Royal Exchange General Insurance Company Limited (RC: 725727)

Annual report
31 December 2017

Table of Contents

10 AUDITOR

Messrs. KPMG Professional Services, having completed the prescribed duration for the rotation of insurance companies of 5 years, shall no longer continue in office as auditors to the Company. In accordance with Section 357 (1) of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, a new auditor shall be appointed at the next annual general meeting of the Company.

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
10 April 2018

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2017

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 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, Cap C.20, Laws of the Federation of Nigeria, 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Auwalu Muktari
Chairman
(FRC/2013/IODN/00000004058)
10 April 2018

Benjamin Agili
Managing Director
(FRC/2016/CIIN/00000014211)
10 April 2018

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

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Royal Exchange General Insurance Company Limited:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Royal Exchange General Insurance Company Limited (the Company), which comprise the statement of financial position as at 31 December, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 87.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011 and the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of insurance contract liabilities

The risk

The Company has significant insurance contract liabilities amounting to ₦5.45 billion (2016: ₦5.3 billion). The valuation of insurance contract liabilities involves a high degree of subjectivity and complexity. The Directors exercise significant judgment and assumptions over future outcomes, including the following:

KPMG Professional Services, a Partnership established under Nigeria law, is a member of KPMG International Cooperative ("KPMG International"), a swiss entity. All rights reserved.

Registered in Nigeria No BN 986925

Partners:

Abiola F. Bada, Adewale K. Ajayi, Ayodele A. Soyinka, Adebisi O. Lamikanra, Ajibola O. Olomola, Chibuzor N. Anyanechi, Adekunle A. Elebute, Ayobami L. Salami, Ehile A. Aibangbee, Adetola P. Adeyemi, Ayodele H. Othihiwa, Goodluck C. Obi

KPMG

- The provisions for reported claims are based on historical experience, however, the eventual liabilities may differ from the estimated amounts.
- The estimation of the ultimate settlement amount of liabilities on long term insurance contracts and outstanding claims provisions involve economic assumptions and inputs such as inflation rates and discount rates whose eventual outcome is uncertain and may differ from the estimates.
- The estimation of the impact of claims events related to insurance contracts and liabilities that have occurred but not yet reported to the Company or for which the eventual outcome are uncertain.

The level of complexity, the assumptions and judgment involved in estimating these amounts make insurance contract liabilities a matter of significance to our audit.

How the matter was addressed in the audit

Our audit procedures included the following:

- We engaged our Actuarial Specialists to independently test and evaluate the reasonableness of the methodologies and assumptions used by the Company's external actuary to determine the insurance contract liabilities reported, taking into account available industry data and specific product features of the Company.
- We evaluated the reasonableness of the actuarial assumptions used by the Company's external actuary including assumptions on the projected cash flows, inflation rate and discount rate by comparing them to Company specific data and market trends.
- We assessed the Company's valuation methodology and assumptions for consistency between reporting periods. We engaged our Actuarial Specialists to assist in this regard.
- We tested the completeness and accuracy of the underlying data used to estimate the insurance contract liabilities to source documentation.
- We assessed the competence, independence and objectivity of the Company's external actuary.

The Company's accounting policies and critical accounting policies and critical accounting estimates and judgments and respective disclosure on insurance contract liabilities are included in note 3s(i), note 4B(i), note 23 and note 41.

Information Other than the Financial Statements and Audit Report thereon

The Directors are responsible for the other information which comprises the sections of Corporate information, Directors' report, Statement of Directors' responsibilities and Other national disclosures, but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

KPMG

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

KPMG

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

From the matters communicated with Board of Directors/Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and Section 28(2) of the Insurance Act 2003

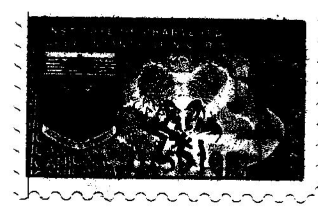
In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Penalties

The Company did not pay any penalty in respect of any contravention of the requirements of the National Insurance Commission of Nigeria's Operational Guidelines 2011 during the year.

Signed:

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
10 April 2018
Lagos, Nigeria



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 5,366,666,667 ordinary shares of ₦1 each.

2 Basis of preparation

(a) Statement of compliance with International Financial Reporting Standards

The financial statements for the year ended 31 December 2017 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 2003; and the National Insurance Commission of Nigeria ("NAICOM") circulars.

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet all it's financial obligations.

(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:

Measurement basis	*Details*
(i) At fair value	• Financial instruments at fair value through profit or loss
	• Available-for-sale financial assets
	• Investment properties
(ii) Measured at present value	• Retirement benefit obligations (assets) are measured in terms of the projected unit credit method
(iii) Measured at amortised cost	• Loans and receivables
	• Financial liabilities at amortised cost
(iv) Measured at actuarial value	• Insurance contract liabilities
(v) Cost plus share of profit	• Investment in associates

The Company adopts the accrual basis of accounting where it records accounting transactions for revenue when earned and expenses when incurred.

(d) Reporting period

The financial statements have been prepared for the 12 month period ended 31 December 2017.

(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) Changes in accounting policies

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2017, except for changes/amendments highlighted below:

Standards, amendments and interpretations effective during the reporting period

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017, and have been applied in preparing these financial statements.

Effective for the financial year commencing 1 January 2017

(i) *Disclosure Initiative (Amendments to IAS 7)*

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from financing activities.

(ii) *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this. Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The above mentioned amendments to the IFRS standards, adopted on 1 January 2017, did not have any effect on the Company's previously reported financial results or disclosures and had no material impact on the Company's accounting policies.

(g) Standards, amendments and interpretations issued but not yet effective

(i) *IFRS 9 Financial 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.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. 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.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The Company has opted to defer the adoption of IFRS 9 till 2021 when IFRS 17, Insurance Contracts will be effective as permitted.

(ii) ***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 no significant impact on the Company, since the significant portion of the Company's revenue is recorded using IFRS 4, Insurance contracts. Furthermore, investment income is recognised under the scope of IAS 39, Financial instruments, Recognition and Measurement.
The Company is yet to assess the impact of the initial application of IFRS 15 on its financial statements, however, the company will adopt the standard for the year ending 31 December 2018.

(iii) ***IFRIC 22 Foreign currency transactions and advance consideration***

The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.

The amendments clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies when a Company:
• pays or receives consideration in a foreign currency; and
• recognises a non-monetary asset or liability – e.g.. non-refundable advance consideration – before recognising the related item.

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

Based on preliminary assessment of the Company, the interpretation is not expected to have significant impact on the financial statements.

(iv) ***Transfer of Investment property (Amendments to IAS 40)***

The IASB has amended the requirements of IAS 40 Investment Property on when a Company should transfer a property to, or from, investment property.
The amendments state that a transfer is made when and only when there is a change in use:
– i.e. an asset ceases to meet the definition of investment property and there is evidence of a change in use. A change in management intention alone does not support a transfer.
A company has a choice on transition to apply:
• the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or
• the retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight. The Company will adopt the amendments for the year ending 31 December 2018.

(v) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)*

The differing effective dates of IFRS 9 Financial Instruments and the new insurance contracts standard could have a significant impact on insurers. In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the IASB has issued amendments to IFRS 4 Insurance Contracts. The amendments reduce the impacts, but companies need to carefully consider their IFRS 9 implementation approach to decide if and how to use them. The two optional solutions raise some considerations which require detailed analysis and management judgement.

The optional solutions are:

1. Temporary exemption from IFRS 9 – Some Companies are permitted to continue to apply IAS 39 Financial Instruments: Recognition and Measurement. To qualify for this exemption the Company's activities need to be predominantly connected with insurance.

2. Overlay approach – This solution provides an overlay approach to alleviate temporary accounting mismatches and volatility. For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

The amendments are effective for annual periods commencing on or after 1 January 2018

The Company has opted to defer the adoption of IFRS 9 till 2021 when IFRS 17 Insurance Contracts will be effective as permitted

(vi) *IFRS 16 Leases*

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

a. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
b. depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2019.

(vii) *IFRIC 23 Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

a) judgments made;
b) assumptions and other estimates used;
c) the potential impact of uncertainties that are not reflected.

Based on preliminary assessment of the Company, the amendments are not expected to have significant impact on the financial statements.
IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Early adoption is permitted

(viii) *Long-term interests in associates and joint ventures (Amendments to IAS 28)*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Company has opted to defer the adoption of IFRS 9 till 2021 when IFRS 17, Insurance Contracts will be effective as permitted. In addition, the Company's investment in associates is accounted for using the equity method, consequently, the amendments are not expected to have significant impact on the financial statements.

(ix) *IFRS 17 Insurance contracts*

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:
- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The Company is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements. The standard is effective for annual periods beginning on or after 1 January 2021. Early adoption is permitted

3 Summary of Significant Accounting Policies

The Company consistently applied the following accounting policies to the periods presented in the financial statements

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Insurance and reinsurance contracts that generate cash flows in a foreign currency are treated as monetary items.
Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in Other Comprehensive Income (OCI):

• available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

(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

The classification of the Company's financial instruments depends on the nature and purpose of the instruments and are determined at the time of initial recognition.

(i) Classification of Financial Assets

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,
• Loans and receivables

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. This includes the Company's investment in quoted equities, treasury bills and FGN Bonds.

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. 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. This comprises of staff mortgage loans, trade receivables, statutory deposit and other receivables

(ii) Classification of Financial Liabilities
Financial liabilities can be classified as at fair value through profit or loss or as other financial liabilities. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. The rest of the financial liabilities are classified as other financial liabilities.

Financial liabilities have been recognised in the statement of financial position and measured in accordance with their assigned classifications.

The Company's financial liabilities are classified as other financial liabilities. They include borrowings, bank overdrafts, trade and other payables.

(iii) Initial recognition and measurement
All financial instruments are initially recognized at fair value, which includes directly attributable transaction costs for financial instruments that are not classified as fair value through profit and loss.

(iv) Subsequent measurement
Subsequent to initial 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 measured 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 measured 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 or other quoted 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 measured 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 fair value 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 recognised in profit or loss when the Company's right to receive the dividends is established.

Loans and receivables
Loans and receivables comprises mortgage loans, trade receivables and other receivables.

Loans and receivables, after initial measurement, are measured at amortised cost, using the effective interest rate method less any impairment (if any). Amortised 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 to staff members 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.

Trade receivables arising under insurance contracts are recognized when due. These include premium due from agents, brokers, co-assurers and insurance contract holders for which credit notes issued are within 30 days, in conformity with the "NO PREMIUM NO COVER" policy. Trade receivables are stated at cost less impairment.

Financial liabilities
Subsequent to initial recognition, other financial liabilities are measured at amortised cost.

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.

(v) 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.

The fair value of a non-interest bearing liability is stated at the invoice amount if the impact of discounting is not material

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

(vi) Impairment of financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is 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.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant or a period of nine months to be prolonged. However, in specific circumstances a smaller decline or a shorter period might have been appropriate

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.

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

Available-for-sale financial assets (AFS)

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss

(vii) De-recognition of financial assets and financial liabilities

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.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(d) 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.

(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 recorded in principle equal to loans and other receivables.

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 impairment loss is calculated and recognised following the same method used for loans and receivables.

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 recognising 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 profit or loss systematically over the life of the contracts at each reporting date.

(g) Prepayments and other receivables

Prepayments are essentially prepaid rents and staff upfront payments. Other receivables are carried at amortised cost less accumulated impairment losses.

Other receivables balances include dividend receivable, intercompany receivables, accrued rental income and security holding trust account.

Intercompany receivables consist of receivables from the parent company, Royal Exchange Plc and other components within the Royal Exchange group. The Company recognises intercompany recievables when they are originated. Intercompany recievables are measured at amortised cost less accumulated 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'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 impairment amount 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 fair value, 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 an external valuer who is accredited by the Financial Reporting Council of Nigeria.

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 profit or loss 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 separate items (major components) of property and equipment.

Subsequent costs

Subsequent expenditures are recognized in the carrying amount of the asset or as a separate 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 recognised 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.

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

Freehold and leasehold land are not depreciated.

Buildings		50 years
Furniture and office equipment		5 years
Motor vehicles	- New	4 years
	- Salvage	3 years
Computer hardware		4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

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 profit or loss of the year that the asset is de-recognized.

(k) Intangible Assets

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.

Intangible assets which are not available for use are tested for impairment annually. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

An intangible asset shall be derecognised by the Company on disposal; or when no future economic benefit are expected from its use or disposal. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is recognised.

(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.

Current tax

Current Tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of those years.

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 (i) 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 (ii) 0.125% of revenue in excess of N500,000). Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. 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 the income tax line as Minimum tax.

Deferred Tax

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such deferred tax assets and liabilities are not recognised 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 assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable differences is insufficient to recognise the deferred tax asset in full, then future taxable profits adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; these reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

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.

(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 23(f) 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. The Company's borrowings are measured at amortised cost.

(p) Deferred Income

Deferred income comprises deferred rental income and deferred commission.

Deferred Rental Income relates to rents received in advance. These are amortised and recognised in 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 and recognized in profit or loss systematically over the life of the contracts at each reporting date.

(q) Provisions, contingent liabilities and assets

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).

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

(r) Finance and operating lease obligations

These are the corresponding liabilities on assets acquired under finance lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized in the year which they relate in profit or loss.

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.

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

(s) 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.

Unearned premium provision

The provision for unearned premiums represents the proportion of premiums written in the periods up to the accounting date that relate to the unexpired terms of policies in force at the end of the reporting date. This is estimated to be earned in subsequent financial periods, computed separately for each insurance contract using a time apportionment basis.

Reserve for unexpired risk

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

Reserve for outstanding claims

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

Reserve for incurred but not reported claims (IBNR)

A provision is made for claims incurred but not yet reported as at the end of the financial year. This provision is based on the liability adequacy test report.

Liability Adequacy Test

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

(ii) Recognition and Measurement of Insurance Contract

Premium

Gross written premiums for general insurance contracts 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 premiums are stated gross of commissions and taxes payable 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.

Reinsurance

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

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

Claims

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

(t) Employee Benefits

(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.

(a) 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 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 calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income (OCI). The Company determines the net interest expense

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(b) Other Long term benefits

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.

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

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

(u) Capital and Reserves

(i) Share capital

The equity instruments issued by the Company 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. This amount can be utilized as provided in Section 120(3) of Companies Allied Matters Act. The share premium is classified as an equity instrument in the statement of financial position.

(iii) 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.

(iv) Retained Earnings

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

(v) Fair value reserves

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

(vi) Actuarial Gain/(Loss) Reserve

Actuarial gain/(loss) 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.

(vii) 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 shareholders are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act of Nigeria.

(v) Revenue Recognition

(i) Gross Premium Written

Gross premiums written 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 and interest income on loans and receivables, realized gains and losses as well as unrealized gains and losses on fair value assets.

Interest income

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend income

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

Realised and Unrealised 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 carrying value as recorded on occurrence of the sale transaction. Unrealised 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. Other operating income is recognized on an accrual basis.

(w) 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.

4 Critical accounting estimates and judgments

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

A Judgements

(i) *Determination of significant influence over investees*

Management applies its judgement to determine whether the Company should equity account for its' investment in associates. According to IAS 28, a 20% or more interest in an investee leads to a rebuttable presumption that the investor has significant influence over the investee.

The Company holds a direct interest of 26% in CBC EMEA and 33% in Royal Exchange Healthcare Limited (REHL). Management has considered the fact and circumstances, including the representation of the Company on the board of CBC EMEA and REHL and has concluded that the Company has significant influence over CBC EMEA and REHL and the entities are associates of the Company.

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 2017 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 41.

Changes in the outcome of the assumption can have a significant impact on the total recorded liabilities arising from insurance contracts and the claims expenses.

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

Investment in equity securities are evaluated for impairment on the basis described in accounting policies note 3(c)(vi). 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 estimation relating to the period over which the losses occur. In obtaining this estimate, 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 9 months, 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 applied in determination of fair value of financial assets are as shown in the statement of accounting policies note 3 (c)(v).

(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 neighbourhood properties were also considered in deriving the open market values. Other key assumptions are as disclosed in Note 13 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 17.

(vi) Current income tax

The current income tax charge is calculated on taxable income on the basis of the tax laws enacted or substantively enacted at the reporting date. The Company applies general tax rules and the Directors have adopted current tax practices in computing the tax liabilities. Actual results may differ from these estimates based on the interpretation by the tax authorities. The Directors acknowledge that changes in the application of the current tax practices can have a significant impact on the tax expense and tax liabilities recorded in the financial statements.

(vii) ***Deferred tax assets***

Recognised deferred tax assets (See note 18) are measured at the tax rates enacted or substantively enacted at the end of the reporting period and represents those amounts that are probable of realisation taking into account management's estimates of future taxable profits. In determining estimates of future taxable profit against which deductible amount can be utilised, management has considered the existence of taxable temporary differences that will reverse in the same year that deductible amounts will reverse. Management's estimate of future taxable profits has been determined on the basis of a three year profit forecast. Management affirms that assumptions underlying the three year forecast leading to recognition of a part of the deferred tax assets relating to unrelieved losses and unutilized capital allowances are reasonable given the Company's restructured operations and there are no objective indictors to suggest that the recognised deferred tax assets will not be realized. Management iterates that the amount of recorded deferred tax asset that ultimately will be realized can be materially different, both negative and positive and will depend on the outcome of the restructuring of the Company and its business.

(viii) ***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.

(ix) ***Depreciation/amortisation and carrying value of property and equipment and intangible assets***

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 the assets will have an impact on the carrying value of these items. Depreciation and amortisation are recognised on the basis described in accounting policies note 3(j) and 3(k)

Statement of Financial Position
for the year ended 31 December

	Note	31-Dec-17 ₦'000	31-Dec-16 ₦'000
ASSETS			
Cash and cash equivalents	6	11,333,888	9,615,160
Financial assets			
-Available for sale	7(a)	440,212	409,316
-Fair value through profit or loss	7(b)	1,311,082	1,075,988
-Loans and receivables	7(c)	91,671	943,409
Trade receivables	8	35,646	47,587
Reinsurance assets	9	2,212,548	2,189,935
Deferred acquisition cost	10	248,260	283,338
Prepayments and other receivables	11	3,255,642	1,082,007
Investment properties	13	3,660,719	3,741,609
Investment in associates	12	418,421	415,429
Property and equipment	14	1,814,563	1,887,386
Intangible assets	15	1,389	5,907
Statutory deposits	16	340,000	340,000
Employees retirement benefits	17(d)	258,135	234,011
Deferred tax assets	18	235,968	339,360
Total assets		25,658,144	22,610,442
LIABILITIES			
Bank overdrafts	6	49,068	63,718
Trade payables	20	9,910,957	8,313,225
Current income tax liabilities	24	266,976	262,572
Insurance contract liabilities	23	5,446,009	5,398,979
Deferred income	19	143,798	162,942
Borrowings	22(b)	330,499	-
Finance lease obligations	22(a)	89,061	103,925
Employee benefit liability	17(a)	28,358	29,995
Deferred tax liabilities	18	248,565	239,396
Other liabilities	21	880,894	1,052,868
Total liabilities		17,394,185	15,627,620
EQUITY			
Share capital	25	5,366,667	4,366,667
Share premium	26	802,737	802,737
Contingency reserve	27	1,849,430	1,558,477
Retained earnings	28	44,853	70,087
Other component of equity	29	200,272	184,854
Total equity		8,263,959	6,982,822
Total equity and liabilities		25,658,144	22,610,442

These financial statements were approved by the Board of Directors on 10 April 2018 and signed on behalf of the board of directors by:

Auwalu Muktari
Chairman
(FRC/2013/IODN/00000004058)

Benjamin Agili
Managing Director
(FRC/2016/CIIN/00000014211)

Additionally certified by:

Olalekan Jayeola
Chief Financial Officer
(FRC/2012/ICAN/00000000460)

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

	Note	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Gross premium written:	30(a)	9,698,433	8,995,530
Unearned premium	30(a)	502,177	(235,875)
Gross premium income		10,200,610	8,759,655
Reinsurance expenses	31	(5,964,836)	(3,980,993)
Net premium income		4,235,774	4,778,662
Fees and commission income	32	467,565	428,420
Net underwriting income		4,703,339	5,207,082
Insurance claims and benefits incurred	33(a)	(2,796,750)	(2,717,310)
Insurance claims and benefits incurred - recoverable from reinsurers	33(b)	1,449,260	993,505
Net claims expenses		(1,347,490)	(1,723,805)
Underwriting expenses	34	(2,021,522)	(1,878,225)
Total underwriting expenses		(3,369,012)	(3,602,030)
Underwriting profit		1,334,327	1,605,052
Net investment income	35	586,688	272,338
Share of profit/(loss) on investment in associate	12	3,897	(79,253)
Net fair value gain on financial assets	35(a)	200,117	372,040
Impairment allowance	36	(147,068)	(171,364)
Other operating income	37	98,711	217,280
		742,345	611,041
Net income		2,076,672	2,216,093
Foreign exchange loss	38	(2,218)	(36,683)
Management expenses	39	(1,624,775)	(1,893,996)
Expenses		(1,626,993)	(1,930,679)
Profit before minimum taxation		449,679	285,414
Minimum tax	24(a)	(55,602)	(46,424)
Profit before taxation		394,077	238,990
Income tax credit/(charge)	24(a)	(128,358)	(154,926)
Profit after taxation		265,719	84,064
Other comprehensive income, net of tax			
Items that will never be classified in profit or loss			
Net actuarial losses on employee benefits	17(c)	(14,005)	73,372
Tax effects on Employee benefits	18	4,546	(4,890)
Items that may be classified to profit or loss:			
Share of current year results in associates	12	(905)	(5,988)
Fair value changes on available for sale assets	7(d)	25,782	49,906
Total other comprehensive income, net of tax		15,418	112,400
Total comprehensive income for the year		281,137	196,464
Total comprehensive income attributable to shareholders		281,137	196,464

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

Statement of Changes in Equity
31 December 2017

	Share capital	Share Premium	Contingency Reserve	Retained Earnings	Actuarial Gain/(Loss) Reserve	Fair value reserve	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance as at 1 January 2017	4,366,667	802,737	1,558,477	70,087	68,971	115,883	6,982,822
Profit for the year	-	-	-	265,719	-	-	265,719
Transfer to Contingency Reserve (see note 27)	-	-	290,953	(290,953)	-	-	-
Other comprehensive income:							-
Net actuarial gains/(losses) on defined benefit obligations	-	-	-	-	(14,005)	24,877	10,872
Tax effects on other comprehensive income	-	-	-	-	4,546	-	4,546
Total comprehensive income for the year	-	-	290,953	(25,234)	(9,459)	24,877	281,137
Transactions with owners of the Company:							
Dividend paid	-	-	-	-	-	-	-
Capital addition	1,000,000	-	-	-	-	-	1,000,000
Total contribution and distributions to equity holders	1,000,000	-	-	-	-	-	1,000,000
As at 31 December 2017	5,366,667	802,737	1,849,430	44,853	59,512	140,760	8,263,959

31 December 2016

	Share capital	Share Premium	Contingency Reserve	Retained Earnings	Actuarial Gain/(Loss) Reserve	Fair value reserve	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance as at 1 January 2016	4,366,667	802,737	1,288,611	255,889	489	71,965	6,786,358
							-
Profit for the year	-	-	-	84,064	-	-	84,064
Transfer to Contingency Reserve (see note 27)	-	-	269,866	(269,866)	-	-	-
Other comprehensive income:							-
Net actuarial gains/(losses) on defined benefit obligations	-	-	-	-	73,372	43,918	117,290
Tax effects on other comprehensive income	-	-	-	-	(4,890)		(4,890)
Total comprehensive income for the year	-	-	269,866	(185,802)	68,482	43,918	196,464
Transactions with owners of the Company:							
Dividend paid	-	-	-	-	-	-	-
Total contribution and distributions to equity holders	-	-	-	-	-	-	-
As at 31 December 2016	4,366,667	802,737	1,558,477	70,087	68,971	115,883	6,982,822

Statement of Cash Flows
for the year ended 31 December

	Note	31-Dec-17 ₦'000	31-Dec-16 ₦'000
Cash flows from operating activities			
Insurance premium received from customers	40(a)	9,710,374	9,118,082
Net premium received in advance	40(c(i))	1,287,113	2,986,901
Insurance benefits and claims paid to customers	40(b)	(2,247,543)	(1,988,490)
Outward reinsurance premium paid	40(c(ii))	(5,079,204)	(4,390,160)
Fees and commission received	40(d)	437,476	462,937
Claim recoveries made from reinsurers	40(e)	851,633	744,603
Commissions paid	40(f)	(705,995)	(736,254)
Cash payment to employees, intermediaries and other suppliers	40(g)	(4,916,039)	(2,385,642)
Income tax paid	24(b)	(62,449)	(46,368)
VAT paid		-	(16,882)
Net cash flow (used in)/from operating activities		(724,634)	3,748,727
Cash flows from investing activities			
Purchase of property and equipment	14	(31,402)	(139,639)
Proceeds from sale of property and equipment	40(h)	5,411	5,487
Purchase of financial assets	7(d)	(711,641)	(246,202)
Rental income from investment properties	40(j)	77,151	59,905
Interest income received	40(k)	454,630	172,183
Dividend income received	40(i)	88,466	95,268
Proceeds on redemption/disposal of financial assets	7(d)	1,647,508	449,045
Net cash flow from investing activities		1,530,123	396,047
Cash flows from financing activities			
Proceeds from issue of share capital	25	1,000,000	-
Payment of finance lease liabilities		(57,913)	(35,250)
Net cash flow from/(used in) financing activities		942,087	(35,250)
Net cash increase in cash and cash equivalents		1,747,576	4,109,524
Cash and cash equivalents, beginning of year	6	9,551,442	5,478,601
Effect of movement in exchange rates on cash held		(14,198)	(36,683)
Cash and cash equivalents, end of year		**11,284,820**	**9,551,442**

5 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 analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

(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 measured at fair value 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 are used within the valuation model. There is no standard model for the determination of the fair value of financial assets 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, of which the valuation incorporates 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, analysed into Levels 1 to 3 based on the degree to which the fair value is observable.

Notes to the financial statements

31 December 2017		Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	7(b)	907,980	-	-	907,980
Treasury bills	7(b)	289,130	-	-	289,130
Federal Government Bonds	7(b)	113,972	-	-	113,972
		1,311,082	-	-	1,311,082
Available for sale financial assets:-					
Quoted equity shares	7(a)	84,528	-	-	84,528
Total financial assets measured at fair value		1,395,610	-	-	1,395,610

31 December 2016		Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	7(b)	945,620	-	-	945,620
Treasury bills	7(b)	20,603	-	-	20,603
Federal Government Bonds	7(b)	-	-	-	-
		966,223	-	-	966,223
Available for sale financial assets:-					
Quoted equity shares	7(a)	84,528	-	-	84,528
Total financial assets measured at fair value		1,050,751	-	-	1,050,751

Financial instruments not measured at fair value

The fair value information for other financial assets and financial liabilities not measured at fair value has not been disclosed because their carrying amount is a reasonable approximation of its fair value.

These financial assets and liabilities include:

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and current balances with banks.
The carrying amount of current balances with banks is a reasonable approximation of fair value which is the amount receivable on demand.

Loans and receivables

The estimated fair value of loans and receivables amounts to ₦86.9million. Loans and receivables consists of placements with financial institutions and staff mortgage loans.

Trade receivables and other receivables

The carrying amounts of trade receivables and other receivables which are receivable in less than one year, are reasonable approximation of their fair values

Bank overdrafts, trade payables, provision and other payables and finance lease obligations

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

Notes to the financial statements

(b) Financial risks

The Company is exposed to the following categories of risks;

(i) *Market risk*

This reflects the possibility that the value of the 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 it comprises currency risk, interest rate risk and price risk.

Currency risk

This is the risk that the carrying amount of financial instruments may be 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 from its clients, in addition to Naira, as a result, the Company is exposed to risks as exchange rates fluctuate. The Company also has bank balances denominated in foreign currency.

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. However, 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 2017

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
Assets				
Cash & Cash equivalents	628	38,058	10,158,834	10,197,520
Equities	-	-	244,949	244,949
Loans and receivables	-	-	-	-
Liabilities				
Other liabilities	-	-	(9,292,796)	(9,292,796)
	628	38,058	1,110,987	1,149,673

31 December 2016

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Assets				
Cash & Cash equivalents	103	25,627	8,322,921	8,348,651
Equities	-	-	40,245	40,245
Loans and receivables	-	-	-	-
Liabilities				
Other liabilities	-	-	(8,005,683)	(8,005,683)
	103	25,627	357,483	383,213

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 loss before tax as at 31 December 2017 from N486.86/£, N431.6/€ and N360/$ closing rate. These closing rates were determined from the Nigerian Autonomous Foreign Exchange Fixing (NAFEX) rate as at 31 December 2017.

Notes to the financial statements

31 December 2017

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
10% increase	63	3,806	111,099	114,967
10% decrease	(63)	(3,806)	(111,099)	(114,967)
Impact of increase on:				
Pre-tax profit	-	-	-	564,646
Impact of decrease on:				
Pre-tax profit	-	-	-	334,712

The tax impact of foreign exchange results is generally 30% of the result. This is not included in the impact on shareholders equity as the final impact will depend on the tax status of the Company when it realises the impact of the foreign exchange results for tax purposes.

31 December 2016

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
10% increase	10	2,563	35,748	38,321
10% decrease	(10)	(2,563)	(35,748)	(38,321)
Impact of increase on:				
Pre-tax profit	-	-	-	323,735
Impact of decrease on:				
Pre-tax profit	-	-	-	247,093

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.

Insurance liabilities and employee benefits do not form part of this profile. Although they are significant liabilities subject to interest rate risk, they are not financial instruments within the scope of IFRS 7.

Notes to the financial statements

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 also exposed to interest rate risk from its investments 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 stated below.

Financial instruments	Notes	31-Dec-17	31-Dec-16
		₦'000	₦'000
Fixed Interest rate Instruments:			
Cash and cash equivalents	6	11,122,726	9,230,675
Federal government bonds	7(b)	113,972	109,765
Treasury bills	7(b)	289,130	20,603
Placements	7(c)	6,152	836,717
Statutory deposits	16	340,000	340,000
Mortgage loans	7(c)	85,519	106,692
Finance lease obligations	22(a)	(89,061)	(103,925)
Borrowings	22(b)	(330,499)	-
Bank overdrafts	6	(49,068)	-
		11,537,939	10,540,527
Others:			
Bank overdrafts	6	-	(63,718)
		-	(63,718)

Interest rate sensitivity analysis

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

	Fixed Interest rate analysis		*Variable Interest rate analysis*	
	2017	2016	2017	2016
	₦'000	₦'000	₦'000	₦'000
Increase in interest rate by 50 basis points (+0.5%)	57,690	53,193	-	(319)
Decrease in interest rate by 50 basis points (-0.5%)	(57,690)	(53,193)	-	319
Impact of increase on:				
Pre-tax profit/(loss)	507,369	338,607	449,679	285,095
Impact of decrease on:				
Pre-tax profit/(loss)	391,989	232,221	449,679	285,733

The tax impact of interest rate movement is not included in the impact on shareholders equity as the final impact will depend on the tax status of the Company when it realises the impact of the interest rate results for tax purposes.

Notes to the financial statements

Equity 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:

		2017	2016
		₦'000	₦'000
Equity Securities; - quoted (available for sale)	7(a)	84,528	84,528
Equity Securities; - quoted (fair value through profit or loss)	7(b)	907,980	945,620
Equity Securities; - unquoted (available for sale)	7(a)	355,684	324,788
		1,348,192	1,354,936

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 based on the exposure to equity price risk at the reporting date.

	2017	2016
	₦'000	₦'000
10% increase	134,819	135,494
10% decrease	(134,819)	(135,494)
Impact of increase on:		
Pre-tax profit/(loss)	584,498	420,908
Impact of decrease on:		
Pre-tax profit/(loss)	314,860	149,920

The tax impact of interest rate movement is not included in the impact on shareholders equity as the final impact will depend on the tax status of the Company when it realises the impact of the interest rate results for tax purposes.

Notes to the financial statements

(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 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 2017	Notes	**AAA**	**AA**	**A+**	**A**	**BBB**	**B**	**Not rated**	**Carrying Amount**
		₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Fair value through profit or loss carried at fair value (FVTPL)									
- FGN Bonds	7(b)	-	-	-	-	-	113,972	-	113,972
- Treasury bills (> 90 days)	7(b)	-	-	-	-	-	289,130	-	289,130
		-	-	-	-	-	403,102	-	403,102
Loans and receivables:									
- Mortgage loans	7(c)	-	-	-	-	-	-	85,519	85,519
- Placement with Finance Houses	7(c)	-	-	-	-	-	-	6,152	6,152
		-	-	-	-	-	-	91,671	91,671
- Other receivables net prepayments	11	-	-	-	-	-	-	3,105,018	3,105,018
		-	-	-	-	-	-	3,105,018	3,105,018
Cash and cash equivalents:									
- Bank balances	6	-	1,847	-	90,161	11,308	104,309	2,308	209,933
- Tenor Deposits (0-30 days)	6	-	599,577	-	2,795,357	221,548	6,504,467	1,001,777	11,122,726
		-	601,424	-	2,885,518	232,856	6,608,776	1,004,085	11,332,659

Notes to the financial statements

Reinsurance assets:									
Reinsurance claims recoverable	9	-	-	-	-	-	-	1,569,961	1,569,961
Trade/Insurance receivables	8	-	-	-	-	-	-	35,646	35,646
		-	-	-	-	-	-	1,605,607	1,605,607
- Statutory deposits with CBN	16	-	-	-	-	-	-	340,000	340,000
		-	-	-	-	-	-	340,000	340,000
									17,318,269

31 December 2016	Notes	AAA ₦'000	AA ₦'000	A+ ₦'000	A ₦'000	BBB ₦'000	B ₦'000	Not rated ₦'000	Carrying Amount ₦'000
Fair value through profit or loss carried at fair value (FVTPL)									
- FGN Bonds	7(b)	-	-	-	-	-	-	-	-
- Treasury bills (> 90 days)	7(b)	-	-	-	-	-	20,603	-	20,603
		-	-	-	-	-	20,603	-	20,603
Loans and receivables:									
- Mortgage loans	7(c)	-	-	-	-	-	-	106,692	106,692
- Placement with Finance Houses	7(c)	-	-	-	-	-	-	836,717	836,717
		-	-	-	-	-	-	943,409	943,409
- Other receivables net prepayments	11	-	-	-	-	-	-	275,558	275,558
								275,558	275,558
Cash and cash equivalents:									
- Bank balances	6	-	-	383,364	-	-	-	-	383,364
- Tenor Deposits (0-30 days)	6	-	-	9,230,675	-	-	-	-	9,230,675
		-	-	9,614,039	-	-	-	-	9,614,039
Reinsurance assets:									
Reinsurance claims recoverable	9	-	-	-	-	-	-	972,334	972,334
Trade/Insurance receivables	8	-	-	-	-	-	-	47,587	47,587
		-	-	-	-	-	-	1,019,921	1,019,921
- Statutory deposits with CBN	16	-	-	-	-	-	-	340,000	340,000
		-	-	-	-	-	-	340,000	340,000
									12,622,846

Notes to the financial statements

Analysis of financial assets based on past due status

31 December 2017

Past due status	Notes	Assets carried at fair value through profit/loss (FVTPL) ₦'000	Held to maturity ₦'000	Other receivables less prepayments ₦'000	Loans and receivables ₦'000	Recoverable from reinsurers ₦'000	Insurance/trade receivables ₦'000
Past due and impaired	11(c)(i)	-	-	812,053	-	-	-
Past due more than 90 days		-	-	-	-	-	-
Past due 31 to 90 days	8(a),(b)	-	-	-	-	-	778,167
Past due less than 30 days		-	-	-	-	-	-
Neither past due nor impaired	7,11,9,8	403,102	-	2,309,460	91,671	1,569,961	35,646
Total Carrying Amount		403,102	-	3,121,513	91,671	1,569,961	813,813

31 December 2016

Past due status

	Notes	Assets carried at fair value through profit/loss (FVTPL) ₦'000	Held to maturity ₦'000	Other receivables less prepayments ₦'000	Loans and receivables ₦'000	Recoverable from reinsurers ₦'000	Insurance/trade receivables ₦'000
Past due and impaired	11(c)(i)	-	-	825,121	-	-	-
Past due more than 90 days		-	-	-	-	-	-
Past due 31 to 90 days	8	-	-	-	-	-	647,581
Past due less than 30 days		-	-	-	-	-	-
Neither past due nor impaired	7,11,9,8	20,603	-	316,233	943,409	972,334	47,587
Total Carrying Amount		20,603	-	1,141,354	943,409	972,334	695,168

(iii) Liquidity risk

The Company's principal objective in managing its liquidity and capital resources is to maximize the returns on capital to shareholders, while enabling claims settlement, payment of dividends, payment of staff and ability to fulfill its statutory obligations to regulators and the different tiers of government in its business environment. 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 its quarterly budget and review process. We believe that the cash flows from the sources of funds available to the Company are sufficient to satisfy the current liquidity requirements of the Company, including under reasonably foreseeable stress scenarios.

In managing its liquidity and capital, the Company seeks to:

- ~~Match the profile of its 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 it settles claims and other commitments promptly.

Notes to the financial statements

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
- Payment of staff benefits;
- Purchase of investments' and;
- Payment in connection with financing activities.

The Company's assets are mainly made up of cash and bank balances

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 is noted that all equity investments have an undetermined maturity.

It should be noted that reinsurers' share of unearned premiums are excluded from this analysis.

31 December 2017

	Notes	Carrying amount	Contractual cashflow	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years
Non-derivative financial assets		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	6	11,333,888	11,333,888	11,333,888	-	-	-	-
Fair value through profit or loss carried at fair value	7(b)	403,102	458,335	13,105	115,985	188,537	140,708	-
Loans and receivables	7(c)	91,671	130,857	697	7,546	28,535	72,830	21,249
Trade receivables	8	35,646	35,646	-	35,646	-	-	-
Reinsurance assets - recoverable from reinsurers	9	1,569,961	1,569,961	-	-	1,569,961	-	-
Other receivables less prepayments	11	3,121,513	3,121,513	-	-	2,621,513	500,000	-
Statutory deposits	16	340,000	647,722	-	-	-	256,435	391,287
		16,895,781	17,297,922	11,347,690	159,177	4,408,546	969,973	412,536
Non-derivative financial liabilities								
Bank overdrafts	6	49,068	49,068	49,068	-	-	-	-
Trade payables	20	9,910,957	9,910,957	9,292,796	-	618,161	-	-
Borrowings	22(b)	330,499	330,499	-	330,499	-	-	-
Finance lease obligations	22(a)	89,061	110,057	5,579	11,158	50,212	43,108	-
Other liabilities	21	880,894	880,894	880,894	-	-	-	-
		11,260,479	11,281,475	10,228,337	341,657	668,373	43,108	-
Gap (asset - liabilities)		5,635,302	6,016,447	1,119,353	(182,480)	3,740,173	926,865	412,536
Cumulative liquidity gap		5,635,302	6,016,447	7,135,800	6,953,320	10,693,493	11,620,358	12,032,894

Notes to the financial statements

31 December 2016	Notes	Carrying amount	Contractual cashflow	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years
Non-derivative financial assets		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	6	9,615,160	9,637,827	9,613,833	23,994	-	-	-
Fair value through profit or loss carried at fair value	7(b)	130,368	194,999	8,227	-	29,725	113,742	43,305
Loans and receivables	7(c)	943,409	975,682	7,746	803,454	32,213	105,571	26,698
Trade receivables	7(d)	47,587	47,587	-	47,587	-	-	-
Reinsurance assets - recoverable from reinsurers	9	972,334	972,334	-	-	972,334	-	-
Other receivables less prepayment	11	316,233	316,233	-	-	(183,767)	500,000	-
Statutory deposits	16	340,000	548,308	-	-	-	173,590	374,718
		12,365,091	12,692,970	9,629,806	875,035	850,505	892,903	444,721
Non-derivative financial liabilities								
Bank overdrafts	6	63,718	63,718	63,718	-	-	-	-
Trade payables	20	8,313,225	8,313,225	8,005,683		307,542	-	-
Other Liabilities	21	1,052,868	1,052,868	1,052,868	-	-	-	-
Finance lease obligations	22	103,925	156,435	4,696	14,089	33,833	103,817	-
		9,533,736	9,586,246	9,126,965	14,089	341,375	103,817	-
Gap (asset - liabilities)		2,831,355	3,106,724	502,841	860,946	509,130	789,086	444,721
Cumulative liquidity gap		2,831,355	3,106,724	3,609,565	4,470,511	4,979,641	5,768,727	6,213,448

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.

iv) 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.~~

Notes to the financial statements

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	
	2017	2016	2017	2016	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Non-life insurance						
- Within Nigeria	5,446,009	5,398,979	2,212,548	2,189,935	3,233,461	3,209,044
- Outside Nigeria	-	-	-	-	-	-
	5,446,009	5,398,979	2,212,548	2,189,935	3,233,461	3,209,044

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

	Gross		Reinsurance		Net	
	2017	2016	2017	2016	2017	2016
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Fire	2,089,367	1,507,883	1,345,788	799,554	743,579	708,329
Accident	412,026	741,719	72,815	95,384	339,211	646,335
Motor	962,162	1,165,026	101,085	142,485	861,077	1,022,541
Marine	449,537	327,365	126,007	126,358	323,530	201,007
Oil and Gas	1,396,351	1,521,538	479,595	946,892	916,756	574,646
Engineering	126,916	121,133	82,000	72,110	44,916	49,023
Bond	9,650	14,315	5,258	7,152	4,392	7,163
	5,446,009	5,398,979	2,212,548	2,189,935	3,233,461	3,209,044

	Gross		Reinsurance		Net	
	2017	2016	2017	2016	2017	2016
Outstanding Claims (IBNR & reported)	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Fire	1,679,242	934,662	1,173,325	555,691	505,917	378,971
Accident	255,431	479,739	41,502	65,926	213,929	413,813
Motor	428,064	580,693	73,563	100,022	354,501	480,671
Marine	217,338	181,941	50,286	50,287	167,052	131,654
Oil and Gas	801,783	672,183	121,596	149,070	680,187	523,113
Engineering	98,415	76,304	69,493	44,194	28,922	32,110
Bond	8,754	14,298	4,813	7,144	3,941	7,154
Total	3,489,027	2,939,820	1,534,578	972,334	1,954,449	1,967,486

Notes to the financial statements

	Gross		Reinsurance		Net	
	2017	2016	2017	2016	2017	2016
Unexpired Risk	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Fire	410,125	573,221	172,463	243,863	237,662	329,358
Accident	156,595	261,980	31,313	29,457	125,282	232,523
Motor	534,098	584,333	27,522	42,464	506,576	541,869
Marine	232,199	145,424	40,338	76,073	191,861	69,351
Oil and Gas	594,568	849,355	357,999	797,821	236,569	51,534
Engineering	28,501	44,829	12,507	27,915	15,994	16,914
Bond	896	17	428	8	468	9
Total	1,956,982	2,459,159	642,570	1,217,601	1,314,412	1,241,558

Reserving Methods and Assumptions

To ensure the estimates calculated are not biased by the underlying assumptions of the model chosen, four different deterministic methods method were considered:

a Chain ladder Method

i *The Basic Chain Ladder Method (BCL):*

The Basic Chain Ladder method forms the basis to the deterministic reserving methods explained below. For each class of business, historical paid claims were grouped into accident year cohorts–representing when they were paid after their accident year. These cohorts form the development triangles. Each accident years, paid claims were accumulated to the valuation date and projected into the future to attain the expected ultimate claim arising in the year.This assumes the trends observed in the historical data will continue. The gross claim reserve is calculated as the difference between the cumulated paid claims and the estimated ultimate claims.

ii *The Inflation Adjusted Chain Ladder Method (IACL):*

Under this method, the historical paid losses were adjusted to allow for inflation to the valuation date using the corresponding inflation index in each of the accident years. The inflation adjusted claims were then treated similarly to the Basic Chain Ladder described above. The projected incremental paid claims are then inflated based on our future inflation assumption to the expected future payment date.

iii *Discounted Basic Chain Ladder (BCL) and Inflation Adjusted Basic Chain Ladder (IABCL)*

Historical claims paid were goruped into 10 years cohorts- representing when they were paid after the underwriting year. This is the discounted form of the BCL and IABCL. In determining the value, the future expected cash flow forclaim payments is discounted to present day terms using our assumed discount rate.

b Loss Ratio Method

Under this method the Ultimate claims is obtained by studying the historical loss ratios, investigating any differences and using judgments to derive a loss ratio. Paid claims already emerged were deducted from the estimated Ultimate claims to obtain the reserves.

c Bornhuetter-Ferguson Method

This method ombines the estimates attained from the Chain Ladder and Loss Ratio methods. The BF method takes a weighted average of the two estimates, where the weights are related to the number of claims already reported. Therefore, the more past information there is available, the higher the weighting given to the chain ladder estimate.

d Frequency and Severity Method

This method investigates the trend of the claim frequency and average cost per claim for each accident year. An average of the fully run off accident years was used as a guide on the ultimate claim frequency and ultimate average cost which was then adopted for the accident years that are not fully run off.

Notes to the financial statements

Method selected- Discounted IABCL

The IBNR reserves are determined using deterministic calculations which provide a "best estimate" of the reserve. The "best-estimate" is determined by applying a combination of the Chain Ladder ("CL") and the Bornhuetter-Ferguson ("BF") methods to attritional paid claims triangles. The combination between a CL and BF methods aims to reflect the reliability of information when estimating the IBNR.

For earlier accident years, where the development is reasonably mature, a CL approach was used which relied more heavily on the data to set the ultimate level of claims. For later accident periods where there still exists a large degree of uncertainty about the ultimate level of claims and the reported to date is a less reliable estimate of the ultimate loss, a BF method is used which makes use of an estimate of the ultimate loss ratio.

Assumptions underlying the Valuation Methods

i Policies are written uniformly throughout the year for each class of business.

ii Claims occur uniformly throughout the year for each class of business. This implies that claims occur on average halfway through year

iii Future claims follow a regression pattern from the historical data. Hence payment patterns will be broadly similar in each accident year. The proportionate increase in the known cumulative payments from one development year to the next is used to calculate the expected cumulative payments for the future development periods

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

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

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

vii Under the Average Cost per claim method used in estimating large losses, the Company assumed the early years (e.g. accident years 2007, 2008) are fully developed

viii The run off period is ten (10) years and hence the method assumes no more claims will be paid subsequently.

(c) Capital Management

The Company's 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 Company fully complied with all externally imposed capital requirements throughout the year and this Solvency requirement was revalidated by EY Nigeria, the Company's Consultant Actuary in 2014 Actuarial Valuation Report.

The objectives, policies and processes for managing capital were unchanged. 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 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.

Notes to the financial statements

The company's solvency position is as follows:

Solvency margin computation

	2017			2016
	₦'000 Total	₦'000 Inadmissible	₦'000 Admissible	₦'000
Cash and cash equivalents	11,333,888	786,056	10,547,832	8,967,451
Financial assets				
-Available for sale	440,212	-	440,212	409,316
-Fair value through profit or loss	1,311,082	-	1,311,082	1,075,988
-Loans and receivables	91,671	-	91,671	542,204
Trade receivables	35,646	-	35,646	47,587
Reinsurance assets	2,212,548	-	2,212,548	2,189,935
Deferred acquisition cost	248,260	-	248,260	283,338
Other receivables and prepayments	3,255,642	2,723,485	532,157	500,000
Investment in associates	418,421	-	418,421	415,429
Investment properties	3,660,719	691,000	2,969,719	3,060,609
Property and equipment	1,814,563	972,409	842,154	797,879
Intangible assets	1,389	-	1,389	5,907
Statutory deposits	340,000	-	340,000	340,000
Employees retirement benefits	258,135	-	258,135	234,011
Deferred tax assets	235,968	235,968	-	-
A	**25,658,144**	**5,408,918**	**20,249,226**	**18,869,654**
Less: Admissible liabilities				
Insurance contract liabilities	5,446,009	-	5,446,009	5,398,979
Bank overdrafts	49,068	-	49,068	63,718
Deferred income	143,798	-	143,798	162,942
Trade payables	9,910,957	-	9,910,957	8,313,225
Other liabilities	880,894	-	880,894	1,052,868
Finance lease obligations	89,061	-	89,061	103,925
Borrowings	330,499	-	330,499	-
Current income tax liabilities	266,976	-	266,976	262,572
Employee benefit liability	28,358	-	28,358	29,995
Deferred tax liabilities	248,565	248,565	-	-
B	**17,394,185**	**248,565**	**17,145,620**	**15,388,224**
Solvency margin (A-B)			**3,103,606**	**3,481,430**
Minimum paid up capital			3,000,000	3,000,000
Net premium			4,235,774	4,778,662
15% of Net premium			635,366	716,799

Notes to the financial statements

The company's solvency margin of ₦3,103,606,000 (2016: ₦3,481,430,000) is above the minimum paid up capital of ₦3,000,000,000 (2016: ₦3,000,000,000) prescribed by the Insurance Act of Nigeria.

d 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 2017

	Notes	Loans and receivables ₦'000	Fair value through profit or loss ₦'000	Available- for-sale ₦'000	Other financial liabilities at amortised cost ₦'000	Total carrying amount ₦'000	Fair value ₦'000
Cash and cash equivalents	6	11,333,888	-	-	-	11,333,888	11,333,888
Financial assets	7	91,671	1,311,082	440,212	-	1,842,965	1,838,249
Trade receivables	8	35,646	-	-	-	35,646	35,646
Other receivables less prepayments	11	3,121,513	-	-	-	3,121,513	3,121,513
Statutory deposits	16	340,000	-	-	-	340,000	340,000
Reinsurance assets	9	1,569,961	-	-	-	1,569,961	1,569,961
		16,492,679	1,311,082	440,212	-	18,243,973	18,239,257
Bank overdrafts	6	-	-	-	49,068	49,068	49,068
Trade payables	20	-	-	-	9,910,957	9,910,957	9,910,957
Borrowings	22(b)	-	-	-	330,499	330,499	330,499
Other liabilities	21	-	-	-	880,894	880,894	880,894
		-	-	-	11,171,418	11,171,418	11,171,418

31 December 2016

	Notes	Loans and receivables ₦'000	Fair value through profit or loss ₦'000	Available- for-sale ₦'000	Other financial liabilities at amortised cost ₦'000	Total carrying amount ₦'000	Fair value ₦'000
Cash and cash equivalents	6	9,615,160	-	-	-	9,615,160	9,615,160
Financial assets	7	943,409	1,075,988	409,316	-	2,428,713	2,490,613
Trade receivables	8	47,587	-	-	-	47,587	47,587
Other receivables less prepayments	11	316,233	-	-	-	316,233	316,233
Statutory deposits	16	340,000	-	-	-	340,000	340,000
Reinsurance assets	9	972,334	-	-	-	972,334	972,334
		12,234,723	1,075,988	409,316	-	13,720,027	13,781,927
Bank overdrafts	6	-	-	-	63,718	63,718	63,718
Trade payables	20	-	-	-	8,313,225	8,313,225	8,313,225
Other liabilities	21	-	-	-	1,052,868	1,052,868	1,052,868
		-	-	-	9,429,811	9,429,811	9,429,811

Notes to the financial statements

6 Cash and cash equivalents

	2017	2016
	₦'000	₦'000
Cash	1,229	1,121
Bank balances	209,933	383,364
Short-term deposits (including demand and time deposits)	11,122,726	9,230,675
Cash and cash equivalents (as per statement of financial position)	11,333,888	9,615,160
Bank overdrafts	(49,068)	(63,718)
Cash and cash equivalents (as per statement of cash flows)	11,284,820	9,551,442

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 6% (2016: 6%).

7 Financial assets

	2017	2016
	₦'000	₦'000
Available for sale financial assets: (see note 7(a) below)	440,212	409,316
Fair value through profit or loss (FVTPL) (see note 7(b) below)	1,311,082	1,075,988
Loans and receivables at amortised cost (see note 7(c) below)	91,671	943,409
Total financial assets	**1,842,965**	**2,428,713**
Within one year	295,282	857,320
More than one year	1,547,683	1,571,393
	1,842,965	**2,428,713**

7(a) Available for sale financial assets:

	2017	2016
	₦'000	₦'000
Unlisted equities at cost	524,437	490,195
Listed equities at market value	84,528	84,528
Specific allowance on impairment on available for sale assets (see note 7(a)(ii) below)	(168,753)	(165,407)
Carrying amount as at year end	440,212	409,316

7(a)(ii) The company's available for sale financial assets comprise investments in unlisted equities which are carried at cost less impairment allowance as the fair value could not be determined reliably. Quoted investments are carried at fair value with the changes recognised in Other Comprehensive Income ("OCI").

The movements in impairment allowance on unlisted equities is analysed below:

	2017	2016
	₦'000	₦'000
Balance, beginning of year	165,407	165,407
Impairment allowance recognised during the year	3,346	-
Write-off during the year	-	-
Balance, end of year	168,753	165,407

Notes to the financial statements

7(b) Fair value through profit or loss (FVTPL)

	2017	2016
	₦'000	₦'000
Federal Government bonds	113,972	109,765
Treasury bills	289,130	20,603
Quoted equities	907,980	945,620
	1,311,082	1,075,988

7(c) Loans and receivables at amortised cost

	2017	2016
	₦'000	₦'000
Staff mortgage loans	85,519	106,692
Placements	6,152	836,717
	91,671	943,409

7(d) The movement in financial assets are summarised as follows:-

31-Dec-17

	Fair value through profit or loss	Loans and receivables	Available for sale	Total
	₦'000	₦'000	₦'000	₦'000
As at 1 January 2017	1,075,988	943,409	409,316	2,428,713
Additions during the year	678,123	28,404	5,114	711,641
Disposal (sales & redemptions)	(772,605)	(874,903)	-	(1,647,508)
Impairment for the year	-	(5,239)	-	(5,239)
Fair value losses recognised in OCI	-	-	-	-
Fair value losses recognised in profit or loss	317,595	-	-	317,595
Foreign exchange gains recognised in profit or loss	11,981	-	-	11,981
Foreign exchange gains recognised in OCI	-	-	25,782	25,782
As at 31 December 2017	1,311,082	91,671	440,212	1,842,965

31-Dec-16

	Fair value through profit or loss	Loans and receivables	Available for sale	Total
	₦'000	₦'000	₦'000	₦'000
As at 1 January 2016	1,234,424	1,096,303	346,211	2,676,938
Additions during the year	193,381	39,622	13,199	246,202
Disposal (sales & redemptions)	(256,529)	(192,516)	-	(449,045)
Fair value losses recognised in OCI	-	-	(241)	(241)
Fair value losses recognised in profit or loss	(103,853)	-	-	(103,853)
Foreign exchange gains recognised in profit or loss	8,565	-	-	8,565
Foreign exchange gains recognised in OCI	-	-	50,147	50,147
As at 31 December 2016	1,075,988	943,409	409,316	2,428,713

Notes to the financial statements

8 Trade receivables

	2017	2016
	₦'000	₦'000
Due from agents (see note 8(a) below)	18,238	21,679
Due from co-insurers (see note 8(b) below)	17,408	25,908
	35,646	47,587
Within 30 days	35,646	47,587
Above 30 days	778,167	647,581
	813,813	695,168

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

	2017	2016
	₦'000	₦'000
Gross receivable from agents	362,550	312,626
Less: Impairment allowance (see note 8a(i) below)	(344,312)	(290,947)
	18,238	21,679

8(a)(i) The movements in impairment allowance on amounts due from agents is analysed below:

	2017	2016
	₦'000	₦'000
Balance, beginning of year	290,947	357,481
Allowance/(recovery) made during the year	53,365	(66,534)
	344,312	290,947

8(b) Due from co-insurers

	2017	2016
	₦'000	₦'000
Reinsurance Receivables	451,263	382,542
Less: Impairment allowance (see note 8(b)(i) below)	(433,855)	(356,634)
	17,408	25,908

8(b)(i) The movements in impairment allowance on reinsurance receivables is analysed below:

	2017	2016
	₦'000	₦'000
Balance, beginning of year	356,634	152,782
Allowance made during the year	77,221	203,852
	433,855	356,634

Notes to the financial statements

9 Reinsurance assets

	2017	2016
	₦'000	₦'000
Prepaid reinsurance premium (see note 9(a))	642,587	1,217,601
Reinsurers' share of claims expenses outstanding (see note 9(b))	1,204,292	643,402
Reinsurers' share of incurred but not reported claim (see note 9(c))	365,669	328,932
	2,212,548	2,189,935

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

	2017	2016
	₦'000	₦'000
Balance, beginning of year	1,217,601	858,696
Movement during the year (see note 31)	(575,013)	358,905
Balance, end of year	642,588	1,217,601

9(b) The movement in reinsurer's share of claims expenses outstanding is shown below:

	2017	2016
	₦'000	₦'000
Balance, beginning of year	643,402	437,798
Movement during the year (see note 33(c))	560,890	205,604
Balance, end of year	1,204,292	643,402

9(c) The movement in reinsurer's share of incurred but not reported claim is shown below:

	2017	2016
	₦'000	₦'000
Balance, beginning of year	328,932	285,634
Movement during the year (see note 33(c))	36,737	43,298
Balance, end of year	365,669	328,932

9(d) Analysis of reinsurance assets by business classes is shown below:

	2017	2016
	₦'000	₦'000
Fire	1,345,788	799,554
General Accident	72,815	95,384
Motor	101,085	142,485
Marine	126,007	126,358
Oil & Gas	479,595	946,892
Engineering	82,000	72,110
Bonds	5,258	7,152
	2,212,548	2,189,935
Within one year	2,212,548	2,189,935
More than one year	-	-
	2,212,548	2,189,935

Reinsurance assets are valued after an allowance for their recoverability.

Notes to the financial statements

10 Deferred acquisition cost

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

	2017	2016
	₦'000	₦'000
Balance at start of the year	283,338	301,965
Additions in the year	705,744	676,327
Amortization in the year	(740,822)	(694,954)
Balance as at year end	248,260	283,338

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

	2017	2016
	₦'000	₦'000
Fire	59,451	69,795
Accident	20,396	38,131
Motor	33,221	30,393
Marine and aviation	31,409	18,250
Oil & Gas	99,342	120,913
Engineering	4,410	5,856
Bond	31	-
	248,260	283,338

11 Other receivables and prepayments

	2017	2016
	₦'000	₦'000
Intercompany receivables (see note 11(a) below)	2,581,625	422,074
Accrued investment income (see 11 (b) below)	4,018	11,313
Sundry receivables (see note 11(c) below)	35,870	6,873
Security Holding Trust account (see 11(d) below)	500,000	500,000
Prepayments (see 11(e) below)	134,129	141,747
	3,255,642	1,082,007
Within one year	2,755,642	582,007
More than one year	500,000	500,000
	3,255,642	1,082,007

The carrying amount of other receivables and prepayments is a reasonable approximation of fair value.

11(a) Intercompany receivables

	2017	2016
	₦'000	₦'000
Royal Exchange Plc	2,173,342	-
Royal Exchange Prudential Life Assurance	291,047	294,146
Royal Exchange Healthcare Ltd	89,121	115,313
Royal Exchange Finance and Investment Ltd	22,123	10,136
Royal Exchange Microfinance Bank Ltd	5,992	2,479
	2,581,625	422,074

The amount receivable from its parent company represents the intra-group funding advanced to the parent by the Company for its operational activities. Also included are the group cost allocated to the Company, expenses incurred on behalf of the Company, expenses the company incurred on behalf of its parent. The amount receivable from the sister companies (Royal Exchange Prudential Life Plc, Royal Exchange Healthcare Ltd, Royal Exchnage Finance and Investment Limited and Royal Exchange Microfinance Bank) represents the net of the expenses incured on behalf of the Company. The intercompany balances do not attract any interest charges. There are no redefined repayments terms and the amounts are realised in cash and/or by offsetting with other payables to the Company.

Notes to the financial statements

11(b) Accrued investment income

	2017	2016
	₦'000	₦'000
Dividend receivables	4,018	11,313
	4,018	11,313

11(c) Sundry Receivables

	2017	2016
	₦'000	₦'000
Other receivables	769,334	713,967
Accrued rental Income	12,477	29,362
Staff loans and other debtors	66,112	88,665
	847,923	831,994
Impairment on other receivables (see 11(c)(i) below)	(812,053)	(825,121)
	35,870	6,873

11(c)(i) The movements in impairment allowance on other receivables is analysed below

	2017	2016
	₦'000	₦'000
Balance, beginning of the year	825,121	792,687
Allowance made during the year	10,032	32,434
Write back of other receivables	(23,100)	-
Balance, end of the year	812,053	825,121

11(d) 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 in which Royal Exchange Plc is a defendant. Assets in cash dividends of ₦228.61 million (2016: N237.1 million) and ordinary shares of Royal Exchange Plc with market value of ₦452 million (2016: ₦452 million) as at 31 December 2017 are being held as guarantee that value will not be lost.

11(e) Analysis of other receivables fully impaired

	2017	2016
	₦'000	₦'000
Security holding trust (incidental expenses)	27,079	27,079
Accrued investment income	8,267	8,267
Short term placements (Phoenix Insurance)	416,630	416,630
Short term placements (Failed Banks)	46,578	46,578
REA property account	16,761	16,761
Interest receivable on legal suit	12,296	12,296
Unlisted debentures	154,919	154,919
Amount to be recovered from Exited Staff	2,044	2,044
Accrued rental income	16,854	16,854
PAYE Suspense	65,324	65,324
Other suspense accounts	4,052	23,099
Unsubstantiated bank balances	22,435	16,456
Intercompany receivables- REPRU	18,813	18,813
	812,053	825,121

Notes to the financial statements

13 Investment properties

	2017	2016
	₦'000	₦'000
At 1 January	3,741,609	3,265,716
Additions during the year	-	-
Disposals during the year	-	-
Transfer to property and equipments	-	-
Fair value (loss)/gain	(80,890)	475,893
At 31 December	3660719	3,741,609

13(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	2017	2016
					₦'000	₦'000
No.2, bank road, off Ibrahim Taiwo way, Kano	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja	FRC/2013/NIESV/ 00000000834	A-1277	410,800	405,600
No.5, NBC road, off Ahmadu Bello way, Kaduna	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga,	FRC/2013/NIESV/ 00000000834	A-1277	280,200	275,400
No. 7, Usuma Cresent Maitama Abuja	Emeka Orji Partnership	Suite 9G, 9th floor, Ahmed Talib House (NNDC) 18/19 Ahmadu Bello Way,	FRC/2013/NIESV/ 00000000976	A-1672	562,870	560,000
No 1, Eleko Close, Ikoyi,Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/ 00000000730	A-1878	771,942	799,422
No. 2, Eleko Close Ikoyi Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/ 00000000730	A-1878	950,640	981,073
No. 26, Abduraman Okene Cresent,Victoria Island, Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/ 00000000730	A-1878	684,267	720,114
					3,660,719	3,741,609

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

Property details	Status of title	Balance as at 1 January 2017	Addition during the year	Disposal during the year	Transfer	Fair value gain	Balance as at 31 December 2017
No.2, bank road,off Ibrahim Taiwo way, Kano	Not perfected	405,600	-	-	-	5,200	410,800
No.5, NBC road,off Ahmadu Bello way, Kaduna	Not perfected	275,400	-	-	-	4,800	280,200
No. 7, Usuma Cresent Maitama Abuja	Deed of Assignment	560,000	-	-	-	2,870	562,870
No 1, Eleko Close, Ikoyi,Lagos	Deed of Assignment	799,422	-	-	-	(27,480)	771,942
No. 2, Eleko Close Ikoyi Lagos	Deed of Assignment	981,073	-	-	-	(30,433)	950,640
No. 26, Abduraman Okene Cresent,Victoria Island, Lagos	Deed of Assignment	720,114	-	-	-	(35,847)	684,267
		3,741,609	-	-	-	(80,890)	3,660,719

The properties at No.2 bank road, off Ibrahim Taiwo way, Kano and No. 5 NBC road off Ahmadu Bello way, Kaduna are still in the name of Royal Exchange Assurance Nigeria Plc (REAN), which is the name of the parent company prior to the restructuring in 2007. The perfection of the ownership documents of these entities is still in progress.

Property details	Balance as at 1 January 2016	Addition during the year	Disposal during the year	Transfer	Fair value gain	Balance as at 31 December 2016
No.2, bank road,off Ibrahim Taiwo way, Kano	320,700	-	-	-	84,900	405,600
No.5, NBC road,off Ahmadu Bello way, Kaduna	220,800	-	-	-	54,600	275,400
No. 7, Usuma Cresent Maitama Abuja	545,825	-	-	-	14,175	560,000
No 6A/6B Usuma Cresent,Maitama, Abuja.	-	-	-			-
No 1, Eleko Close, Ikoyi,Lagos	700,000	-	-	-	99,422	799,422
No. 2,Eleko Close, Ikoyi Lagos	850,000	-	-	-	131,073	981,073
No. 26, Abduraman Okene Cresent,Victoria Island, Lagos	628,391	-	-	-	91,723	720,114
	3,265,716	-	-	-	475,893	3,741,609

13(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 2017. 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 fair value of the company's investment properties are categorized into Level 3 of the fair value hierarchy.

Rental Income earned on the Company's investment properties for the year amounted to N77,150,683.33 (2016: N62,732,000.00). In addition, there are no direct expenses arising from investment properties during the year under review. There is also no restriction on the realisability of the properties.

Property description	Valuation (₦'000)	Location of property	Valuation technique	Significant unobservable input	Inter-relationship between key un-observable inputs and fair value measurement
The property is a fully completed building with 3 floors located in the central business district of Kano which is a commercial neighbourhood. Site: The site, which is slightly irregular in shape, appears level and well drained and is relatively flat. It has a total area of approximately 1,685 square metres. Situation: Primary access to the property is vide the Ibrahim Taiwo road Kano State.	410,800	No.2, bank road,off Ibrahim Taiwo way, Kano	**Discounted cashflows:** The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Expected market rental growth rate (2017:15% 2016: 15%); Estimated vacancy rates (2017:0% ; 2016:0%) Maintenance costs (2017:N370,000-N500,000; 2016:) Capitalisation rate (2017: 4.5%; 2016:4.5%) Discount rate (2017: 10%; 2016: 10%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higer) - Maintenance costs were lower (higher) - Capitalisation rate were lower (higher) - Discount rates were lower (higher)

Notes to the financial statements

Property description	Valuation (₦'000)	Location of property	Valuation technique	Significant unobservable input	Inter-relationship between key un-observable inputs and fair value measurement
The property is a 2 storey office block and a commercial bungalow located in the central business district of Kaduna State. Site: The site, which is rectangular in shape, appears level and relatively flat. It covers a total land area of approximately 5,184 square metres. Situation: Primary access to the property is vide the Ahmadu Bello way while a secondary access is the Broadcasting road Kaduna State.	280,200	No.5, NBC road, off Ahmadu Bello way, Kaduna	**Discounted cashflows:** The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Expected market rental growth rate (2017:15% 2016: 15%); Estimated vacancy rates (2017:0% ; 2016:25%) Maintenance costs (2017:N5million -N6mllion; 2016:) Capitalisation rate (2017: 5%; 2016:5%) Discount rate (2017: 15%; 2016: 15%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higer) - Maintenance costs were lower (higher) - Capitalisation rate were lower (higher) - Discount rates were lower (higher)
The property is a 5 bedroom detached duplex located in a high brow low density residential neighbourhood in Abuja. Site: The site is rectangular in shape, appears firm and is sloped gently towards the back. It has a total land area of approximately 2,133.60 square metres. Situation: Primary access to the property is vide the Usman Crescent which takes its root from Gana street which itself takes root from the popular Shehu Shagari way in Maitama Abuja.	562,870	No. 7, Usuma Crescent Maitama Abuja	**Discounted cashflows:** The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Expected market rental growth rate (2017:15% -20%; 2016: 15%-20%); Estimated vacancy rates (2017:5% ; 2016:10%) Maintenance costs (2017:10% of annual income; 2016: 10% of annual income) Capitalisation rate (2017: 3.5%; 2016:3.5%) Discount rate (2017: 10%; 2016: 15%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higer) - Maintenance costs were lower (higher) - Capitalisation rate were lower (higher) - Discount rates were lower (higher)

Notes to the financial statements

Property description	Valuation (₦'000)	Location of property	Valuation technique	Significant unobservable input	Inter-relationship between key un-observable inputs and fair value measurement
The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighbourhoud of Lagos. Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,041.76 square metres. Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi.	771,942	No 1, Eleko Close, Ikoyi, Lagos	**Discounted cashflows:** The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Expected market rental growth rate (2017:5%; 2016: 5%); Estimated vacancy rates (2017:0% ; 2016:0%) Capitalisation rate (2017: 94.05; 2016: 94.05) Discount rate (2017: 17.2%; 2016: 17.2%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higer) - Capitalisation rates were lower (higher) - Discount rates were lower (higher)
The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighbourhoud of Lagos. Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,837.85 square metres. Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi.	950,640	No. 2, Eleko Close Ikoyi Lagos	**Discounted cashflows:** The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Expected market rental growth rate (2017:5%; 2016: 5%); Estimated vacancy rates (2017:0% ; 2016:0%) Capitalisation rate (2017: 92.67; 2016:103.27) Discount rate (2017: 17.2%; 2016: 17.2%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higer) - Capitalisation rates were lower (higher) - Discount rates were lower (higher)

Notes to the financial statements

Property description	Valuation (₦'000)	Location of property	Valuation technique	Significant unobservable input	Inter-relationship between key un-observable inputs and fair value measurement
The property is a block of open plain office space on two floors. It is located in the commercial area of Lagos State. Site: The site, which is rectangular in shape, appears level and relatively flat. It covers a total land area of approximately 1,260 square metres. Situation: Primary access to the property is vide the Ligali Ayorinde Street.	684,267	No. 26, Abduraman Okene Cresent, Victoria Island, Lagos	**Discounted cashflows:** The valuation method considers the present value of net cashflows to be generated from the property, taking into account the expected rental growth rate, vacancy rates, maintenance costs and capitalisation rates. The expected cashflows are discounted using risk adjusted discount rates.	Expected market rental growth rate (2017:5%; 2016: 5%); Estimated vacancy rates (2017:0% ; 2016:0%) Capitalisation rate (2017: 16.37%; 2016: 19.18%) Discount rate (2017: 17.2%; 2016: 17.2%)	The estimated fair value would increase (decrease) if: - future rental cashflows were higher (lower) - Estimated vacancy rates were lower (higer) - Capitalisation rate were lower (higher) - Discount rates were lower (higher)
Total fair value	3,660,719				

Notes to the financial statements

14 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 2017	195,069	1,649,770	233,813	435,908	489,746	3,004,306
Additions	-	-	2,015	6,887	22,500	31,402
Disposals	-	-	-	(5,091)	(33,250)	(38,341)
Balance as at 31 December 2017	195,069	1,649,770	235,828	437,704	478,996	2,997,367
Balance at 1 January 2016	195,069	1,649,770	226,743	431,809	451,017	2,954,408
Additions	-	-	7,070	7,731	124,838	139,639
Disposals	-	-	-	(3,632)	(86,109)	(89,741)
Balance at 31 December 2016	195,069	1,649,770	233,813	435,908	489,746	3,004,306

Depreciation

In thousands of Naira	Leasehold Land	Freehold buildings	Computer Equipment	Furniture, Fittings	Motor vehicles	Total
Balance at 1 January 2017	-	179,378	216,581	388,031	332,930	1,116,920
Charge for the year	-	4,109	8,906	26,890	64,320	104,225
Disposals	-	-	-	(5,091)	(33,250)	(38,341)
Balance as at 31 December 2017	-	183,487	225,487	409,830	364,000	1,182,804
Balance at 1 January 2016	-	146,383	205,370	359,677	330,736	1,042,166
Charge for the year	-	32,995	11,211	30,097	84,653	158,956
Disposals	-	-	-	(1,743)	(82,459)	(84,202)
Balance at 31 December 2016	-	179,378	216,581	388,031	332,930	1,116,920
Carrying amounts:						
Balance as at 31 December 2017	195,069	1,466,283	10,341	27,874	114,996	1,814,563
Balance as at 31 December 2016	195,069	1,470,392	17,232	47,877	156,816	1,887,386

(a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2016: nil).

(b) The Company had no capital commitments as at the balance sheet date (2016: nil)

(c) Included in properties and equipment is an aggregate amount of ₦718.2million (2016: ₦797.88 million registered in the name of Royal Exchange General Insurance Company Limited. The Company is making concerted efforts to perfect the title of the remaining assets, which are in the name of Royal Exchange Plc and its legacy parent, Royal Exchange Assurance Nigeria Plc.

Notes to the financial statements

		2017	2016
17(b)	Company's Asset for:-	₦'000	₦'000
	– Pension benefits (see note 17d)	455,550	415,841
	Total	455,550	415,841

		2017	2016
17(c)	Company's obligations for:-	₦'000	₦'000
	– Pension benefits (see note 17(d))	(197,415)	(181,830)
	– Long Service Award (see note 17(f))	(28,358)	(29,995)
	Total Company's obligation	(225,773)	(211,825)
	Amount expenses in profit or loss :-		
	– Pension benefits	(39,274)	(21,904)
	– Long Service Award	6,772	9,148
	Total (see note 39)	(32,502)	(12,756)
	Gain/ (loss) on other comprehensive income		
	-Adjustments for Net Pension Assets	(15,150)	58,091
	-Adjustments for Long-Service Awards Obligations	1,145	15,281
	Total (see note 29)	(14,005)	73,372

17(d) **Pension benefits**

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

	2017	2016
	₦'000	₦'000
Present value of funded defined benefit obligations	(197,415)	(181,830)
Fair value of plan assets	455,550	415,841
Asset in the statement of financial position	258,135	234,011

Current	-	-
Non-current	258,135	234,011
Asset in the statement of financial position	258,135	234,011

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

	2017	2016
	₦'000	₦'000
At 1 January	181,830	242,792
Current service cost	-	-
Interest cost	26,429	25,713
Actuarial losses/(gains)-Assumption	16,940	(41,413)
Actuarial losses/(gains)-Experience	(12,754)	(19,659)
Benefits paid by employer	-	-
Benefits paid by the Fund	(15,030)	(25,603)
At 31 December	197,415	181,830

Notes to the financial statements

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

	2017	2016
	₦'000	₦'000
At 1 January	415,841	396,808
Expected return on plan assets	65,703	47,617
Employer contributions	-	-
Benefits paid from the fund	(15,030)	(25,603)
Actuarial Gains/(Losses)	(10,964)	(2,981)
At 31 December	455,550	415,841

Net plan assets comprise the following

	2017	2016
	₦'000	₦'000
Equity Investment	38,547	30,995
FGN Bonds	106,112	106,113
State Governement Bonds	19,859	37,169
Treasury Bills	129,678	101,128
Money Market placements	129,340	117,662
Cash at Bank	32,869	22,772
Receivables	2	2
Total Accrued Fees	(857)	-
At 31 December	455,550	415,841

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

	2017	2016
		₦'000
Current service costs	-	-
Net interest costs/income:		
- Interest costs	26,429	25,713
- Expected Return on plan asset	(65,703)	(47,617)
At 31 December	(39,274)	(21,904)

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	14%	16%
Future pension increases	3%	3%
Inflation rate	12%	12%

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

	2017	2016
Male	79	79
Female	83	83

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

2017

	Change in assumption		Impact on overall liability (₦'000)	
Discount rate	-0.50%	0.50%	202,692	192,401

2016

	Change in assumption		Impact on overall liability (₦'000)	
Discount rate	-0.50%	0.50%	186,392	177,486

Notes to the financial statements

18 Deferred taxation

The net deferred tax assets/(liabilities) are attributable to the following:

In thousands of Naira

2017	Net balance as at 1 January	Recognised in profit or loss	Recognised in OCI	Net balance as at 31 December 2017	Deferred tax asset	Deferred tax liabilities
Net Deferred tax assets						
Property and equipment, and software	114,202	(23,190)	-	91,012	91,012	-
Unrelieved loss	215,560	(79,111)	-	136,449	136,449	-
Employee benefits	4,708	(747)	4,546	8,507	8,507	-
Deferred tax assets	**334,470**	**(103,048)**	**4,546**	**235,968**	**235,968**	
Deferred tax liabilities						
Investment properties	(234,506)	(14,059)	-	(248,565)	-	(248,565)
Deferred tax assets/(liabilities)	**99,964**	**(117,107)**	**4,546**	**(12,597)**	**235,968**	**(248,565)**

In thousands of Naira

2016	Net balance as at 1 January	Recognised in profit or loss	Recognised in OCI	Net balance as at 31 December 2016	Deferred tax asset	Deferred tax liabilities
Net Deferred tax assets						
Property and equipment, and software	11,194	103,008	-	114,202	114,202	-
Unrelieved loss	242,663	(27,103)	-	215,560	215,560	-
Employee benefits	148,058	(138,461)	(4,889)	4,708	4,707	-
Deferred tax assets	**401,915**	**(62,556)**	**(4,889)**	**334,470**	**334,469**	
Deferred tax liabilities						
Investment properties	(186,916)	(47,590)	-	(234,506)	-	(234,506)
Deferred tax assets/(liabilities)	**214,999**	**(110,146)**	**(4,889)**	**99,964**	**334,469**	**(234,506)**

As at 31 December 2017, the Company did not have any unrecognised deferred tax assets (31 December 2016: ₦273.190million) as it is not deemed probable that future taxable profits will be available which can be utilised.

Notes to the financial statements

19 Deferred income

	2017	2016
	₦'000	₦'000
Deferred rental income	40,593	29,648
Deferred commission income (see note 19(b))	103,205	133,294
	143,798	162,942
Due within 1 - 12months	120,331	154,332
Due after more than 12months	23,467	8,610
	143,798	162,942

19(a) ***Deferred rental income***

	2017	2016
	₦'000	₦'000
At 1 January	29,648	23,392
Additions during the year	86,805	67,949
Amortised during the year	(75,860)	(61,693)
At 31 December	40,593	29,648

19(b) ***Deferred commission income***

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

	2017	2016
	₦'000	₦'000
Balance at start of the year	133,294	98,777
Additions during the year	467,565	462,937
Amortised during the year	(497,654)	(428,420)
Balance as at year end	103,205	133,294

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

	2017	2016
	₦'000	₦'000
Fire	27,619	75,349
Accident	10,347	(3,496)
Motor	8,332	11,832
Marine and aviation	13,084	6,531
Oil & gas	20,864	22,762
Engineering	22,826	20,169
Bond	133	147
	103,205	133,294

20 Trade payables

	2017	2016
	₦'000	₦'000
Reinsurance payables	618,161	307,542
Premium received in advance (see (i) below)	9,292,796	8,005,683
	9,910,957	8,313,225

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

Due within 1 - 12months	9,910,957	8,313,225
Due afer more than 12months	-	-
	9,910,957	8,313,225

(i) Included in the trade payable balance is N9.293 billion which represents premium received in advance from a customer in the oil and gas industry with respect to energy packaged policies with policy period between January 2018 to 31 December 2018. The premium was received on 25 December 2017 to be remitted to other co-insurers of the policy.

Notes to the financial statements

21 Other liabilities

	2017	2016
	₦'000	₦'000
Accrual and other payables (see (i) below))	158,147	86,456
NAICOM levy	32,827	42,313
Other liabilities (see (ii) below))	352,854	409,670
Provision for litigations and claims (see (iii) below))	78,954	78,954
Payable to Royal Exchange Plc	-	235,237
Payable to Royal Dividend Fund	64,058	46,727
Payable to Royal Exchange Trustee Fund	194,054	153,511
	880,894	1,052,868
Due within 1 - 12months	880,894	1,052,868
Due afer more than 12months	-	-
	880,894	1,052,868

(i) Accrural and other payables is made up of the following balances:

	2017	2016
	₦'000	₦'000
Final exit benefits payables	16,253	-
Other payables	59,967	14,635
Provision for audit fees	21,051	16,000
Provision for Industrial Training Fund (ITF) levy	11,182	11,488
Provision for accounting/consultancy fees	2,150	5,300
Management fee payables	47,543	39,033
	158,147	86,456

Management fee payable represents fee payable to Royal Exchange Plc (Parent company) for investment management services provided to the Company during the year.

(ii) Other liabilities is made up of the following balances:

	2017	2016
	₦'000	₦'000
Employee benefit payable	53,835	133,021
PAYE payable	14,887	13,343
Witholding tax payable	59,152	54,525
VAT payable	17,254	17,796
Pension payable	34,650	67,672
NHF payable	7,418	7,418
Professional fee payable	21,045	17,045
Other creditors	144,613	98,850
	352,854	409,670

(iii) Provision for litigations and claims represents provisions for the claim value of legal cases against the Company has assessed to have a reasonable possibility of resulting in the outflow of economic resources. The Company is currently involved in a total of 44 cases as plantiff and defendant.

22 Long term liabilities

22(a) 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.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 18% to 24% (2016: 18% to 22%) per annum.

	Future minimum lease payments		Interest		Present value of future lease payments	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Not later than one year	66,949	56,356	16,012	21,245	50,937	35,111
Later than one year and not later than 5 years	43,108	82,692	4,984	13,879	38,124	68,814
	110,057	139,048	20,996	35,124	89,061	103,925
Within one year	66,949	56,356	16,012	21,245	50,937	35,111
More than one year	-	-	4,984	13,879	38,124	68,814
	66,949	56,356	20,996	35,124	89,061	103,925

Notes to the financial statements

22(b) Borrowings

	2017	2016
	₦'000	₦'000
Royal Exchange Prudential Life Assurance Plc	269,335	-
Royal Exchange Finance and Investment Ltd	61,164	-
	330,499	-

	2017	2016
Due within 1 - 12months	330,499	-
Due after more than 12months	-	-
	330,499	-

Borrowings consist of facilities with Royal Exchange Prudential Life Assurance Plc and Royal Exchange Finance and Investment Limited with original maturities between 33 to 135 days at an interest rate of 18% obtained to meet working capital needs of the Company.

23 Insurance contract liabilities

	2017	2016
	₦'000	₦'000
Claims outstanding	2,584,041	1,971,277
Incurred but not reported	904,986	968,543
Outstanding claims (See note 23(d) and (e) below)	3,489,027	2,939,820
Unexpired risk (See note 23(b) and (c) below)	1,956,982	2,459,159
	5,446,009	5,398,979

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

	2017	2016
	₦'000	₦'000
Fire	2,089,367	1,507,883
Accident	412,026	741,719
Motor	962,162	1,165,026
Marine	449,537	327,365
Oil and Gas	1,396,351	1,521,538
Engineering	126,916	121,133
Bond	9,650	14,315
	5,446,009	5,398,979

23(b) Unexpired risk is summarised by type below

	2017	2016
	₦'000	₦'000
Fire	410,125	573,221
Accident	156,595	261,980
Motor	534,098	584,333
Marine	232,199	145,424
Oil and Gas	594,568	849,355
Engineering	28,501	44,829
Bond	896	17
Total	1,956,982	2,459,159

23(c) The movement in unexpired risk reserve is shown below:

	2017	2016
	₦'000	₦'000
Balance, beginnning of year	2,459,159	2,223,284
Movement during the year (see note 30(b))	(502,177)	235,875
Balance, end of year	1,956,982	2,459,159

Notes to the financial statements

23(d) Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the end of reporting date, but not settled at that date and provision made for claims incurred but not yet reported as at the end of the financial year. This provision is based on the liability adequacy test report.

Analysis of claims arising from incidents occurring prior to the end of reporting date, but not settled at that date is shown below:

	2017	2016
	₦'000	₦'000
Fire	1,679,242	934,662
Accident	255,431	479,739
Motor	428,064	580,693
Marine	217,338	181,941
Oil and Gas	801,783	672,183
Engineering	98,415	76,304
Bond	8,754	14,298
Total	3,489,027	2,939,820

An ageing analysis of the time between when the outstanding claims were reported and the date of the financial statements is presented below:-

	₦'000
0- 90 days	243,634
91- 180 days	124,091
181-270 days	155,484
271-360 days	789,068
Above 360 days	1,271,764
	2,584,041

Outstanding claims days	Remarks	No of claims	Amount
0 - 90 days	Awaiting supporting Documentation	265	110,000
0 - 90 days	Awaiting Engineer's/Adjusters Report	159	66,000
0 - 90 days	Awaiting settlement decision	110	45,634
0 - 90 days	Claims awaiting payment	53	22,000
91-180 days	Awaiting supporting Documentation	235	62,168
91-180 days	Awaiting Engineer's/Adjusters Report	145	38,616
91-180 days	Awaiting settlement decision	88	23,243
91-180 days	Under dispute	1	64
181-270 days	Awaiting supporting Documentation	377	84,241
181-270 days	Awaiting Engineer's/Adjusters Report	188	42,120
181-270 days	Awaiting settlement decision	130	29,123
271-360 days	Awaiting supporting Documentation	233	406,262
271-360 days	Awaiting Engineer's/Adjusters Report	139	242,647
271-360 days	Awaiting settlement decision	80	140,160
Over 360 days	Awaiting supporting Documentation	2,947	574,198
Over 360 days	Awaiting Engineer's/Adjusters Report	1,410	274,623
Over 360 days	Awaiting settlement decision	966	188,207
Over 360 days	Claims awaiting payment	589	114,840
Over 360 days	Under dispute	615	119,895
			2,584,041

23(e) The movement in outstanding claims is shown below:

	2017	2016
	₦'000	₦'000
Balance, beginnning of year	2,939,820	2,211,000
Movement during the year (see note 33)	549,207	728,820
Balance, end of year	3,489,027	2,939,820

Notes to the financial statements

23(f) Hypothecation of Insurance Fund on Assets

	2017		2016	
	₦'000	₦'000	₦'000	₦'000
Insurance liabilities	-	5,446,009	-	5,398,979
Less Reinsurance recoverable:				
Reinsurers' expenses prepaid	642,587		1,217,601	
Reinsurers' s share of claims expenses outstanding	1,204,292		643,402	
Reinsurers' s share of incurred but not reported claim	365,669		328,932	
Total recoverables		(2,212,548)		(2,189,935)
		3,233,461		3,209,044
Asset Cover:				
Quoted equity, not more than 50% of insurance liability	907,980		945,620	
Cash and cash equivalents	2,041,092		961,768	
Loans and receivables	6,152		435,512	
Federal government bond	113,972		109,765	
Treasury bills	289,130		20,603	
Mortgage loan	85,519		106,692	
Unquoted equity	440,212		409,316	
Property and Equipment	842,154		797,879	
Intangible assets	-		-	
Total assets		4,726,211		3,787,155
Surplus/ (deficit)		1,492,750		578,111

24 Taxation

24(a) *Charge for the year*

	Notes	2017	2016
Recognised in profit or loss		₦'000	₦'000
Company Income tax		-	-
Withholding tax on dividends		6,754	-
Under provision in prior years		-	41,955
Tertiary education tax		-	-
Technology tax		4,497	2,826
		11,251	44,781
Origination of temporary differences	18	117,107	110,145
Income taxes		128,358	154,926
Minimum tax		55,602	46,424
Recognised in other comprehensive income			
Deferred tax on remeasurement of defined benefit scheme	18	4,546	(4,890)

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 Tertiary Education Tax Act, CAP E4 LFN 2004.

Reconciliation of effective tax rate

	2017		2016	
	Tax rate %	Amount ₦'000	Tax rate %	Amount ₦'000
Profit before tax		449,679		285,414
Company income tax using the domestic corporation tax rate	30%	134,904	30%	85,624
Non-deductible expenses	7%	31,120	28%	79,756
Tax exempt income	-43%	(192,916)	-51%	(144,700)
Derecognition of unrelieved losses	32%	143,999	31%	89,465
Prior year tax under provision	0%	-	15%	41,955
Minimum tax	12%	55,602	16%	46,424
WHT paid on dividends	2%	6,754	0%	-
Information technology tax levy	1%	4,497	1%	2,826
Tertiary education tax	0%	-	0%	-
	41%	183,960	71%	201,350

Notes to the financial statements

24(b) ***Current income tax liabilities***

	2017	2016
	₦'000	₦'000
Beginning of the year	262,572	217,735
Charge for the year	66,853	91,205
Paid during the year	(62,449)	(46,368)
As at year end	266,976	262,572

25 Share capital

Share capital comprises

	2017	2016
	₦'000	₦'000
Authorized share capital		
6,000,000,000 (5,000,000,000) ordinary share of ₦1 each	6,000,000	5,000,000
Issued and fully paid		
4,366,666,666 ordinary share of ₦1 each	4,366,667	4,366,667
Addition during the year (see note (i))	1,000,000	-
5,366,666,666 (2016: 4,366,667) ordinary share of ₦1 each	5,366,667	4,366,667

(i) During the year, the shareholders approved the issue of 1billion ordinary shares at ₦1 per share to Royal Exchange Plc (2016: nil). The increase in the authorised share capital to ₦6billion and the allotment of 1billion ordinary shares at ₦1 per share to Royal Exchange Plc at par was registered with the Corporate Affairs Commission (CAC) on 13 December 2017.

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.

26 Share premium

	2017	2016
	₦'000	₦'000
Beginning of the year	802,737	802,737
Additions during the year	-	-
As at year end	802,737	802,737

27 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.

	2017	2016
	₦'000	₦'000
Beginning of the year	1,558,477	1,288,611
Transfer from profit or loss account	290,953	269,866
At end of the year	1,849,430	1,558,477

28 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).

	2017	2016
	₦'000	₦'000
Beginning of the year	70,087	255,889
Transfer from profit and loss	265,719	84,064
Transfer to contingency reserve	(290,953)	(269,866)
Dividend paid during the year	-	-
At end of the year	44,853	70,087

Notes to the financial statements

29 Other components of equity

	2017	2016
	₦'000	₦'000
Balance at the beginning of the year	184,854	72,454
Fair value changes :		
-Available for sale financial assets (see note 7(d))	25,782	49,906
-Share of current year results in equity accounted investees (see note 12(a))	(905)	(5,988)
Total fair value changes in statement of changes in equity	24,877	43,918
-Actuarial losses/(gain) on employee benefit obligations (see note 17(c))	(14,005)	73,372
Tax effects on OCI (see note 18)	4,546	(4,890)
At end of the year	200,272	184,854

(a) 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.

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 recognised in other comprehensive income.

30(a) Premium written

	2017	2016
	₦'000	₦'000
Gross written premiums	9,698,433	8,995,530
Change in unearned premiums (see note 23(c))	502,177	(235,875)
Gross earned premiums	10,200,610	8,759,655

31 Reinsurance expenses

	2017	2016
	₦'000	₦'000
Gross written reinsurance premiums	5,389,823	4,339,898
Change in reinsurance unearned premiums (see note 9(a) below)	575,013	(358,905)
	5,964,836	3,980,993

32 Fee and commission income

	2017	2016
	₦'000	₦'000
Reinsurance commissions	467,565	428,420
	467,565	428,420

33 Insurance claims and benefits incurred

	2017	2016
	₦'000	₦'000
Gross claims paid	2,247,543	1,988,490
Less: Movement in gross outstanding claims and IBNR (see note 23(e))	549,207	728,820
Gross incurred claims (see note 33(a) below)	2,796,750	2,717,310
Less: Reinsurance incurred claims (see note 33(b) below)	(1,449,260)	(993,505)
	1,347,490	**1,723,805**

33(a) Analysis of insurance claims and benefits incurred by class are as follows:

	2017	2016
	₦'000	₦'000
Motor and Accident	533,081	953,756
Fire and IAR	1,683,835	1,045,221
Marine	121,911	415,869
Engineering	83,985	20,084
Bond	(3,525)	5,267
Special Risk	377,463	277,113
	2,796,750	2,717,310

Notes to the financial statements

33(b) Insurance claims and benefits incurred - recoverable from reinsurers

	2017	2016
	₦'000	₦'000
Motor and Accident	68,079	179,416
Fire and IAR	1,045,696	490,371
Marine	53,335	119,045
Engineering	73,760	110,947
Bond	(1,362)	(1,500)
Special Risk	209,752	95,226
	1,449,260	993,505

33(c) Breakdown of insurance claims and benefits incurred - recoverable from reinsurers

	2017	2016
	₦'000	₦'000
Reinsurance claims recoveries	851,633	744,603
Movement in reinsurers' share of claims expenses outstanding (see note 9(b))	560,890	205,604
Movement in reinsurers' share of incurred but not reported claim (see note 9(c))	36,737	43,298
	1,449,260	993,505

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

	2017	2016
	₦'000	₦'000
Salaries & allowances - underwriting employees (39(a))	685,458	688,303
Accommodation costs	82,080	80,547
Communication Costs	203,653	200,573
Business and administration expenses	274,179	172,548
Acquisition costs:		
Insurance contracts – non-life	705,744	676,327
Movement in insurance contracts deferred acquisition costs	35,079	18,627
Other commissions	35,329	41,300
	2,021,522	1,878,225

Notes to the financial statements

35 Investment and other income

	2017	2016
	₦'000	₦'000
Interest income on investment (see note 35 (a) below)	447,963	194,483
Dividend income (see note 35(a) below)	102,136	78,471
Net realised gains/(losses) on financial assets (see note 35(a) below)	36,589	(616)
Net Investment Income	586,688	272,338
Changes in fair value (see note 35(a))	200,117	372,040
Total Investment Income	786,805	644,378

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

2017	Dividend Income	Net realised gains and losses	Changes in fair value	Interest Income	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Debt securities:					
*Available-for-sale	-	-	-	-	-
*At fair value through profit/loss	-	-	-	56,716	56,716
*Loans & receivables (amortised cost)	-	-	-	22,812	22,812
Equity securities:				-	-
*Available-for-sale	30,997	-	-	-	30,997
*At fair value through profit/loss	71,139	36,589	281,007	-	388,735
Investment properties	-	-	(80,890)	-	(80,890)
Cash and cash equivalents	-	-	-	368,435	368,435
Deposits with credit institutions	-	-	-	-	-
Mutual funds and unit trusts	-	-	-	-	-
Investment management income	-	-	-	-	-
	102,136	36,589	200,117	447,963	786,805

2016	Dividend Income	Net realised gains and losses	Changes in fair value	Interest Income	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Debt securities:					
*Available-for-sale	-	-	-	-	-
*At fair value through profit/loss	-	-	-	-	-
*Loans & receivables (amortised cost)	-	-	-	-	-
Equity securities:				-	-
*Available-for-sale	51,363	-	-	-	51,363
*At fair value through profit/loss	27,108	(616)	(103,853)	194,483	117,122
Investment properties	-	-	475,893	-	475,893
Cash and cash equivalents	-	-	-	-	-
Deposits with credit institutions	-	-	-	-	-
Mutual funds and unit trusts	-	-	-	-	-
Investment management income	-	-	-	-	-
	78,471	(616)	372,040	194,483	644,378

36 Impairment allowance

	2017	2016
	₦'000	₦'000
Impairment allowance/(writeback) on premium receivables - non-life business (see note 8(a)(i))	53,365	(66,534)
Impairment allowance on reinsurance receivables (see note 8(b)(i))	77,221	203,852
(Write back)/ impairment allowance on other receivables (see note 11(c)(i))	(13,068)	32,434
Impairment allowance on loans and recievables	5,239	-
Impairment allowance on dividend receivables (see note 11(b)(i) & 40(i))	20,965	-
Impairment allowance on available for sale	3,346	-
Impairment allowance on fair value through proft or loss	-	1,612
	147,068	171,364

Notes to the financial statements

37 Other operating income

	2017	2016
	₦'000	₦'000
Rental income	77,151	62,732
Profit/(loss) on disposal of property and equipments	5,411	(52)
Interest on loan & advances	-	673
Income from lead-underwriting businesses	16,149	153,927
	98,711	217,280

38 Foreign exchange loss

	2017	2016
	₦'000	₦'000
Loss on translation of foreign currency transactions	(2,218)	(36,683)
	(2,218)	(36,683)

39 Management expenses

	Notes	2017	2016
		₦'000	₦'000
Salaries and allowances of other employees	39(a)	469,660	502,332
Post employment defined benefit expenses see note (ii)	17(c)	(32,065)	(8,184)
Audit fees		21,051	16,193
Amortisation of intangible assets	15	4,518	6,689
Promotional and advert expenses		7,692	3,155
Depreciation on property and equipment	14	104,225	158,956
Directors' fees		1,625	578
Donations		214	225
Bank charges		11,903	23,066
Legal fee retainer		41,843	27,533
Insurance premium		26,580	45,705
Accounting consultancy fee		6,572	22,645
Investment expenses		186,987	150,809
Electricity charges		4,076	47,476
VAT paid		-	16,879
Repairs and maintenance		15,843	21,271
Telephone expenses		17,914	18,536
Transportation expenses		36,335	45,665
Annual software renewal fees		4,169	19,872
Subscription and Journals		8,267	1,940
Assets written off		-	13,363
Marketing expenses		411,492	532,883
Advertisements		67,322	119,240
Finance charges		110,418	19,995
Other administrative expenses see note (i) below.		65,307	44,861
NAICOM levy		32,827	42,313
		1,624,775	**1,893,996**

(i) Other administrative expenses relate to expenses incurred for the day to day running of the Company during the year.
(ii) This is the net impact of interest cost on the defined benefit obligation and expected return on plan assets as a result of actuarial review of the defined befined pension plan and long service awards maintained by the Company. For the year 2017, the expected return on plan assets was greater than the interest cost on the obligation.

39(a) Analysis of salaries and allowances are shown below:

	2017	2016
	₦'000	₦'000
Salaries & allowances - underwriting employees (see note 34)	685,458	688,303
Salaries and allowances of other employees	469,660	502,332
	1,155,118	**1,190,635**

Notes to the financial statements

40 Reconciliation notes to statement of cash flows

40(a) Insurance premium received from customers

	2017	2016
	₦'000	₦'000
Gross premium written (See note 30(b))	10,200,610	8,759,655
Unexpired risk, opening balance (See note 23(c))	(2,459,159)	(2,223,284)
Unexpired risk, closing balance (See note 23(c))	(1,956,982)	(2,459,159)
Unearned premium	**(502,177)**	**235,875**
Trade receivables, opening balance (See note 8)	47,587	170,138
Trade receivables, closing balance (See note 8)	(35,646)	(47,587)
Premium received from trade debtors	**11,941**	**122,551**
Insurance premium received from customers	**9,710,374**	**9,118,081**

40(b) Insurance benefits and claims paid to customers

	2017	2016
	₦'000	₦'000
Claims incurred (See note 33)	(2,796,750)	(2,717,310)
Outstanding claims reserve, opening balance (See note 23(d))	(2,939,820)	(2,211,000)
Outstanding claims reserve, closing balance (See note 23(d))	3,489,027	2,939,820
Insurance benefits and claims paid to customers	**(2,247,543)**	**(1,988,490)**

40(c(i)) Outward reinsurance paid

	2017	2016
	₦'000	₦'000
Opening reinsurance payables (See note 20)	(307,542)	(357,804)
Gross expenses recognised in Profit or Loss (See note 31)	(5,389,823)	(4,339,898)
Closing reinsurance payables (See note 20)	618,161	307,542
	(5,079,204)	(4,390,160)

40(c(ii)) Net premium received in advance

	2017	2016
Premium paid (see note 20)	(8,005,683)	(5,018,782)
Premium received in advance during the year (see note 20)	9,292,796	8,005,683
Net premium received in advance	**1,287,113**	**2,986,901**

40(d) Fees and commission received

	2017	2016
	₦'000	₦'000
Opening deferred income (See note 19(b))	(133,294)	(98,777)
Net fee and commission recognized in P or l (See note 32)	467,565	428,420
Closing deferred income (See note 19(b))	103,205	133,294
Fees and commission received	**437,476**	**462,937**

40(e) Claim recoveries made from reinsurers

	2017	2016
	₦'000	₦'000
Reinsurers' share of claims expenses outstanding, opening (See note 9)	643,402	437,798
Reinsurers' share of claims expenses outstanding, closing (See note 9)	(1,204,292)	(643,402)
Movement in reinsurers' share of claims expenses outstanding	**(560,890)**	**(205,604)**
Reinsurers' share of incurred but not reported claim, opening (See note 9)	328,932	285,634
Reinsurers' share of incurred but not reported claim, closing (See note 9)	(365,669)	(328,932)
Movement in reinsurers' share of incurred but not reported claim	**(36,737)**	**(43,298)**
Claims recovery (See note 33(b))	1,449,260	993,505
Claim recoveries made from reinsurers	**851,633**	**744,603**

Notes to the financial statements

40(f) Commissions paid

	2017	2016
	₦'000	₦'000
Deferred Acquisition cost, opening balance (See note 10)	283,338	301,965
Deferred Acquisition cost, closing balance (See note 10)	(248,260)	(283,338)
Charge to Profit or Loss	(741,073)	(717,627)
Commissions paid	**(705,995)**	**(736,254)**

40(g) Cash payment to employees, intermediaries and other suppliers

	2017	2016
	₦'000	₦'000
Cash payments to employees (See note 39(a))	(1,162,382)	(1,190,635)
Other cash payments to intermediaries and suppliers	(3,753,657)	(1,195,007)
Cash payments to employees, intermediaries and other suppliers	**(4,916,039)**	**(2,385,642)**

40(h) Proceeds from sale of property and equipment

	2017	2016
	₦'000	₦'000
Cost of property and equipment	38,341	89,741
Accumulated depreciation	(38,341)	(84,202)
Profit/(loss) on disposal (See note 37)	5,411	(52)
Proceeds from sale of property and equipment	**5,411**	**5,487**

40(i) Dividend income received

	2017	2016
	₦'000	₦'000
Dividend accrual, opening balance (See note 11(b))	11,313	28,110
Profit or loss Charge (See note 35)	102,136	78,471
Impairment charge on dividend receivables (See note 36)	(20,965)	-
Dividend accrual, closing balance (See note 11(b))	(4,018)	(11,313)
Dividend income received	**88,466**	**95,268**

40(j) Rental Income

	2017	2016
	₦'000	₦'000
Rental income recognised in profit or loss (see note 37)	77,151	62,732
Non-cash adjustments	-	(2,827)
Rental income received	**77,151**	**59,905**

40(k) Interest income received

	2017	2016
	₦'000	₦'000
Accrued interest income (opening)	57,522	92,128
Profit or loss charge	447,963	194,483
Accrued interest income (closing)	(50,855)	(57,522)
Interest income received	**454,630**	**172,183**

Notes to the financial statements

41 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. The Company has adopted the Discounted Inflation Adjusted Basic Chain Ladder Method in determining the claims reserves for the year.

41(a) The Summary of results using the Discounted Inflation Adjusted Chain Ladder Method is presented below:

31 December 2017

Table 41(a)(i)

[redacted]			
	255,430	(41,501)	213,929
	98,415	(69,492)	28,923
	1,679,242	(1,173,325)	505,917
	217,339	(85,669)	131,669
	428,065	(73,562)	354,502
	8,754	(4,813)	3,941
	801,783	(121,596)	680,187
	3,489,027	**(1,569,959)**	**1,919,068**

**Estimated using Expected Loss Ratio method and discounted*

31 December 2016

[redacted]			
	479,739	(68,364)	411,375
	76,304	(44,213)	32,091
	934,662	(559,438)	375,224
	181,940	(52,765)	129,175
	580,693	(136,762)	443,931
	14,298	(7,144)	7,154
	672,183	(149,070)	523,113
	2,939,820	**(1,017,757)**	**1,922,063**

**Estimated using Expected Loss Ratio method and discounted*

***Reinsurance Recoveries above include Salvage reserves.*

31 December 2017

Table 41(a)(ii): Incurred But Not Reported (IBNR) Table

[redacted]			
	255,430	(185,232)	70,199
	98,415	(50,778)	47,637
	1,679,242	(1,453,939)	225,302
	217,339	(92,084)	125,254
	428,065	(301,184)	126,880
	8,754	(6,000)	2,754
	801,783	(494,823)	306,960
	3,489,027	**(2,584,040)**	**904,987**

31 December 2017

Table 41(a)(iii): Reinsurance IBNR Table

[redacted]

41,501	(26,905)	14,597
69,492	(34,070)	35,421
1,173,325	(1,015,901)	157,424
85,669	(35,114)	50,555
73,562	(44,682)	28,881
4,813	(3,000)	1,813
121,596	(44,619)	76,976
1,569,959	**(1,204,292)**	**365,667**

31 December 2017

Table 41(a)(iv): UPR (Gross and Reinsurance UPR) – Result Table

[redacted]

156,595	(31,313)	125,282
28,501	(12,507)	15,994
410,125	(172,463)	237,662
232,199	(40,339)	191,860
534,098	(27,522)	506,576
897	(445)	451
594,568	(357,999)	236,569
1,956,982	**(642,588)**	**1,314,394**

41(b) 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 2017, are summarized in Table 41(b)(i) below.

31 December 2017

Table 41(b)(i)

Incremental Chain Ladder:

[redacted]

	-								
-	-	-	-	-	-	-	-	-	

Table 41(b)(ii) Motor

[redacted]

13,481	8,411	4,318	4,083	1,604	325	1,686	255	3,578	575	-
30,101	10,914	934	1,504	1,750	-	439	427	-	-	-
88,639	30,546	99,832	8,761	-	60	494	840	821		
219,849	156,838	6,546	1,268	-	59	281	-			
183,238	161,510	11,635	265	617	-	232				
236,986	190,408	2,851	678	1,923	573					
344,468	81,833	9,053	77	880						
317,989	125,683	14,156	648							
359,380	95,840	5,649								
372,067	100,896									
325,136										

Table 41(b)(iii) Marine

235	116	798	32	1	123	-	-	-	-	-
5,094	13,421	902	2	2,993	-	-	-	-	-	-
15,955	7,849	12,960	169	60	135	2	-	-		
11,390	13,740	4,545	1,674	13	12	-	-			
52,361	31,987	5,208	656	1,880	21	236				
25,040	28,365	1,420	900	50	964					
22,666	13,975	4,969	1,030	382						
20,490	13,795	812	316							
48,679	6,158	22,560								
36,231	132,167									
85,222										

Table 41(b)(iv) General Accident

246	17,808	3,409	2,586	2,238	3,115	700	-	2,374	577	-
28,038	22,092	3,571	4,596	8,527	2,076	87	446	-	-	-
49,304	46,466	32,266	8,745	13,906	1,563	668	143	3		
25,299	52,033	17,162	5,387	2,002	4,988	-	1,466			
35,326	66,368	22,754	2,957	7,081	52	1,666				
46,970	70,541	17,706	11,504	857	2,025					
46,991	33,390	17,903	8,647	492						
35,364	46,283	6,211	1,152							
61,158	41,138	4,365								
62,774	25,056									
23,949										

Table 41(b)(v) Fire

54,175	62,508	4,435	4,602	3,840	1,039	-	1,350	-	650	-
116,006	3,304	1,505	678	405	11	38	-	-	-	-
31,420	3,701	9,303	332	1,635	644	-	-	-		
70,296	88,760	1,013	2,668	7,384	190	-	54			
86,312	134,821	52,933	2,234	1,458	-	406				
29,082	170,000	27,385	5,795	1,937	910					
156,771	171,249	35,020	4,354	1,500						
117,750	143,860	24,699	16,914							
211,660	214,902	56,119								
226,674	123,769									
129,966										

Table 41(b)(vi) Engineering

8,837	11,723	14,266	5,190	5,421	-	-	-	-	-	-
1,540	24,632	3,234	2,171	-	-	-	-	-	-	-
11,922	2,640	129	12,620	-	-	76	-	-		
25,564	23,407	27,994	494	133	-	-	-			
16,971	126,448	-	35	-	8	-				
76,351	5,686	5,730	2,539	-	2					
4,011	6,720	6,082	-	-						
4,529	13,720	-	-							
22,464	12,080	-								
34,116	8,487									
4,047										

Notes to the financial statements

42 Related party transactions:

The Company is a 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 Plc group.

Related parties and related party transactions during the period include:-

Name of related party	Relationship	Nature of transaction	2017	2016
			₦'000	₦'000
Royal Exchange Plc	Parent Company	Receivable	2,173,342	-
Royal Exchange Prudential Life Assurance Plc	Sister Company	Receivable	291,047	294,146
Royal Exchange Finance and Investment Ltd	Sister Company	Receivable	22,123	10,136
Royal Exchange Healthcare Plc	Sister Company	Receivable	89,121	115,313
Royal Exchange Microfinance Bank Ltd	Sister Company	Receivable	5,992	2,479
Royal Exchange Plc	Parent Company	Payable	-	(281,964)
Royal Exchange Trustee Fund	Fund managed by parent company	Payable	(194,054)	(153,511)
Royal Exchange Dividend Fund	Fund managed by parent company	Payable	(64,058)	(46,727)
Royal Exchange Plc	Parent Company	Gross premium written	588	-
Royal Exchange Finance and Investment Ltd	Sister Company	Gross premium written	9,452	-
Royal Exchange Prudential Life Assurance Plc	Sister Company	Gross premium written	4,094	10,783
Royal Exchange Healthcare Plc	Sister Company	Gross premium written	2,148	-
Royal Exchange Microfinance Bank Ltd	Sister Company	Gross premium written	1,667	-
Royal Exchange Finance and Investment Ltd	Sister Company	Borrowings	(61,164)	-
Royal Exchange Prudential Life Assurance Plc	Sister Company	Borrowings	(269,335)	-
Royal Exchange Finance and Investment Ltd	Sister Company	Finance lease obligations	(89,061)	(103,925)
Royal Exchange Prudential Life Assurance Plc	Sister Company	Premium outstanding	-	7,846
Royal Exchange Trustee Fund	Fund managed by parent company	Interest expense	10,927	-
Royal Exchange Dividend Fund	Fund managed by parent company	Interest expense	3,129	-
Royal Exchange Prudential Life Assurance Plc	Sister Company	Interest expense	14,194	-
Royal Exchange Finance and Investment Ltd	Sister Company	Interest expense	82,168	19,564
Royal Exchange Plc	Parent Company	Management fees	153,390	138,690
Royal Exchange Healthcare Plc	Sister Company	Employee health insurance	40,657	39,939
Royal Exchange Prudential Life Assurance Plc	Sister Company	Employee group life cover	14,043	14,992
Royal Exchange Microfinance Bank Ltd	Sister Company	Bank overdraft	(58,545)	(47,285)

43 Contingencies and Commitments

a Commitments for expenditure

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

b Contingencies and commitments

Contingent liabilities

	2017	2016
	₦'000	₦'000
Legal proceedings and litigations	1,199,671	5,987,121

Contingent assets

	2017	2016
	₦'000	₦'000
Legal proceedings	25,181	-

The Company in its ordinary course of business, is presently involved in 44 (2016: 57) litigation cases as a plaintiff and defendants.The total amount claimed in the cases against the Company is stated above. The Directors having sought the advice of professional legal counsel are of the opinion that based on the advise received, no additional provisions other than those in the books are deemed necessary for these claims.

Notes to the financial statements

44 Events after the reporting period

There were no major events after the reporting period that require adjustments or disclosure in the financial statements.

45 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:

	2017	2016
	₦'000	₦'000
Chairman	429	829
Other Directors	14,624	20,546
	15,053	21,375
Directors' fees	83	578
Emoluments as Executives	14,970	21,522
	15,053	22,100
The highest paid director	**14,697**	**14,697**

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

	2017	2016
2,000,001 - 5,000,000	1	-
Above N5,000,000	-	-

Employees remunerated at higher rates

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

	2017	2016
900,001 - 1,000,000	1	-
1,000,001 - 2,000,000	10	12
2,000,001 - 3,000,000	100	118
3,000,001 - 4,000,000	12	4
4,000,001 - 5,000,000	34	48
5,000,001 - 6,000,000	27	19
6,000,001 - 7,000,000	16	10
7,000,001 - 8,000,000	3	6
8,000,001 - 9,000,000	7	7
9,000,001 - 10,000,000	0	3
10,000,001 - 12,000,000	4	5
12,000,001 - 18,000,000	2	4
18,000,001 - 22,000,001	-	-
	216	**236**

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

	2017	2016
Managerial	15	14
Senior staff	191	210
Junior staff	10	12
	216	**236**

The staff costs for the above persons was:

	2017	2016
	₦'000	₦'000
Salaries, wages and other allowances	1,099,396	1,154,168
Pension cost	55,722	57,318
	1,155,118	1,211,486
Pension Scheme		
At January	-	-
Provision in the year	55,722	57,318
Remitted to Pension Fund Administrators	(51,179)	(57,318)
At 31 December	4,543	-

46 Contraventions

The Company did not pay any penalties in respect of contraventions of any sections of the Insurance Act CAP 117 LFN 2004 and relevant NAICOM Circulars

47 Regulatory capital

The Company's solvency margin as at 31 December 2017 was ₦3.107 billion. This is ₦107.3 million above the Company's required minimum solvency margin of ₦3billion.

OTHER NATIONAL DISCLOSURES

Royal Exchange General Insurance Company
FINANCIAL SUMMARY

	2017 ₦'000	2016 ₦'000	2015 ₦'000	2014 ₦'000	2013 ₦'000
ASSETS					
Cash and cash equivalents	11,333,888	9,615,160	5,534,750	5,617,944	835,809
Financial assets	1,842,965	2,428,713	2,676,939	3,193,407	2,542,277
Investment in associate	418,421	415,429	500,669	518,580	437,024
Deferred acqusition cost	248,260	283,338	301,965	327,004	390,154
Trade receivables	35,646	47,587	170,138	32,832	140,284
Other receivables and prepayment	3,255,642	1,082,007	1,530,051	1,133,203	1,040,217
Reinsurance assets	2,212,548	2,189,935	1,582,128	1,745,574	1,896,185
Statutory deposits	340,000	340,000	340,000	340,000	340,000
Intangible assets	1,389	5,907	12,597	21,078	32,887
Investment properties	3,660,719	3,741,609	3,265,716	3,341,640	3,014,763
Property and equipment	1,814,563	1,887,386	1,912,242	1,435,078	1,498,849
Employees retirement benefits/LSA	258,135	234,011	154,016	170,198	166,963
Deferred tax assets	235,968	339,360	401,915	671,643	699,334
Total Assets	**25,658,144**	**22,610,442**	**18,383,126**	**18,548,181**	**13,034,746**
EQUITY & LIABILITIES					
Share Capital & Reserves:					
Ordinary share capital	5,366,667	4,366,667	4,366,666	4,366,666	3,716,667
Share premium	802,737	802,737	802,737	802,737	412,737
Statutory contingency reserve	1,849,430	1,558,477	1,288,611	1,081,952	880,373
General reserve	44,853	70,087	255,889	797,208	1,090,345
Other component of equity	200,272	184,854	72,454	131,162	130,421
Total Equity	**8,263,959**	**6,982,822**	**6,786,357**	**7,179,725**	**6,230,543**
Bank overdraft	49,068	63,718	56,149	15,552	5,723
Deferred income	143,798	162,942	122,169	102,234	84,797
Trade payables	9,910,957	8,313,225	5,376,586	5,121,897	431,363
Provision and other payables	880,894	1,052,868	704,396	464,182	599,188
Finance lease obligations	89,061	103,925	5,001	12,331	41,820
Borrowings	330,499	-	-	-	-
Insurance contract liabilities	5,446,009	5,398,979	4,434,285	4,733,745	4,802,573
Income tax payable	266,976	262,572	217,737	222,666	211,432
Deferred tax liabilities	248,565	239,396	186,916	180,756	148,068
Employees retirement benefits	28,358	29,995	493,530	515,093	479,239
Other liabilities					
Total Liabilities	**17,394,185**	**15,627,620**	**11,596,769**	**11,368,456**	**6,804,203**
Total Equity & Liabilities	**25,658,144**	**22,610,442**	**18,383,126**	**18,548,181**	**13,034,746**
TURNOVER AND PROFIT					
Gross premium written	9,698,433	8,995,530	6,888,637	6,719,311	6,733,550
Net premium earned	4,235,774	4,778,662	4,657,133	4,757,033	3,916,907
Profit before taxation	449,679	285,414	140,798	159,413	539,520
(Loss)/Profit after taxation	265,719	84,064	(203,660)	57,109	611,578

ROYAL EXCHANGE GENERAL INSURANCE COMPANY LIMITED
OTHER NATIONAL DISCLOSURES
Revenue analysis per business line

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

The following is an analysis of the Company's revenue and result by reportable segment in 2017.

	2017						
	Motor and Accident	Marine Life	Engineering	Fire & IAR	Bond	Special Risk	Total
Income:	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Gross written premiums	2,337,718	739,476	166,300	1,591,051	4,222	4,859,666	9,698,433
Net change in unearned premiums	155,620	(94,830)	24,383	163,096	(880)	254,788	502,177
	2,493,338	644,646	190,683	1,754,147	3,342	5,114,454	10,200,610
Insurance premium ceded to reinsurers	242,655	244,071	93,852	790,316	2,692	4,016,237	5,389,823
Net change in unearned premiums	13,087	35,734	(6,329)	93,136	(436)	439,821	575,013
	255,742	279,805	87,523	883,452	2,256	4,456,058	5,964,836
Net insurance premium income	2,237,596	364,841	103,160	870,695	1,086	658,396	4,235,774
Fee and commission income	62,248	49,691	44,627	189,163	821	121,015	467,565
Segment income	2,299,844	414,532	147,787	1,059,858	1,907	779,411	4,703,339
Expenses:							
Claims and benefits	533,081	121,911	83,985	1,683,835	(3,525)	377,463	2,796,750
Reinsurers' share - Change in insurance liabilities	(68,079)	(53,335)	(73,760)	(1,045,696)	1,362	(209,752)	(1,449,260)
Fees and commission expense	205,689	109,293	20,046	237,122	71	133,523	705,744
Business Acquisition cost	8,516	2,694	606	5,796	15	17,703	35,329
Salaries & Allowances - Undewriting personnel	165,223	52,264	11,754	112,451	298	343,468	685,458
Other Underwriting Expenses	143,417	45,366	10,202	97,610	259	298,137	594,991
	987,847	278,193	52,833	1,091,118	(1,519)	960,541	3,369,012
Segment underwriting profit	1,311,997	136,339	94,954	(31,260)	3,426	(181,130)	1,334,327
Net investment return	178,935	56,602	12,729	121,783	323	371,972	742,345
Other income	-	-	-	-	-	-	-
Management and other expenses	(392,172)	(124,053)	(27,898)	(266,912)	(708)	(815,249)	(1,626,993)
Profit before Tax	1,098,761	68,887	79,785	(176,388)	3,041	(624,407)	449,679
Income Tax expense							(128,358)
Minimum Tax Expense							(55,602)
Loss after Tax							265,719
Net actuarial gains/(losses) on employee benefits							10,872
Tax effects on other comprehensive income							4,546
Total comprehensive loss							**281,137**

	2016						
	Motor and Accident	Marine Life	Engineering	Fire & IAR	Bond	Oil & Gas	Total
Income:	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Gross written premiums	2,870,116	728,543	191,882	1,776,837	13,015	3,415,138	8,995,531
Net change in unearned premiums	(135,353)	(85,838)	16,099	(208,945)	595	177,566	(235,876)
	2,734,763	642,705	207,981	1,567,892	13,610	3,592,704	8,759,655
Insurance premium ceded to reinsurers	348,769	291,817	146,971	726,299	5,192	2,820,850	4,339,898
Net change in unearned premiums	(2,327)	(43,059)	(220)	(157,012)	1,820	(158,107)	(358,905)
	346,442	248,758	146,751	569,287	7,012	2,662,743	3,980,993
Net insurance premium income	2,388,321	393,947	61,230	998,605	6,598	929,961	4,778,662
Fee and commission income	80,646	84,522	36,032	111,636	16,506	99,078	428,420
Segment income	2,468,967	478,469	97,262	1,110,241	23,104	1,029,039	5,207,082
Expenses:							
Claims and benefits	953,756	415,869	20,084	1,045,221	5,267	277,113	2,717,310
Reinsurers' share - Change in insurance liabilities	(179,416)	(119,045)	(110,947)	(490,371)	1,500	(95,226)	(993,505)
Fees and commission expense	238,743	95,997	19,567	235,992	2,130	83,898	676,327
Business Acquisition cost	13,177	3,345	881	8,158	60	15,679	41,300
Salaries & Allowances - Underwriting personnel	219,610	55,745	14,682	135,957	996	261,313	688,303
Other Underwriting Expenses	150,691	38,251	10,074	93,290	683	179,306	472,295
	1,396,561	490,162	(45,659)	1,028,246	10,636	722,084	3,602,030
Segment underwriting profit	1,072,406	(11,693)	142,920	81,995	12,468	306,956	1,605,052
Net investment return	194,959	49,488	13,034	120,696	884	231,981	611,041
Other income	-	-	-	-	-	-	-
Management expenses	(616,003)	(156,365)	(41,183)	(381,356)	(2,793)	(732,979)	(1,930,679)
Profit before tax	651,362	(118,570)	114,771	(178,666)	10,559	(194,042)	285,414
Income tax expense							(154,926)
Minimum tax							(46,424)
Profit after Tax							84,064
Net actuarial gains/(losses) on employee benefits							117,290
Tax effects on other comprehensive income							(4,890)
Total comprehensive income							196,464

OTHER NATIONAL DISCLOSURES
VALUE ADDED STATEMENT

	2017 ₦'000	%	2016 ₦'000	%
Gross premium income	10,200,610		8,759,655	
Reinsurance expense, claims, commission and others	(9,117,595)		(7,645,373)	
	1,083,015		1,114,282	
Investment income	586,688		272,338	
Other income	102,608		138,027	
Other gains and losses	200,117		372,040	
Value added	1,972,428	100%	1,896,687	100%
Applied as follows:				
In payment of employees:				
- Salaries, wages and other benefits	1,123,053	57%	1,182,451	62%
In payment to government:				
- Taxation	183,960	9%	201,350	11%
For future replacement of assets and expansion of business:				
- Depreciation and amortisation	108,743	6%	158,956	8%
- Contingency reserve	290,953	15%	269,866	14%
- General reserve	265,719	13%	84,064	4%
	1,972,428	100%	1,896,687	100%