred tax asset/liability on employee benefit obligation, are recognized in other comprehensive income.

26 Reinsurance expenses

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Gross written reinsurance premiums	2,047,619	2,384,000
Change in reinsurance unearned premiums	117,408	(635,897)
Reinsurers' share of gross earned premiums	2,165,027	1,748,103

27 Fee and commission income

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Reinsurance commissions	376,915	289,506
	376,915	289,506

28 Analysis of insurance claims and benefits incurred by class are as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Motor and Accident	639,615	819,263
Fire and IAR	522,275	395,725
Marine	212,212	108,206
Engineering	67,837	(190,275)
Bond	21,532	8,976
Special Risk	512,603	831,410
	1,976,074	1,973,305

29 Insurance claims and benefits incurred - recoverable from reinsurers

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Motor and Accident	214,211	45,519
Fire and IAR	242,850	(30,863)
Marine	49,449	(20,677)
Engineering	107,710	(61,703)
Bond	15,818	3,826
Special Risk	(156,916)	309,422
	473,122	245,524

30 Underwriting expenses (fees, commissions and other acquisition expenses)

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Salaries & allowances - underwriting employees (35.1)	822,663	438,044
Accommodation costs	87,888	52,884
Communication Costs	340,576	204,932
Business and administration expenses	106,987	64,376
Acquisition costs:		
Insurance contracts - non-life	780,516	879,560
Amortisation of insurance contracts deferred acquisition costs	63,149	(181,705)
Other commissions	45,081	383,408
	2,246,859	1,841,499

31 Investment Income

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Dividend income (See note 31(a) below)	172,978	65,368
Interest income (See note 31(a) below)	160,663	96,427
Net realised gains/(losses) on financial assets (See note 31(a) below)	(3,476)	-
Net investment income	330,165	161,795
Changes in fair value	(68,130)	1,159,315
Total Investment Income	262,035	1,321,110

31(a) Analysis of investment income are shown below:

2014	Dividend income	Interest income	Net realised gains and losses	Changes in fair value	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Debt securities:					
•Available-for-sale	-	-	-	-	-
•At fair value through profit/loss	-	40,037	(3,476)	-	36,561
•Held for trading	-	-	-	-	-
•Loans & receivables (amortised cost)	-	6,905	-	-	6,905
Equity Securities:	-	-	-	-	-
•Available-for-sale	99,433	-	-	-	99,433
•At fair value through profit/loss	73,545	-	-	(395,007)	(321,462)
Investment properties	-	-	-	326,877	326,877
Cash and cash equivalents	-	73,115	-	-	73,115
Deposits with credit institutions	-	-	-	-	-
Mutual funds and unit trusts	-	-	-	-	-
Investment management income		40,606		-	40,606
	172,978	160,663	(3,476)	(68,130)	262,035

2013	Dividend income	Interest income	Net realised gains and losses	Changes in fair value	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Debt securities:					
•Held-to-maturity	-	-	-	-	-
•Available-for-sale	-	-	-	-	-
•At fair value through profit/loss	-	60,065	-	-	60,065
•Held for trading	-	-	-	-	-
•Loans & receivables (amortised cost)	-	9,565	-	-	9,565
Equity Securities:	-	-	-	-	-
•Available-for-sale	-		-	-	-
•At fair value through profit/loss	65,368	-	-	562,410	627,778
Investment properties		-	-	596,905	596,905
Cash and cash equivalents		25,206	-	-	25,206
Deposits with credit institutions	-		-	-	-
Mutual funds and unit trusts	-		-	-	-
Investment management income	-	1,591		-	1,591
	65,368	96,427	-	1,159,315	1,321,110

32 (Write back)/Allowance for impairment

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Impairment allowance/(Write back) on premium and other receivables - non-life business (see note 4(a)(i))	82,951	(191,243)
Impairment/(write back) on reinsurance receivables - (see note 4(b)(i))	11,123	(10,402)
Impairment allowance on other receivables (see note 7(b)(i))	6,352	26,094
Impairment allowance on dividend receivables (see note 7(e)(i))	4,828	-
Write back on allowance for other receivables (see note 7(b)(i))	(16,555)	(5,020)
Impairment allowance on financial assets	-	2,974
	88,698	(177,597)

33 Other operating income

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Rental Income	60,918	61,541
Profit on disposal of property and equipments	7,964	5,812
Interest income on staff loans	17,531	26,260
Recoveries of previously written off assets	11,209	-
Bonus payments by brokers	58,577	40,944
	156,199	134,557

31(a) Analysis of investment income are shown below:

2014

	Dividend income	Interest income	Net realised gains and losses	Changes in fair value	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Debt securities:					
*Available-for-sale	-	-	-	-	-
*At fair value through profit/loss	-	40,037	(3,476)	-	36,561
*Held for trading	-	-	-	-	-
*Loans & receivables (amortised cost)	-	6,905	-	-	6,905
Equity Securities:	-	-	-	-	-
*Available-for-sale	99,433	-	-	-	99,433
*At fair value through profit/loss	73,545	-	-	(395,007)	(321,462)
Investment properties	-	-	-	326,877	326,877
Cash and cash equivalents	-	73,115	-	-	73,115
Deposits with credit institutions	-	-	-	-	-
Mutual funds and unit trusts	-	-	-	-	-
Investment management income		40,606		-	40,606
	172,978	160,663	(3,476)	(68,130)	262,035

2013

	Dividend income	Interest income	Net realised gains and losses	Changes in fair value	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Debt securities:					
*Held-to-maturity	-	-	-	-	-
*Available-for-sale	-	-	-	-	-
*At fair value through profit/loss	-	60,065	-	-	60,065
*Held for trading	-	-	-	-	-
*Loans & receivables (amortised cost)	-	9,565	-	-	9,565
Equity Securities:	-	-	-	-	-
*Available-for-sale	-		-	-	-
*At fair value through profit/loss	65,368	-	-	562,410	627,778
Investment properties		-	-	596,905	596,905
Cash and cash equivalents		25,206	-	-	25,206
Deposits with credit institutions	-		-	-	-
Mutual funds and unit trusts	-		-	-	-
Investment management income	-	1,591		-	1,591
	65,368	96,427	-	1,159,315	1,321,110

32 (Write back)/Allowance for impairment

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Impairment allowance/(Write back) on premium and other receivables - non-life business (see note 4(a)(i))	82,951	(191,243)
Impairment/(write back) on reinsurance receivables - (see note 4(b)(i))	11,123	(10,402)
Impairment allowance on other receivables (see note 7(b)(i))	6,352	26,094
Impairment allowance on dividend receivables (see note 7(e)(i))	4,828	-
Write back on allowance for other receivables (see note 7(b)(i))	(16,555)	(5,020)
Impairment allowance on financial assets	-	2,974
	88,698	(177,597)

33 Other operating income

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Rental Income	60,918	61,541
Profit on disposal of property and equipments	7,964	5,812
Interest income on staff loans	17,531	26,260
Recoveries of previously written off assets	11,209	-
Bonus payments by brokers	58,577	40,944
	156,199	134,557

34 Foreign exchange (losses)/gains

	31-Dec-14	31-Dec-13
	₦'000	₦'000
(Loss)/Gains on translation of foreign currency transactions	33,440	(43,949)
	33,440	(43,949)

35 Management expenses

	Notes	31-Dec-14	31-Dec-13
		₦'000	₦'000
Salaries and allowances of other employees	35.1	378,886	714,704
Post employment defined benefit	13.3	81,513	120,035
Audit fees		11,500	11,400
Amortization of intangible assets	11	11,808	5,409
Promotional and advert expenses		7,530	10,608
Depreciation on property and equipment	10	194,456	79,323
Rent and rates		6,134	34,641
Directors' fees		7,548	7,814
Donations		1,440	3,392
Bank charges		39,555	43,118
Legal fee retainer		43,939	18,871
Insurance premium		57,696	43,615
Accounting consultancy Fee		8,611	19,879
Investment expenses		194,913	178,414
Penalties paid to NAICOM		2,630	1,215
Other administrative expenses		522,509	406,832
		1,570,669	**1,699,270**

35.1 Analysis of salaries and allowances are shown below:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Salaries & allowances - underwriting employees	822,663	438,044
Salaries and allowances of other employees	378,886	714,704
	1,201,549	**796,803**

36 Earnings per share

Basic and diluted earnings per share (kobo)	1.52	16.46

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	31-Dec-14	31-Dec-13
	₦'000	₦'000
Profit for the year attributable to owners of the company	57,109	611,578
Weighted average number of ordinary shares for the purpose of basic earnings per share	**Unit** *in thousands*	**Unit** *in thousands*
Number of ordinary shares in issue as at 1 January	3,716,667	3,716,667
Effect of shares issued in December 2014	35,890	-
Weighted-average number of ordinary shares in issue as at 31 December	3,752,557	3,716,667

37 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. Provision for outstanding claims of N2,296,484,000 (See table 37.1.1.1(d) below) was actuarially determined based on information presented below:

37.1.1 Reserving Methods and Assumptions - 31 December 2014

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 from year 2006 has been adopted in building the historical claims. In some cases, only the year of accidents or settlement was given and hence made it impossible to identify the exact period of the year when the accident or settlement was made. However, where such cases arose, we have assumed that the accident or settlement was made in the same year.

We have carried out our calculations using the following two (2) approaches explained below;

i **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 8 years cohorts by class of business – representing when they were paid after their accident year e.g. a year after 2008 etc. These cohorts are called loss development triangles

The incremental paid claims (2007-2014) 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

ii **The Inflation Adjusted 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. We have adopted the following official inflation index below;

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+	11.00%

The calculation are on two bases;

- By discounting the claims estimated to the valuation date at a discount rate of 10% p.a
- With no discounting

Assumptions

- Our methods assume the future claims follow a regression pattern from the historical data

Hence payment patterns will be broadly similar in each accident year. Thus the proportionate increases in the known cumulative payments from one development year to the next used to calculate the expected cumulative payments for the future development periods

- The run off period is six (6) years
- An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged in to the future.
- We assume gross claim amount includes all related claim expenses. If this is not the case, we will hold a separate reserve to cover claim expenses.
- BCL method adopted assumes past experience is not fully representative of the future
- Stochastic approach samples the loss development factors with replacement

Summary of Gross Outstanding Claims reserves

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

31 December 2014

Table 37.1.1.1: Basic Chain Ladder Method (Undiscounted)

Class of Business	Gross Outstanding Claims	Estimated Reinsurance Recoveries N'000	Net Outstanding Claims N'000
General accident	474,610,379	(74,568,305)	400,042,074
Engineering	60,955,305	(38,987,500)	21,967,805
Fire	710,046,590	(452,319,986)	257,726,604
Marine	173,366,655	(60,474,547)	112,892,108
Motor	327,500,308	(68,263,364)	259,236,944
Bond	34,079,764	(21,424,853)	12,654,912
Oil and gas	765,075,443	(162,859,301)	602,216,142
TOTAL	**2,545,634,444**	**(878,897,857)**	**1,666,736,589**

**Reserves for, Oil and Gas & Bond were based on Expected Loss Ratio Approach*

Applying discounting, the gross claims reserve will reduce from N2,546 billion above to N2,288billion leading to a net position of N1.502 billion as detailed in Table 37.1.1.1 (b) below

31 December 2014

Table 37.1.1.1 (b): Basic Chain Ladder Method (discounted)

Summary of Expected Outstanding Claims (Net of Reinsurance) - Discounted

Class of Business	Gross Outstanding Claims	Estimated Reinsurance Recoveries N'000	Net Outstanding Claims N'000
General accident	381,911,329	(60,003,914)	321,907,415
Engineering	60,955,305	(38,987,500)	21,967,805
Fire	617,845,102	(393,585,001)	224,260,101
Marine	146,118,993	(50,969,894)	95,149,099
Motor	282,704,350	(58,926,204)	223,778,146
Bond	34,079,764	(21,424,853)	12,654,911
Oil and gas	765,075,443	(162,859,301)	602,216,142
TOTAL	**2,288,690,286**	**(786,756,667)**	**1,501,933,619**

**Reserves for, Oil and Gas & Bond were based on Expected Loss Ratio Approach*

The Gross Outstanding Claims reserves under the Inflation Adjusted Chain Ladder method (IACL)

Applying inflation, the gross claims reserve will increase from N2.289 billion above to N2.669 billion leading to a net position of N1.773 billion as detailed in Table 37.1.1.1 (c) below

31 December 2014

Table 37.1.1.1 (c): Inflation Adjusted Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims N'000	Estimated Reinsurance Recoveries N'000	Net Outstanding Claims N'000
Accident	546,965,278	(85,936,329)	461,028,949
Engineering	63,769,706	(40,787,614)	22,982,092
Fire	689,668,713	(439,338,695)	250,330,018
Marine	189,454,751	(66,086,470)	123,368,281
Motor	379,899,005	(79,185,221)	300,713,784
Bond	34,079,764	(21,424,853)	12,654,911
Oil and gas	765,075,443	(162,859,301)	602,216,142
TOTAL	**2,668,912,660**	**(895,618,483)**	**1,773,294,177**

**Reserves for, Oil and Gas & Bond were based on Expected Loss Ratio Approach*

Should there be discounting, the gross claims reserve will reduce from N2.669 billion above to N2.430 billion leading to a net position of N1.598 billion as detailed in Table 37.1.1.1 (d) below:

31 December 2014

Table 37.1.1.1 (d): Discounted Inflation Adjusted Basic Chain Ladder Method

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	428,889,600	(67,384,895)	361,504,705
[illegible]	57,415,231	(36,723,240)	20,691,991
[illegible]	661,191,362	(421,197,808)	239,993,554
[illegible]	158,887,223	(55,423,766)	103,463,457
[illegible]	324,866,441	(67,714,368)	257,152,073
[illegible]	34,079,764	(21,424,853)	12,654,911
[illegible]	765,075,443	(162,859,301)	602,216,142
[illegible]	**2,430,405,064**	**(832,728,231)**	**1,597,676,833**

**Reserves for, Oil and Gas & Bond were based on Expected Loss Ratio Approach*

The discounted inflation adjusted basic chain ladder method resulted in a gross outstanding claims reserve of N2 430 billion leading to a net outstanding claims of N1 598 billion

37.1.2 Claims Data

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

The combined claims data, for all lines of business between 2007 and 2013, are summarized in Table 37.1.2.1 below.

31 December 2014
Table 37.1.2.1
Incremental Chain Ladder:

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	90,369	130,760	40,801	16,493	20,453	4,601	2,386	1,605
[illegible]	224,573	320,685	10,146	8,950	29,856	2,088	564	
[illegible]	267,763	144,617	172,929	35,249	23,592	16,790		
[illegible]	423,867	348,593	151,026	19,854	21,506			
[illegible]	690,737	1,100,807	274,558	104,755				
[illegible]	484,693	976,236	349,847					
[illegible]	703,893	571,066						
[illegible]	740,384							

Table 37.1.2.2(a) Cumulative Claims Development Pattern: Motor

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	13,391	8,411	4,318	4,083	1,604	325	1,686	255
[illegible]	30,101	10,914	934	1,504	1,750	-	439	
[illegible]	88,639	30,546	99,832	8,761	-	60		
[illegible]	219,570	156,838	6,546	1,268	2,906			
[illegible]	183,238	161,510	11,635	4,034				
[illegible]	236,986	190,408	16,572					
[illegible]	344,468	110,466						
[illegible]	372,604							

Table 37.1.2.2(b) Cumulative Claims Development Pattern: Marine

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	235	116	798	32	1	123		
[illegible]	5,094	13,421	902	2	2,993	-		
[illegible]	15,955	7,849	12,960	169	60	135		
[illegible]	11,390	13,740	4,545	1,674	13			
[illegible]	52,361	31,987	5,208	656				
[illegible]	25,040	28,365	1,420					
[illegible]	22,666	15,206						
[illegible]	30,022							

Table 37.1.2.2(c) Cumulative Claims Development Pattern: General Accident

Incremental Chain Ladder- Yearly Projections (N)								
Accident year	1	2	3	4	5	6	7	8
2007	246	17,808	3,409	2,586	2,238	3,115	700	
2008	28,038	22,092	3,571	4,596	8,527	2,076	87	
2009	49,304	46,466	32,266	8,745	13,906	5,126		
2010	25,344	52,033	17,162	5,342	5,944			
2011	35,326	66,368	22,754	5,372				
2012	46,970	70,541	23,711					
2013	46,991	40,337						
2014	49,033							

Table 37.1.2.2(d) Cumulative Claims Development Pattern: Fire

Incremental Chain Ladder- Yearly Projections (N)								
Accident year	1	2	3	4	5	6	7	8
2007	54,175	62,508	4,435	4,602	3,840	1,039	-	1,350
2008	116,006	3,304	1,505	678	405	11	38	
2009	31,420	3,701	9,303	332	1,635	644		
2010	70,296	88,760	1,913	2,668	7,384			
2011	86,312	134,821	52,933	2,234				
2012	29,082	170,000	52,421					
2013	156,771	171,249						
2014	117,750							

Table 37.1.2.2(e) Cumulative Claims Development Pattern: Engineering

Incremental Chain Ladder- Yearly Projections (N)								
Accident year	1	2	3	4	5	6	7	8
2007	8,837	11,723	14,266	5,190	5,421			
2008	1,540	24,632	3,234	2,171	-			
2009	6,031	2,640	129	12,620				
2010	24,733	23,407	27,994	494	133			
2011	16,971	126,448	-	35				
2012	76,351	5,686	15,381					
2013	4,011	19,522						
2014	4,697							

37.1.3 Reserving Methods and Assumptions - 31 December 2013

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 from year 2006 has been adopted in building the historical claims. In some cases, only the year of accidents or settlement was given and hence made it impossible to identify the exact period of the year when the accident or settlement was made. However, where such cases arose, we have assumed that the accident or settlement was made in the same year.

We have carried out our calculations using the following two (2) approaches explained below.

i **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 8 years cohorts by class of business - representing when they were paid after their accident year e.g. a year after 2008 etc. These cohorts are called loss development triangles.

The incremental paid claims (2007-2013) 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.

ii **The Inflation Adjusted 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. We have adopted the following official inflation index below;

Year	Inflation Index
2007	6.60%
2008	15.10%
2009	13.90%
2010	11.80%
2011	10.30%
2012	12.00%
2013	8.00%
2014+	10.00%

The calculation are on two bases;

By discounting the claims estimated to the valuation date at a discount rate of 10% p a

With no discounting

Assumptions

Our methods assume the future claims follow a regression pattern from the historical data

Hence payment patterns will be broadly similar in each accident year Thus the proportionate increases in the known cumulative payments from one development year to the next used to calculate the expected cumulative payments for the future development periods.

The run off period is six (6) years

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

We assume gross claim amount includes all related claim expenses If this is not the case, we will hold a separate reserve to cover claim expenses

We assume gross claim amount includes all related claim expenses. If this is not the case, we will hold a separate reserve to cover claim expenses.

The unearned premium reserve (UPR) is calculated on the assumption that risk will occur evenly during the duration of the policy

BCL method adopted assumes past experience is not fully representative of the future

Stochastic approach samples the loss development factors with replacement

Summary of Gross Outstanding Claims reserves - 31 December 2013

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

31 December 2013

Table 37.1.3.1(a): Basic Chain Ladder Method (Undiscounted)

Summary of Expected Outstanding Claims (Net of Reinsurance)

Class of Business	Gross Outstanding Claims	Estimated Reinsurance Recoveries N'000	Net Outstanding Claims N'000
Motor	503,146	(66,053)	437,093
Gen Accident	348,824	(30,011)	318,813
Marine	132,156	(42,043)	90,113
Fire**	762,104	(358,341)	403,763
Engineering	73,579	(5,481)	68,098
Bond	12,548	(5,607)	6,941
Aviation	-	-	-
Oil & Gas*	563,213	(358,391)	204,822
TOTAL	**2,395,570**	**(865,928)**	**1,529,642**

* Reserves for, Oil Gas & Bond were based on Expected Loss Ratio Approach

** Reserve for, Fire was calculated as our projection+ case estimate of large claims

Applying discounting, the gross claims reserve will reduce from N2.396billion above to N2.204 billion leading to a net position of N1.339billion as detailed in Table 37.1.3.1(b) below

31 December 2013

Table 37.1.3.1(b): Discounted Basic Chain Ladder Method

Summary of Expected Outstanding Claims (Net of Reinsurance) - Discounted

Class of Business	Gross Outstanding Claims ₦'000	Estimated Reinsurance Recoveries ₦'000	Net Outstanding Claims ₦'000
Motor	441,142	(66,053)	375,089
Gen. Accident	287,543	(30,011)	257,532
Marine	116,160	(42,043)	74,117
Fire **	720,026	(358,341)	361,685
Engineering	64,006	(5,481)	58,525
Bond	12,548	(5,607)	6,941
Oil &Gas *	563,213	(358,391)	204,822
TOTAL	**2,204,638**	**1,338,710**	**1,338,710**

* Reserves for, Oil Gas & Bond were based on Expected Loss Ratio Approach

** Reserve for, Fire was calculated as our projection+ case estimate of large claims

The Gross Outstanding Claims reserves under the Inflation Adjusted Chain Ladder method (IACL)

Applying inflation, the gross claims reserve will increase from N2.205 billion above to N2 518 billion leading to a net position of N1.652 billion as detailed in Table 37 1 3.1 (c) below

31 December 2013

Table 37.1.3.1(c): Inflation Adjusted Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims ₦'000	Estimated Reinsurance Recoveries ₦'000	Net Outstanding Claims ₦'000
Motor	550,376	(66,053)	484,323
Gen. Accident	439,850	(30,011)	409,839
Marine	146,856	(42,043)	104,813
Fire **	721,115	(358,341)	362,774
Engineering	83,768	(5,481)	78,287
Bond	12,548	(5,607)	6,941
Oil and gas *	563,213	(358,391)	204,822
TOTAL	**2,517,726**	**(865,928)**	**1,651,798**

* Reserves for, Oil Gas & Bond were based on Expected Loss Ratio Approach

** Reserve for, Fire was calculated as our projection+ case estimate of large claims

Should we allow for discounting, our gross claims reserve will reduce from N2.518billion above to N2.296billion leading to a net position of N1 43billion as detailed in Table 37 1 3.1(d) below

31 December 2013

Table 37.1.3.1(d): Discounted Inflation Adjusted Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims ₦'000	Estimated Reinsurance Recoveries ₦'000	Net Outstanding Claims ₦'000
Motor	480,120	(66,053)	414,067
Gen. Accident	358,333	(30,011)	328,322
Marine	128,372	(42,043)	86,329
Fire**	681,340	(358,341)	322,999
Engineering	72,558	(5,481)	67,077
Bond	12,548	(5,607)	6,941
Oil &Gas *	563,213	(358,391)	204,822
TOTAL	**2,296,484**	**(865,928)**	**1,430,556**

* Reserves for, Oil Gas & Bond were based on Expected Loss Ratio Approach

** Reserve for, Fire was calculated as our projection+ case estimate of large claims

The discounted inflation adjusted basic chain ladder method resulted in a gross outstanding claims reserve of N2.296 billion leading to a net outstanding claims of N1 43 billion.

37.1.4 Claims Data

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

The combined claims data, for all lines of business between 2006 and 2013, are summarized in Table 37.1 4.1 below.

Incremental Chain Ladder- Yearly Projections (N)							
Accident year	1	2	3	4	5	6	7
2007	90,369	130,760	40,801	16,493	20,453	4,601	2,386
2008	224,573	320,685	10,146	8,950	29,856	2,088	
2009	267,763	144.617	172.929	35,249	23,592	-	
2010	423,867	348,593	151,026	19,854	-	-	
2011	690,737	1,100,807	274,558	-	-	-	
2012	484,693	976,236	-	-	-	-	
2013	703,893	-	-	-	-	-	

A further summary of this data for each individual class of business is detailed below

Table 37.1.4.2(a) Cumulative Claims Development Pattern: Motor

Incremental Chain Ladder- Yearly Projections (N)							
Accident year	1	2	3	4	5	6	7
2007	13,391	8,411	4,318	4,083	1,604	325	1,686
2008	30,101	10,914	934	1,504	1,750	-	
2009	88,639	30,546	99,832	8,761	-	-	
2010	283,063	156,838	6,546	1,268	-	-	
2011	183,238	178,122	11,635	-	-	-	
2012	261,813	190,408	-	-	-	-	
2013	428,507	-	-	-	-	-	

Table 37.1.4.2(b) Cumulative Claims Development Pattern: Marine

Incremental Chain Ladder- Yearly Projections (N)						
Accident year	1	2	3	4	5	6
2007	235	116	798	32	1	123
2008	9,093	13,421	902	2	[illegible]	
2009	22,581	44,889	31,399	169	60	-
2010	11,390	18,465	4,545	1,674	-	-
2011	57,590	78,115	5,208	-	-	-
2012	38,772	141,400	-	-	-	-
2013	30,722	-	-	-	-	-

Table 37.1.4.2(c) Cumulative Claims Development Pattern: General Accident

Incremental Chain Ladder- Yearly Projections (N)							
Accident year	1	2	3	4	5	6	7
2007	246	22,626	16,984	2,586	9,587	3,115	700
2008	32,785	30,914	3,571	4,596	24,707	2,076	-
2009	119,092	62,840	32,266	13,368	21,506	-	-
2010	34,385	61,123	21,252	13,749	-	-	-
2011	46,626	79,662	42,615	-	-	-	-
2012	78,591	70,541	-	-	-	-	-
2013	72,157	-	-	-	-	-	-

Table 37.1.4.2(d) Cumulative Claims Development Pattern: Fire

Incremental Chain Ladder- Yearly Projections (N)						
Accident year	1	2	3	4	5	6
2007	35,310	62,508	4,435	4,602	3,840	1,039
2008	116,006	240,804	1,505	678	405	11
2009	31,420	3,701	9,303	332	1,635	-
2010	70,296	88,760	1,013	2,668	-	-
2011	386,312	606,217	52,933	-	-	-
2012	29,082	296,122	-	-	-	-
2013	156,771	-	-	-	-	-

Table 37.1.4.2(e) Cumulative Claims Development Pattern: Engineering

Incremental Chain Ladder- Yearly Projections (N)						
Accident year	1	2	3	4	5	6
2007	41,186	37,099	14,266	5,190	5,421	-
2008	36,589	24,632	3,234	2,171	-	-
2009	6,031	2,640	129	12,620	-	-
2010	24,733	23,407	27,994	494	-	-
2011	16,971	139,036	-	-	-	-
2012	76,351	19,186	-	-	-	-
2013	15,737	-	-	-	-	-

The actuarial valuation was done by:

MR. OLUROTIMI OKPAISE
Associate, Society Of Actuaries , USA/Nigeria
Fellow, Institute of Actuaries England/Nigeria
FRC/NAS/00000000738

38 Related party transactions:

The Company is a fully owned subsidiary of Royal Exchange Plc which owns 99.9% of the paid up share capital. During the year, the Company entered into commercial transactions with other companies within the Royal Exchange group.

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/(relationship)

Amounts receivable/(payable)	2014	2013
	₦'000	₦'000
Royal Exchange Plc (Parent)	206,584	40,245
Royal Exchange Prudential Life Assurance Plc (Fellow Subsidiary)	81,876	135,229
Royal Exchange Finance and Investment Ltd (Fellow Subsidiary)	11,425	2,013
Royal Exchange Microfinance Bank Ltd (Fellow Subsidiary)	(89)	684
Royal Exchange Healthcare Plc (Fellow Subsidiary)	46,792	60,080
	346,588	238,251

39 Contingencies and Commitments

a Commitments for expenditure

The Company has no commitment for capital expenditure at the reporting date.

However, the Company entered into a contract for the management and maintenance of some of its investment properties on annual basis, which will give rise to an annual expense of N1.275 million.

b Contingencies and commitments

Contingent liabilities

	2014	2013
	₦'000	₦'000
Legal proceedings and regulation(i)	2,155,916	2,506,249

(i)

There were certain litigations pending in some courts of law in Nigeria involving the Company either as plaintiff or defendant. Hence, in the opinion of the Directors, there are sufficient reasons to make provisions to the tune of the initial offer.

Contingent assets

The company has no contingent assets at the reporting date.

40 Events after the reporting period

There were no major events after the reporting period.

41 Compensation of key management personnel

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

	2014	2013
	₦'000	₦'000
Chairman	444	5,541
Other Directors	33,588	45,637
	34,032	51,178
Directors' fees	165	7,814
Emoluments as Executives	33,588	43,364
	33,753	51,178
The highest paid director	21,838	18,817

38 Related party transactions:

The Company is a fully owned subsidiary of Royal Exchange Plc which owns 99.9% of the paid up share capital. During the year, the Company entered into commercial transactions with other companies within the Royal Exchange group.

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/(relationship)

Amounts receivable/(payable)	**2014**	**2013**
	₦'000	**₦'000**
Royal Exchange Plc (Parent)	206,584	40,245
Royal Exchange Prudential Life Assurance Plc (Fellow Subsidiary)	81,876	135,229
Royal Exchange Finance and Investment Ltd (Fellow Subsidiary)	11,425	2,013
Royal Exchange Microfinance Bank Ltd (Fellow Subsidiary)	(89)	684
Royal Exchange Healthcare Plc (Fellow Subsidiary)	46,792	60,080
	346,588	238,251

39 Contingencies and Commitments

a Commitments for expenditure

The Company has no commitment for capital expenditure at the reporting date.

However, the Company entered into a contract for the management and maintenance of some of its investment properties on annual basis, which will give rise to an annual expense of N1.275 million.

b Contingencies and commitments

Contingent liabilities

	2014	**2013**
	₦'000	**₦'000**
Legal proceedings and regulation(i)	2,155,916	2,506,249

(i)

There were certain litigations pending in some courts of law in Nigeria involving the Company either as plaintiff or defendant. Hence, in the opinion of the Directors, there are sufficient reasons to make provisions to the tune of the initial offer.

Contingent assets

The company has no contingent assets at the reporting date.

40 Events after the reporting period

There were no major events after the reporting period.

41 Compensation of key management personnel

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

	2014	**2013**
	₦'000	**₦'000**
Chairman	444	5,541
Other Directors	33,588	45,637
	34,032	51,178
Directors' fees	165	7,814
Emoluments as Executives	33,588	43,364
	33,753	51,178
The highest paid director	**21,838**	**18,817**

The number of directors who received fees and other emoluments(excluding pension contributions) in the following ranges were:-

	2014	2013
2,000,001 - 5,000,000	1	4
Above N5,000,000	-	1

Employees remunerated at higher rates

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

	2014	2013
400001 - 500000	-	1
600001 - 700000	-	3
700001 - 800000	-	1
800001 - 900000	3	1
900001 - 1000000	6	12
1000001 - 2000000	10	49
2000001 - 3000000	124	79
3000001 - 4000000	17	15
4000001 - 5000000	38	23
5000001 - 6000000	15	19
6000001 - 7000000	12	14
7000001 - 8000000	8	6
8000001 - 9000000	3	2
9000001 - 10000000	2	3
10000001 - 12000000	6	3
12000001 - 18000000	4	2
18000001 - 22000001	1	-
	249	233

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

	2014	2013
Managerial	18	16
Senior staff	213	199
Junior staff	18	18
	249	233

The staff costs for the above persons was:

	2014	2013
	₦'000	₦'000
Salaries , wages and other allowances	1,284,197	1,110,870
Pension cost	40,476	41,878
	1,324,673	1,152,748
Pension Scheme		
At January		
Provision in the year	40,476	41,878
Remitted to Pension Fund Administrators	(40,476)	(41,878)
At 31 December	-	-

42 Contraventions

During the year, the Company contravened certain sections of the Insurance Act Cap I17 LFN 2004 and the NAICOM Insurance guideline 2009 and paid penalties as detailed below

	2014	2013
Description	**₦'000**	**₦'000**
NAICOM Guideline Re-statement of 2013 financial statements	100	100
NAICOM Guideline Non compliance with submission of personnel returns 2013	-	500
NAICOM Returns for quarterly returns 2013	-	545
NAICOM Guideline late submission of required information	-	70
Penalty for contravention on 2014 reinsurance treaty arrangement	500	-
Fine for non submission of 2013 quarter returns	2,000	-
	2,600	1,215

43 Solvency Margin requirements

The Company's solvency margin as at 31 December 2014 was ₦4.59 billion. This is ₦1.59 billion above the Company's required minimum solvency margin of N3 billion.

OTHER FINANCIAL INFORMATION

Royal Exchange General Insurance Company
FIVE YEAR FINANCIAL SUMMARY

	2014 ₦'000	2013 ₦'000	2012 ₦'000	2011 ₦'000	2010 ₦'000
ASSETS					
Cash and cash equivalents	5.617.944	835.809	796.973	984.074	526.178
Financial assets	3.193.407	2.542.277	2.082.693	2.042.301	2.006.987
Investment in associates	518.580	437.024	444.064	188.003	-
Deferred acqusition cost	327.004	390.154	208.448	166.984	80.586
Trade receivables	32.832	140.284	156.949	220.506	196.736
Other receivables and prepayment	1.133,203	1.040,217	1,112.204	1.245.974	1.882.051
Reinsurance assets	1.745.574	1.896.185	1.540,448	1.557.327	551,399
Statutory deposits	340.000	340.000	340,000	340.000	340.000
Intangible assets	21.078	32.887	26,054	21.731	34.496
Investment properties	3.341.640	3.014.763	2.457.858	2.343.403	2.137.553
Property and equipment	1.435.078	1,498.849	1.200.105	1.218.726	349,068
Employees retirement benefits/LSA	170.198	166.963	49.370	26.839	26.002
Deferred tax assets	671.643	699.334	523.150	378.652	252.228
Total Assets	**18,548,180**	**13,034,746**	**10,938,316**	**10,734,520**	**8,383,284**
EQUITY & LIABILITIES					
Share Capital & Reserves:					
Ordinary share capital	4.366.667	3.716.667	3.716.667	3.716.667	3.716.667
Share premium	802.737	412.737	412.737	412.737	4.081.606
Statutory contingency reserve	1.081.952	880,373	678,366	492.259	315.638
General reserve	797.208	1.090,345	978,107	639.504	(2.670.731)
Other component of equity	131.162	130,421	18.716	69.730	
Total Equity	**7,179,726**	**6,230,543**	**5,804,593**	**5,330,897**	**5,443,180**
Borrowings	15,552	5.723	17.953	33.370	116,381
Deferred income	102,234	84.797	92.674	139.492	8,071
Trade payables	5.121,897	431,363	340.760	585.337	11.244
Provision and other payables	464,182	599.188	151.253	329.767	226.781
Finance lease obligations	12,331	41.820	69.169	98.636	110,753
Insurance contract liabilities	4.733,745	4,802.573	3.764.306	3.625.853	1.932.018
Income tax payable	222,666	211.432	213.041	185,943	128.382
Deferred tax liabilities	180,756	148.068	88.378	77.332	-
Employees retirement benefits	515,093	479.239	396.189	327.893	406.474
Other liabilities					
Total Liabilities	**11,368,457**	**6,804,203**	**5,133,723**	**5,403,623**	**2,940,104**
Total Equity & Liabilities	**18,548,182**	**13,034,746**	**10,938,316**	**10,734,520**	**8,383,284**
TURNOVER AND PROFIT					
Gross premium written	6.719.311	6.733.550	6.197.230	5.887.383	3.620.874
Net premium earned	4.757.033	3.916.907	4.391.831	3.681.487	2.498.651
Profit/(Loss) before taxation	159.413	539,520	729.625	(190.424)	210.132
Profit/(Loss) after taxation	57.109	611.578	673,377	(340.636)	354.153
Earnings per share - Basic and Diluted (kobo)	1.52	16.46	18.12	(7.00)	10.00
Net asset per share (Naira)	1.64	1.68	1.56	1.43	1.46

The financial information presented above reflects historical summaries based on International Financial Reporting Standards.

STATEMENT OF VALUE ADDED
for the year ended 31 December 2014

	2014 ₦'000	%	2013 ₦'000	%
Net premium income	6,922,060		5,665,010	
Reinsurance, claims, commission and others	(5,599,145)		(3,642,085)	
	1,322,915	-	2,022,925	
Investment income	330,165		161,795	
Fees and commission income	376,915		289,506	
Other income	156,199		1,249,923	
Bought in goods and services	(594,707)		(1,509,679)	
Value added	1,591,487	100	2,214,470	100
Applied as follows:				
In payment of employees:				
- Salaries, wages and other benefits	1,201,549	78	1,272,783	42
In payment to government:				
- Taxation	51,012	2	43,370	9
For future replacement of assets and expansion of business:				
Depreciation	194,456	7	84,732	7
Contingency reserve	201,579	9	202,007	9
General reserve	(57,109)	4	611,578	33
		-		-
	1,591,487	100	2,214,470	100