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Royal Exchange General Insurance Company Limited
(RC: 725727)

Annual Report and Financial Statements
31 December 2018

Table of Contents

CORPORATE INFORMATION

Registered office	New Africa House 31, Marina Lagos Nigeria
Operations office	34-36 Oshodi/Apapa Expressway, Oshodi, Lagos
Directors	
Alhaji R.M Gwarzo	Chairman
Mr. Benjamin Agili	Managing Director
Mr. Nnamdi Oragwu	Independent Director
Mrs. Jane Ekomwereren	Director
Mr. Francis Okoli	Director
Mr. Donald Nosiri	Director
Mr. Nelson Akerele	Director
Company Secretary	Sheila Ezeuko FRC/2013/NBA/000000004059
Company registration number	RC: 725727
Preparation supervised by	Olalekan Jayeola *Chief Financial Officer*
Reinsurers	Nigerian Reinsurance Corporation Africa Reinsurance Corporation Continental Reinsurance Plc WAICA Reinsurance Corporation Swiss Reinsurance Corporation Zep Reinsurance Global Reinsurance NCAE Reinsurance Kenya Reinsurance Aveni Reinsurance Scor Reinsurance Capsicum Reinsurance
Auditor	Deloitte & Touche Civic Towers, Plot GA 1, Ozumba Mbadiwe Avenue Victoria Island, Lagos Nigeria

Bankers	Access Bank Plc Union Bank of Nigeria Plc Guaranty Trust Bank Plc First Bank of Nigeria Limited First City Monument Bank Plc Sterling Bank Plc Royal Exchange Microfinance Bank Limited Fidelity Bank Plc Ecobank Nigeria Limited Heritage Bank Limited Zenith Bank Plc Stanbic IBTC Bank Plc Jubilee Life Mortgage Bank United Bank For Africa Plc Polaris Bank Limited Wema Bank Plc
Actuary	Ernst & Young FRC /NAS/00000000738

Directors' Report

The Directors are pleased to submit to the Members of the Company their report on the affairs of Royal Exchange General Insurance Company Limited ("the Company") together with the audited financial statements for the year ended 31 December 2018.

1 Legal Form and Principal Activities

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

The principal activities of the Company include general insurance underwriting, insurance claims payment, business acquisition and investment.

2 Results for the Year

The highlights of the Company's operating results for the year ended 31 December, 2018 are as follows:

For the year ended 31 December	**2018**	**2017**
	N'000	***N'000***
Gross written premium	**10,716,756**	**9,698,433**
Profit before taxation	1,154,518	449,679
Income taxes	(419,191)	(128,358)
Minimum tax	-	(55,602)
Profit after taxation	735,327	265,719
Transfer to contingency reserve	(321,503)	(290,953)
Transfer from retained earnings	**413,824**	**(25,234)**

3 Directors and Directors' Interest and Shareholding

A Board of 7 (seven) Directors determined the general policy of the Company in the year under review

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

Alhaji R.M Gwarzo*	- Chairman
Alhaji Auwalu Muktari**	- Chairman
Mr. Benjamin Agili	- Managing Director
Mr. Nnamdi Oragwu	- Independent Director
Mrs Jane Ekomwereren	- Director
Mr Francis Okoli***	- Director
Mr. Donald Nosiri	- Director
Mr Nelson Akerele	- Director

3.2 Resignation, Appointment and Re-appointment of Directors:
* Alhaji Auwalu Muktari resigned as Chairman of the Company board of directors with effect from 19 October 2018.
** Alhaji R.M Gwarzo was appointed as Chairman of the Company board of directors with effect from 11 October 2018.
*** Mr Francis Okoli resigned as a director of the Company with effect from 3 April 2019.

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

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

4 Share Capital and Shareholding

4.1 Authorized Share Capital

The authorized share capital of the Company is ₦8,000,000,000 (2017: ₦6,000,000,000) made up of 8,000,000,000 (2017: ₦6,000,000,000) ordinary shares of ₦1.00 each.

4.2 Called Up, Issued and Fully Paid Share Capital

The issued and paid-up share capital of the Company currently is ₦5,366,666,666 (2017: N5,366,666,666) made up of 5,366,666,666 (2017: 5,366,666,666) ordinary Shares of N1.00 each. An analysis of the shareholding interest in the issued share capital of the Company is disclosed below:

	2018 No. of Ordinary Shares	2018 % Holding	2017 No. of Ordinary Shares	2017 % Holding
Royal Exchange Plc	5,366,666,663	99.7%	5,366,666,665	99.9%
Mr. K.E. Odogwu	3	0.3%	1	0.1%
Total	5,366,666,666	100%	5,366,666,666	100%

5 Property and Equipment

Information relating to changes in property and equipment during the year is shown in Note 14 to the financial statements. In the opinion of the Directors, the fair value of the Company's properties is not less than the value shown in the accounts.

6 Donations

The Company did not make any donation during the year (2017: ₦214,463).

7 Events after Reporting Date

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

8 Agents, Brokers and Intermediaries

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

9 Employers' Involvement, Training and Welfare

9.1 Employment of Physically Challenged Persons

It is the policy of the Company that there will be no discrimination in the consideration of all applications for employment. As at 31 December 2018 (2017: nil), there was no disabled person employed by the Company.

9.2 Health and Safety at Work and Welfare of Employees

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

9.3 Involvement and Consultation

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

9.4 Training

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

10 Auditors

The Auditors, Messer Deloitte & Touche (Chartered Accountants) appointed during the year 2018, have indicated their willingness to continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20, LFN, 2004.

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
20 June 2019

Statement of Directors' responsibilities for the preparation and approval of the Financial Statements

The Directors of Royal Exchange General Insurance Company Limited are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the company as at 31 December 2018, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Companies and Allied Matters Act of Nigeria, the Insurance Act CAP I17 LFN 2004, relevant guidelines and circulars issued by the National Insurance Commission ("NAICOM") and Financial Reporting Council Act of Nigeria.

In preparing the financial statements, the Directors are responsible for:

* properly selecting and applying accounting policies;
* presenting information, including accounting policies, in a manner that provide relevant, reliable, comparable and understandable information;
* providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
* making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

* designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
* maintaining adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the company comply with IFRS;
* maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
* taking such steps as are reasonably available to them to safeguard the assets of the Company; and
* preventing and detecting fraud and other irregularities

Going Concern

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

The financial statements of the company for the year ended 31 December 2018 were approved by the Board of Directors on 20 June, 2019.

Signed by order of the Board of Directors:

Donald Nosiri	**Benjamin Agili**
Director	**Managing Director**
(FRC/2019/CIPMN/00000019555)	(FRC/2016/CIIN/00000014211)
20 June 2019	20 June 2019

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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 accompanying financial statements of Royal Exchange General Insurance Company Limited which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements gives a true and fair view of the financial position of Royal Exchange General Insurance Company Limited as at 31 December, 2018 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004, Insurance Act I17 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

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 Institute of Chartered Accountants of Nigeria (ICAN) Professional Code of Conduct and Guide for Accountants and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter
Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. The 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 the matter

Key Audit Matter	How the matter was addressed in the audit
Valuation of Insurance Contracts Loss Reserve	
Under IFRS 4, the Company is required to perform liability adequacy test on its insurance contract liabilities to ensure the carrying value of the liabilities is adequate. As disclosed in note 23 to the financial statements, the insurance contract liabilities of the Company amounted to ₦5.32 billion [2017: ₦5.46 billion]. This represents about 37% of the Company total liabilities as at 31 December 2018.	Our procedures included the following among others: We assessed and tested the design and operating effectiveness of key controls over actuarial methodology, the integrity of data used in the actuarial valuation, the assumptions and governance processes used by management regarding the valuation of general insurance reserves. In relation to the particular matters set out above, our substantive testing procedures included the following:

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Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses as at 31 December 2018. This involves exercise of significant judgement and use of key inputs and assumptions such as inflation, claims development patterns and regulatory changes. Specifically, long-tail lines of business, which often have low frequency, high severity claims settlements, are generally more difficult to project and subject to greater uncertainties than short-tail, high frequency claims. Further, not all catastrophic events can be modelled using actuarial methodologies, which increases the degree of judgment needed in estimating general insurance loss reserves.	• Tested the completeness and accuracy of underlying claims data utilized by the company's actuary in estimating general insurance loss reserves. • Utilized information technology audit techniques to analyze claims through claims data plausibility checks and recalculation of claims development patterns. • Involved Deloitte's actuarial specialists to independently test management's general insurance loss reserve studies and evaluate the reasonableness of the methodology and assumptions used against recognised actuarial practices and industry standards. • Performed independent re-projections on selected product lines, particularly focusing on the largest and most uncertain general insurance reserves. For these product lines our actuarial specialists compared their re-projected reserves to those recorded by the company, and sought to understand any significant differences.
At the end of each financial year, management employ the services of an external actuary in the determination of its insurance liability after considering the accuracy and integrity of data used in the valuation. Necessary adjustments are made in the financial statements to reflect the liabilities determined by the actuary.	Performed sensitivity testing and evaluated the appropriateness of any significant adjustments made to management's general insurance reserve estimates. Based on the work performed we concluded that the methodology and assumptions used by management in the valuation of insurance contract liabilities reserves are reasonable and in line with financial reporting requirements and industry accepted practice.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Nigeria Insurance Act CAP I17 LFN 2004 and Financial Reporting Council Act, 2011 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating 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 continue as a going concern. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matter communicated with the audit committee and/or the directors, we determine the matter that was of most significance in the audit of the financial statements of the current year and is therefore the key audit matter. We describe the matter 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 benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of the Companies and Allied Matters Act CAP C20 LFN 2004, Section 28(2) of the Insurance Act CAP I17 LFN 2004, we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

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

No evidence of non-compliance with laws and regulations was brought to our attention during the course of the audit of the financial statements.

Contraventions

The Company has complied with the requirements of the relevant circulars and guidelines issued by National Insurance Commission ("NAICOM").

No contravention of any sections of Insurance Act or NAICOM circulars and guidelines came to our knowledge during the audit year ended 31 December, 2018.

The engagement partner on the audit resulting in the independent auditor's report is Yetunde Odetayo, FCA.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
27 August, 2019

3G/ICAN
0846716

Signing partner: Joshua Ojo, FCA
FRC/2013/ICAN/00000000849

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

2 Basis of preparation

(a) Statement of compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as 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 CAP I17 LFN 2004 and National Insurance Commission of Nigeria ("NAICOM") circulars.

These financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the accompanying notes.

(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

These financial statements have been prepared in accordance with the going concern principle and 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;
	• financial instruments at fair value through other comprehensive income;
	• investment properties.
(ii) Measured at present value	• Retirement benefit obligations are measured in terms of the projected unit credit method;

(iii) Measured at amortised cost	• financial liabilities at amortised cost;
(iv) Measure 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 2018.

(e) Use of estimates and judgment

In preparing the 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 and disclosures

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The company does not apply hedge accounting. Consequently, for notes disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in section 3 below.

	Ref. Note	IAS 39 Carrying amount 31 Dec 2017	Re-classifications	Expected credit losses	IFRS 9 Carrying amount 1 Jan 2018
		₦'000	**₦'000**	**₦'000**	**₦'000**
Liabilities					
Insurance contract liabilities		5,446,009	-	-	5,446,009
Bank overdrafts		49,068	-	-	49,068
Deferred income		143,798	-	-	143,798
Borrowings		330,499	-	-	330,499
Trade payables		9,910,957	-	-	9,910,957
Other liabilities		880,894	-	-	880,894
Deposit for share		-	-	-	-
Finance lease obligations		89,061	-	-	89,061
Current income tax liabilities		266,976	-	-	266,976
Employee benefit liability		28,358	-	-	28,358
Deferred tax liabilities		248,565	-	-	248,565
Total liabilities		**17,394,185**	**-**	**-**	**17,394,185**
Equities					
Share capital		5,366,667	-	-	5,366,667
Share premium		802,737	-	-	802,737
Contingency reserve		1,849,430	-	-	1,849,430
Retained earnings	h	44,853	172,957	(276,792)	(58,982)
FVOCI reserves		-	-	(482)	(482)
Other component of equity	i	200,272	7,494	-	207,766
Total equity		**8,263,959**	**180,451**	**(277,274)**	**8,167,136**
Total equity and liabilities		**25,658,144**	**180,451**	**(277,274)**	**25,561,321**

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to note 3 for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amount of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Ref Note			IAS 39 as at 31 Dec 2017 ₦'000	IAS 39 as at 1 Jan 2018 ₦'000
a	Cash and cash equivalent	A		
	Balance as at 31 Dec 2017 (IAS 39)		11,333,888	11,333,888
	Impairment (ECL Model)		-	(6,121)
	Balance as at 1 Jan 2018 (IFRS 9)		**11,333,888**	**11,327,767**
b	**Available for sale (AFS)**	B		
	Balance as at 31 Dec 2017 (IAS 39)		440,212	-
	Reclassified to FVOCI		(440,212)	-
	Balance as at 1 Jan 2018 (IFRS 9)		-	-
	Financial assets:	B		
c	**Fair value through profit or loss (FVTPL)**			
	Balance as at 31 Dec 2017 (IAS 39)		1,311,082	1,311,082
	Reclassified to FVOCI		-	(403,102)
	Balance as at 1 Jan 2018 (IFRS 9)		**1,311,082**	**907,980**
d	**Fair value through other comprehensive**			
	Balance as at 31 Dec 2017 (IAS 39)		-	-
	Reclassified from FVTPL		-	403,102
	Reclassified from AFS		-	440,212
	Impairment (ECL Model)		-	(482)
	Balance as at 1 Jan 2018 (IFRS 9)		**-**	**842,832**
e	**Amortised cost (AC)**	A		
	Balance as at 31 Dec 2017 (IAS 39)		-	-
	Reclassified from Loans and Receivables		-	91,671
	Impairment (ECL Model)		-	(12,609)
	Balance as at 1 Jan 2018 (IFRS 9)		**-**	**79,062**

Ref Note			IAS 39 as at 31 Dec 2017 ₦'000	IAS 39 as at 1 Jan 2018 ₦'000
f	**Loans and Receivables**	A		
	Balance as at 31 Dec 2017 (IAS 39)		91,671	-
	Reclassified to Amortised Cost		(91,671)	-
	Balance as at 1 Jan 2018 (IFRS 9)		-	-
g	**Trade receivables**	A		
	Balance as at 31 Dec 2017 (IAS 39)		35,646	35,646
	Reclassification		-	161,638
	Impairment (ECL Model)		-	(129,996)
	Balance as at 1 Jan 2018 (IFRS 9)		**35,646**	**67,288**
h	**Other receivables and prepayments**	A		
	Balance as at 31 Dec 2017 (IAS 39)		3,255,643	3,255,643
	Reclassification		-	18,813
	Impairment (ECL Model)		-	(128,066)
	Balance as at 1 Jan 2018 (IFRS 9)		**3,255,643**	**3,146,390**
i	**FVOCI Reserve**	B		
	Balance as at 31 Dec 2017 (IAS 39)		-	-
	Reclassified from Other component of equity		-	-
	Impairment (ECL Model) -FVOCI		-	(482)
	Balance as at 1 Jan 2018 (IFRS 9)		-	**(482)**
j	**Other component of equity**	B		
	Balance as at 31 Dec 2017 (IAS 39)		200,272	200,272
	Reclassified to FVOCI		-	7,494
	Balance as at 1 Jan 2018 (IFRS 9)		**200,272**	**207,766**
i	**Retained earnings**	B		
	Balance as at 31 Dec 2017 (IAS 39)		44,853	44,853
	Reclassified from FVOCI			(7,494)
	Reclassified to Retained earnings		-	180,451
	Impairment (ECL Model) -Cash & cash equivalents		-	(6,121)
	Impairment (ECL Model) -Amortised cost		-	(12,609)
	Impairment (ECL Model) -Trade receivables		-	(129,996)
	Impairment (ECL Model) –Intercompany receivables		-	(128,066)
	Balance as at 1 Jan 2018 (IFRS 9)		**44,853**	**(58,982)**

The total re-measurement loss of N104,317 was recognised in opening reserves at 1 January 2018. In addition, an amount of N7.5 million was reclassified from retained earnings to fair value reserves at 1 January 2018 in respect of reclassification of investment securities classified at fair value through profit or loss under IAS 39 to fair value through other comprehensive income under IFRS 9.

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Company as shown in the table above:

A Reclassification from retired categories with no change in measurement

The following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

- Those previously classified as available for sale and now classified as measured at FVOCI; and
- Those previously classified as loans and receivables and now classified as measured at amortised cost

B Financial Assets previously designated at FVPL now measured at FVOCI

The company held debt securities amounting to N403.1 million which had previously been measured at fair value through profit or loss. After performing a detailed analysis, the company concluded that these debt securities are required to be measured at fair value through other comprehensive income as the debt securities are held for the dual objective of collecting contractual cash flows and selling. The sales are driven by liquidity needs to settle insurance claims. In addition, the contractual cash flows consist solely of payments of principal and interest.

Standards, amendments and interpretations effective during the reporting period

A number of new standards and amendments are effective for annual periods beginning after 1 January 2018, and have been applied in preparing these financial statements.

(i) 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 include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing more detailed assessment of the impact of this standard on the Company.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

(ii) 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.

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

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The Company adopted the amendments for the year ending 31 December 2018.

Based on preliminary assessment of the Company, the new accounting policies are expected to have significant impact on the financial statements.

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

A number of new standards, interpretations and amendments are effective for annual period beginning after 1 January 2018 and earlier application is permitted. The Company has not early adopted the following new or amended standards in preparing these financial statements.

(i) IFRS 16 Leases

IFRS 16 replaces IAS 17, 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 subsequently 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 standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

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.

(ii) IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.
The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021.

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

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

The amendments have no impact on the Company as there are no agriculture assets owned by the Company or plans to invest in agriculture.

(iv) Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associate and joint ventures.

The amendments apply retrospectively. The amendment is not expected to have any significant impact on the Company.

(v) Sale or Contribution of Assets between an Investor and its associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or Joint Venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. The amendments apply prospectively. The amendment is not expected to have any significant impact on the Company.

(vi) IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes treatments that have yet to be accepted by tax authorities.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

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 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

(vii) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 12 and IAS 28)

The amendment to IFRS 12 Disclosure of Interest in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities

The amendment to IAS 28 Investment in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively. The amendment is not expected to have any significant impact on the Company.

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. 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):

• unquoted 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 assets and liabilities

Measurement methods

Amortised cost and effective interest rate
The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses, but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For originated credit impaired financial assets i.e. assets that are credit impaired at initial recognition, the Company calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated cash flows. The company does not purchase credit impaired assets.

When the company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets except for:

- Originated credit impaired assets for which the original credit adjusted effective interest rate is applied to the amortised cost of the financial asset.
- financial assets that are not originated credit impaired but have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the interest rate to their amortised cost (i.e. net of expected credit loss provision).

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI as described in note 5(ii)(b) which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(d) Financial assets

(i) Classification and subsequent measurement
From 1 January 2018, the Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government treasury bills.

Classification and subsequent measurement of debt instruments depend on:

(i) the Company's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

i) **Business model:** the business model reflects how the company manages the assets in order to generate cash flows. That is, whether the company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other business model' and measured at FVTPL. Factors considered by the company in determining the business model for an entity of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

ii) **SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Based on these factors, the company classifies its debt instruments into one of the following three measurement categories:

1) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 5(ii)(b). Interest income from these financial assets is included in 'Net investment income' using the effective interest rate method.
2) Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Net investment income' using the effective interest rate method.
3) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net fair value gain/(loss) on financial assets' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Investment and other income'. Interest income from these financial assets is included in

'Investment and other income' using the effective interest rate method. As at the reporting date, the company has no debt instruments within this category.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Equity instruments held by the Company include ordinary shares of other entities.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company designates equity investments at fair value through other comprehensive income on an equity by equity basis. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

As at the reporting date, the company designated all its unlisted equity investment and certain listed equity investments at fair value through comprehensive income.

Gains and losses on equity investments at FVPL are included in the statement of profit or loss within 'fair value gains and losses on assets.

(ii) Impairment
The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI. The company has no exposures arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 5(ii)(b) provides more detail of how the expected credit loss allowance is measured.

(iii) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

Where the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

Where the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit adjusted effective interest rate for originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 5(ii)(f).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

(e) Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost. The company has no financial liabilities measured at fair value through profit or loss.

(ii) 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 maximize the use of relevant observable inputs and minimize 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.

(iii) 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.

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

The Company derecognises 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 recognises 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 recognise 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 recognised in other comprehensive income and accumulated in equity is recognised 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 recognise under continuing involvement, and the part it no longer recognises 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 recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised 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.

(f) 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 recognised 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised 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.

(g) 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.

(h) 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.

(i) Prepayments and other Receivables

Prepayment 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 receivables when they are originated. Intercompany receivables are measured at amortised cost less accumulated losses.

(j) 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.

(k) 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 derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised 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.

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

Freehold and leasehold land is not depreciated

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

Buildings	50 years
Generating set	7 years
Computer equipment	4 years
Furniture and office equipment	5 years
Motor vehicles – New	4 years
– Salvage	3 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 derecognised 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 recognised in the statement of profit or loss of the year that the asset is de-recognised.

(m) 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 recognised as an expense as incurred.

Amortization
Computer software costs, whether developed or acquired, are amortised 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.

(n) Income Taxes

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

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

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

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 utilized. 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 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.

(o) 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.

(p) 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.

(q) 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.

(r) Deferred income

Deferred income comprises deferred rental income and deferred commission.

Deferred Rental Income relates to rents received in advance. These are amortised and transferred to the statement of profit or loss over the periods that they relate.

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

(s) Provisions, contingent liabilities and assets

Provisions

Provisions are recognised 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 recognised 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).

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A contingent liabilities is a possible obligation that arises from fast events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future 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 recognised 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.

(t) 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 recognised 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

(u) 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 recognised in profit or loss by increasing the carrying amount of the related insurance liabilities.

The Liability Adequacy Test (LAT) was carried out by HR Nigeria Limited (Consultant Actuaries) under the supervision of Mr. O. O Okpaise with FRC number (FRC/2012/NAS/00000000738).

(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 recognised at the inception but as such profit or loss emerges. In particular, any initial reinsurance commissions are recognised 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 recognised in profit or loss as incurred.

(v) Employee Benefits

(i) Short-term benefits
Staff benefits such as wages, salaries, paid annual leave allowance, and non-monetary benefits are recognised 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 recognised 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 recognised 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 recognises 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) Defined Benefit Plan
Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Company determines the net interest expense (income) on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as

a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(b) 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.

Re-measurements 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 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.

(c) 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.

The liability is valued annually by a qualified actuary (Ernst and Young) under the supervision of Mr O.O Okpaise with FRC number (FRC/2012/NAS/00000000738) using the projected unit credit method.

Re-measurements of the obligation, which comprise actuarial gains or 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.

(w) 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 recognised as the proceeds are received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the 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) Asset revaluation reserve

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

(vii) Other reserves - employee benefit actuarial surplus

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.

(viii) 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.

(x) Revenue Recognition

(i) Gross Written Premium

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

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

(ii) Reinsurance expenses

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

(iii) Fees and commission income

Fees and commission income consists primarily of insurance agency and brokerage commission, reinsurance and profit commissions, policyholder administration fees and other contract fees. Reinsurance commissions receivable are deferred in the same way as acquisition costs. All other fee and commission income is recognised 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 recognised 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 recognised 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 recognised when the shareholders' rights to receive payment have been established.

Realized and Unrealized gains and losses
Realized gains and losses on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value as recorded on occurrence of the sale transaction.

Unrealized gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealized gains and losses in respect of disposals during the year.

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

(y) 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 Significant accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

A Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for the company's financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 5(ii)(b), which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing entity's of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the company in the above areas is set out in note 5(ii)(b).

B Judgements

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 (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.

C 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 40.

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 amortised 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 neighborhood 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.

Statement of Financial Position

	Note	31-Dec-18	31-Dec-17
		₦'000	**₦'000**
ASSETS			
Cash and cash equivalents	6	11,325,338	11,333,888
Financial assets:			
- Available for sale	7	-	440,212
- Fair value through profit or loss	7bi	781,688	1,311,082
- Fair value through other comprehensive income	7bii	547,584	-
- Amortised cost	7c	93,407	-
- Loans and receivables	7	-	91,671
Trade receivables	8	361,667	35,646
Reinsurance assets	9	2,709,833	2,212,548
Deferred acquisition cost	10a	217,457	248,260
Other receivables and prepayments	11	745,873	3,255,643
Investment in associates	12a	432,781	418,421
Investment properties	13	4,239,347	3,660,719
Property and equipment	14	1,226,384	1,814,562
Intangible assets	15	-	1,389
Statutory deposits	16	340,000	340,000
Employee retirement benefits	17d	283,850	258,135
Deferred tax assets	18	-	235,968
Total assets		**23,305,209**	**25,658,144**
LIABILITIES			
Insurance contract liabilities	23	5,318,102	5,446,009
Bank overdrafts	6	54,220	49,068
Deferred income	19	144,133	143,798
Borrowings	22c	31,708	330,499
Trade payables	20	5,465,549	9,910,957
Other liabilities	21	737,733	880,894
Deposit for share	21b	2,000,000	-
Finance lease obligations	22a	49,473	89,061
Current income tax liabilities	24b	376,966	266,976
Employee benefit liability	17c	21,239	28,358
Deferred tax liabilities	18	256,260	248,565
Total liabilities		**14,455,383**	**17,394,185**
EQUITY			
Share capital	25	5,366,667	5,366,667
Share premium	26	802,737	802,737
Contingency reserve	27	2,170,933	1,849,430
Retained earnings	28	354,360	44,853
Other component of equity	29	155,129	200,272
Total equity		**8,849,826**	**8,263,959**
Total equity and liabilities		**23,305,209**	**25,658,144**

These financial statements were approved by the Board of Directors on 20 June 2019 and signed on behalf of the board of directors by:

Donald Nosiri
Director
(FRC/2019/CIPMN/00000019555)

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

Additionally certified by:

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

Statement of Profit or Loss and Other Comprehensive Income

	Note	31-Dec-18 ₦'000	31-Dec-17 ₦'000
Gross premium written:	30(a)	10,716,756	9,698,433
Movement in unearned premium	30(a)	384,212	502,177
Gross premium income		11,100,968	10,200,610
Reinsurance expenses	31	(5,599,932)	(5,964,836)
Net premium income		5,501,036	4,235,774
Fees and commission income	32	494,463	467,565
Net underwriting income		5,995,499	4,703,339
Insurance claims and benefits incurred	33(a)	(3,116,927)	(2,796,750)
Insurance claims and benefits incurred - recoverable from reinsurers	33(b)	2,472,471	1,449,260
Net claims expenses		(644,456)	(1,347,490)
Underwriting expenses	34	(2,913,306)	(2,021,522)
Total underwriting expenses		(3,557,762)	(3,369,012)
Underwriting profit		2,437,737	1,334,327
Net investment income	35	375,020	586,688
Finance income	17(c)	38,679	-
Share of profit/loss on investment in associate	12	11,288	3,897
Net fair value gain or loss on financial assets	35(a)	(55,853)	200,117
Write-back/(charge) of impairment allowance	36(a)i	262,822	(147,068)
ECL Impairment Allowance	36(a)ii	14,453	-
Other operating income	37	334,625	98,711
		981,034	742,345
Net income		3,418,771	2,076,672
Foreign exchange losses	38	(339,814)	(2,218)
Management expenses	39	(1,924,439)	(1,624,775)
Expenses		(2,264,253)	(1,626,993)
Profit before minimum taxation		1,154,518	449,679
Minimum tax	24(a)	-	(55,602)
Profit after taxation		1,154,518	394,077
Income tax charge	24(a)	(419,191)	(128,358)
Profit after taxation		735,327	265,719
Other comprehensive income, net of tax			
Items that will never be classified in profit or loss			
Net actuarial gains/(losses) on employee benefits	17(c)	(5,354)	(14,005)
Tax effects on Employee benefits	18	-	4,546
Items that may be classified to profit or loss:			
Share of current year results in associates	12	3,072	(905)
Fair value changes on FVOCI	7(d)	(33,122)	25,782
Total other comprehensive income, net of tax		(35,404)	15,418
Total comprehensive income for the year		699,923	281,137
Total comprehensive income attributable to shareholders		**699,923**	**281,137**

2018	**Share capital**	**Share Premium**	**Contingency Reserve**	**Retained Earnings**	**Actuarial Gain/(Loss) Reserve**	**Fair value reserve**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
At 1 January	5,366,667	802,737	1,849,430	44,853	59,512	140,760	8,263,959
IFRS 9 opening transition adjustment				(104,317)		7,494	(96,823)
Adjusted 1 January 2018	5,366,667	802,737	1,849,430	(59,464)	59,512	148,254	8,167,136
Profit for the year	-	-	-	735,327	-	-	735,327
Transfer to Contingency Reserve	-	-	321,503	(321,503)	-	-	-
Other comprehensive income:							
Net actuarial gains/(losses) on defined benefit obligations	-	-	-	-	(5,354)	-	(5,354)
Fair value changes on FVOCI	-	-	-	-	-	(50,355)	(50,355)
Tax effects on other comprehensive income	-	-	-	-	-	3,072	3,072
Total comprehensive income for the year	-	-	321,503	413,824	(5,354)	(47,283)	682,690
Transactions within Equity:							
Dividend paid	-	-	-	-	-	-	-
Total contribution and distributions to equity holders	-	-	-	-	-	-	-
31 December	**5,366,667**	**802,737**	**2,170,933**	**354,360**	**54,158**	**100,971**	**8,849,826**

2017	**Share capital**	**Share Premium**	**Contingency Reserve**	**Retained Earnings**	**Actuarial Gain/(Loss) Reserve**	**Fair value reserve**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
At 1 January	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			290,953	(290,953)	-	-	-
Other comprehensive income:	-	-	-	-	-	-	-
Net actuarial gains/(losses) on defined benefit obligations	-	-	-	-	(14,005)	24,877	10,872
Fair value changes of available for sale financial assets	-	-	-	-	-	-	-
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 within Equity:							
Dividend paid	-	-	-	-	-		-
Capital addition	1,000,000	-	-	-	-		1,000,000
Total contribution and distributions to equity holders	1,000,000	-	-	-	-	-	1,000,000
31 December	**5,366,667**	**802,737**	**1,849,430**	**44,853**	**59,512**	**140,760**	**8,263,959**

Statement of Cash Flows

	Note	31-Dec-18 ₦'000	31-Dec-17 ₦'000
Cash flows from operating activities			
Insurance premium received from customers	46(a)	10,573,409	9,710,374
Premium paid	46c(ii)	(9,292,796)	(8,005,683)
Premium received in advance	46c(ii)	5,166,855	9,292,796
Insurance benefits and claims paid to customers	46(b)	(2,860,624)	(2,247,543)
Outward reinsurance premium paid	46c(i)	(5,818,214)	(5,079,204)
Fees and commission received	46d	494,838	437,476
Claim recoveries made from reinsurers	46e	1,874,003	851,633
Commissions paid	46f	(1,370,631)	(705,995)
Cash payment to employees, intermediaries and other suppliers	46g	(2,647,917)	(4,916,039)
Income tax paid	24b	(65,537)	(62,449)
Net cash flow from Operating activities		(3,946,614)	(724,634)
Cash flows from investing activities			
Purchase of property and equipment	14	(18,212)	(31,402)
Proceeds from sale of property and equipment	46(h)	5,763	5,411
Purchase of financial assets	7(d)	(185,748)	(711,641)
Rental income from investment properties	46(j)	87,791	77,151
Interest income	46(k)	338,227	454,630
Dividend income	46(i)	45,336	88,466
Proceeds on redemption/disposal of financial assets	7(d)	443,837	1,647,508
Net cash flow from investing activities		716,994	1,530,123
Cash flows from financing activities			
Deposit for shares	21(b)	2,000,000	-
Proceeds from issue of share capital		-	1,000,000
Payment of finance lease liabilities	22(a)	(53,180)	(57,913)
Proceeds from loan	22(c)	180,000	-
Payment of loan	22(c)	(150,000)	-
Net cash flow from financing activities		1,976,820	942,087
Net cash increase in cash and cash equivalents		(1,252,800)	1,747,576
Cash and cash equivalents, beginning of year	6	11,284,820	9,551,442
Effect of movement in exchange rates on cash held		1,239,098	(14,198)
Cash and cash equivalents, end of year	6	**11,271,118**	**11,284,820**

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 and different assumptions could generate different results.

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

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

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

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

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

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

31 December 2018		**Level 1**	**Level 2**	**Level 3**	**Total**
		₦'000	**₦'000**	**₦'000**	**₦'000**
Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	7(b)	781,688	-	-	781,688
Total financial assets measured at fair value		781,688			781,688
Fair value through profit or loss (OCI)					
Unquoted Equities	7(b)	-			
Treasury bills	7(bii)	38,214	-	-	38,214
Federal Government Bonds	7(bii)	111,138	-	-	111,138
Total financial assets measured at fair value through OCI		149,352	-	-	149,352
Total financial assets measured at fair value		931,040	-	-	931,040

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(bi)	907,980	-	-	907,980
Treasury bills	7(bi)	289,130	-	-	289,130
Federal Government Bonds	7(bi)	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

Financial instruments not measured at fair value
The fair value information for 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.

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

Financial assets at amortised cost
The estimated value amounts to ₦93.41million. Financial assets at amortised cost consists of placements with financial institutions and staff mortgage loans.

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

(b) Financial risks

The Company is exposed to the following categories of risks:

i) Market risk
ii) Credit risk
iii) Liquidity risk

(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 comprises currency risk, interest rate risk and price risk.

Currency risk

This is the risk that the carrying 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, in addition to Naira, as a result, the Company is exposed to risk 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 recognised 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 2018

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
Assets (Cash & Cash Equivalent)	97,766	3,289	258,357	359,412
Quoted equities	-	-	-	-
Loans and receivables at amortised cost	-	-	-	-
Liabilities	-	-	(5,166,855)	(5,166,855)
	97,766	3,289	(4,908,498)	(4,807,443)

31 December 2017

	Pounds sterling	Euro	US Dollars	Total
	N'000	N'000	N'000	N'000
Assets (Cash & Cash Equivalent)	628	38,058	10,158,834	10,197,520
Quoted Equities	-	-	244,949	244,949
Loans and receivables at amortised cost	-	-	-	-
Liabilities	-	-	(9,292,796)	(9,292,796)
	628	38,058	1,110,987	1,149,673

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 2018 from N486.86/£, N431.6€ and N364.5/$ closing rate. These closing rates were determined from the Nigeria Autonomous Foreign Exchange Fixing (NAFEX) rate as at 31 December 2018.

31 December 2018

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
10% increase	9,777	329	(490,850)	(480,744)
10% decrease	(9,777)	(329)	490,850	480,744
Impact of increase on:				
Pre-tax Profit	-	-	-	566,313
Shareholders' Equity	-	-	-	8,477,854
Impact of decrease on:				
Pre-tax Profit	-	-	-	1,527,801

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 2017

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
10% increase	63	3,806	111,099	114,968
10% decrease	(63)	(3,806)	(111,099)	(114,968)
Impact of increase on:				
Pre-tax (loss)/profit	-	-	-	564,646
Impact of decrease on:				
Pre-tax Profit	-	-	-	334,712

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.

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 exposed to interest rate risk as it invests in fixed income and money market instruments.

Interest rate profile

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

Financial instruments	Note	31-Dec-18 ₦'000	31-Dec-17 ₦'000
Fixed Interest rate Instruments:			
Cash and Cash equivalents	6	10,910,674	11,122,726
Federal government bonds	7(b)	111,138	113,972
Treasury bills	7(b)	38,214	289,130
Placements	7(c)	6,152	6,152
Statutory deposits	16	340,000	340,000
Mortgage loans	7(c)	99,336	85,519
Finance lease obligations	22(a)	(49,473)	(89,061)
Borrowings	22(b)	(31,708)	(330,499)
Bank overdrafts	6	(54,220)	(49,068)
		11,370,113	11,488,871
Others:			
		-	-

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***	
	2018 ₦'000	**2017 ₦'000**	**2018 ₦'000**	**2017 ₦'000**
Increase in interest rate by 50 basis points (+0.5%)	56,851	57,690	(28,425)	-
Decrease in interest rate by 50 basis points (-0.5%)	(56,851)	(57,690)	28,425	-
Impact of increase on:				
Pre-tax profit/(loss)	1,096,196	507,369	1,010,920	449,679
Impact of decrease on:				
Pre-tax profit/(loss)	391,989	232,221	1,067,770	449,679

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.

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:

		2018	2017
		₦'000	₦'000
Equity Securities; - quoted (fair value through OCI)	7(a)	84,788	84,528
Equity Securities; - quoted (fair value through profit or loss)	7(b)	781,688	907,980
Equity Securities; - quoted (fair value through OCI)	7(a)	313,640	355,684
		1,180,116	1,348,192

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.

	2018	2017
	₦'000	₦'000
10% increase	118,012	134,819
10% decrease	(118,012)	(134,819)
Impact of increase on:		
Pre-tax profit/(loss)	1,157,356	584,498
Impact of decrease on:		
Pre-tax profit/(loss)	921,333	314,860

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.

(ii) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances.

The Company is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors and head of each business unit.

a Credit quality analysis

Credit risk grading

The Company uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Company use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for each type of portfolio held by the Company:

b Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.

(ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note b(i) below for a description of how the Company determines when a significant increase in credit risk has occurred.

(iii) Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note b(iii) below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

(iv) Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how the Company determines appropriate entity ratings when ECL is measured on a collective basis.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1 (Initial recognition)	**Stage 2** (Significant increase in credit risk since initial recognition)	**Stage 3** (Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(i) Significant increase in credit risk

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

Lifetime PD Assessment

Changes in the lifetime PDs of exposures are evaluated and applied as one of the criterions for determining a significant increase in credit risk. The Entity determines a change in the lifetime PDs by comparing the remaining lifetime PDs expected at initial recognition with the remaining lifetime PD at the reporting date. A lifetime PD threshold of 50% is used to assess changes for the determination of significant increase in credit risk. Exposures with changes above the preselected threshold are deemed to have experienced a significant increase in their credit risk.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.
Significant increase in credit risk is also determined through the use of notch differences.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Qualitative criteria:

(i) Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
(ii) Actual or expected forbearance or restructuring
(iii) Actual or expected significant adverse change in operating results of the borrower
(iv) Employment Status (for loans only)
(v) Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans (Days Past Due)

The assessment of SICR incorporates forward-looking information and is performed periodically at a portfolio level for all financial instruments held by the Company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

(ii) Definition of default
The Company considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

(i) The borrower is in long-term forbearance
(ii) The borrower is deceased
(iii) The borrower is insolvent
(iv) The borrower is in breach of financial covenant(s)
(v) An active market for that financial asset has disappeared because of financial difficulties
(vi) Concessions have been made by the lender relating to the borrower's financial difficulty
(vii) It is becoming probable that the borrower will enter bankruptcy
(viii) Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Company's expected loss calculations.

(iii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

(i) The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

(ii) EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

(iii) Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

(iv) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Company's Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Company's Economics team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2018 and 31 December 2018, for all but two portfolios the Company concluded that three scenarios appropriately captured non-linearities. For the portfolios, the Company concluded that two additional downside scenarios were required. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note b(i)). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Company measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearity and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

c **Credit risk exposure**

Maximum exposure to credit risk – Financial instruments subject to impairment

For ECL purposes, the bank's financial asset is segmented into sub-portfolios are listed below :

- Mortgage loans
- Premium receivables
- Intercompany receivables
- Investment securities
- Placements with other banks

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the entity's maximum exposure to credit risk on these assets.

Mortgage loans

ECL staging	2018					2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Credit grade						
Investment grade	99,336				99,336	104,294
Standard monitoring						
Special monitoring						
Default						
Gross carrying amount	**99,336**	-	-	-	**99,336**	**104,294**
Loss allowance	(12,081)				(12,081)	(12,609)
Carrying amount	**87,255**	-	-	-	**87,255**	**91,685**

Investment Securities and Placements with other banks

ECL staging	2018					2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Credit grade						
Investment grade	11,082,554				11,082,554	11,582,814
Standard monitoring						
Gross carrying amount	**11,082,554**	-	-	-	**11,082,554**	**11,582,814**
Loss allowance	50,346				50,346	(6,603)
Carrying amount	**11,132,900**	-	-	-	**11,132,900**	**11,576,211**

Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL):

	Maximum exposure to credit risk ₦'000
Trading assets	
• Debt Securities	-
• Derivatives	-
Equity Investment	-
Financial assets designated at fair value	-
• Debt securities	-
• Loans and advances to customers	-
Total exposure	-

Investment securities
The entity holds investment securities measured at amortised cost with a carrying amount of ₦11.5 billion and at FVTOCI with a carrying amount of ₦114 million. The investment securities held by the entity are sovereign bonds and corporate bonds, which are not collateralised.

d Loss allowance
The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note ii(e)).

e Write-off policy
The entity writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the entity's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

f Modification of financial assets

The entity sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer to notes 3(d)(iv)). The entity monitors the subsequent performance of modified assets. The entity may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The entity continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

g Financial assets based on credit risk

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 2018	Note	**AAA ₦'000**	**AA ₦'000**	**A+ ₦'000**	**A ₦'000**	**BBB ₦'000**	**B ₦'000**	**Not rated ₦'000**	**Carrying Amount ₦'000**
Fair value through other comprehensive income (FVTOCI)									
- FGN Bond	7(b)	-	-	-	-	-	111,138	-	111,138
- Treasury bills (> 90 days)	7(b)	-	-	-	-	-	38,214	-	38,214
		-	-	-	-	-	149,352	-	149,352
Financial assets at amortised cost:									
- Mortgage Loans	7(c)	-	-	-	-	-	99,336	-	99,336
- Placement with Finance Houses	7(c)	-	-	-	-	-	6,152	-	6,152
		-	-	-	-	-	105,488	-	105,488
Fair value through other comprehensive income (FVTOCI)									
- Unquoted equities	7(b)	-	-	-	-	-	398,428	-	398,428
		-	-	-	-	-	398,428	-	398,428
- Other receivables net prepayment	11	-	-	-	-	-	-	634,635	634,635
		-	-	-	-	-	-	634,635	634,635
Cash and cash equivalents:									
- Bank balances	6	-	-	462,947		-	-	-	462,947
- Tenor Deposits (0-30 days)	6	-	-	10,910,674	-	-	-	-	10,910,674
		-	-	11,373,621	-	-	-	-	11,373,621
Reinsurance assets:									
Reinsurance claims recoverable	9	-	-	-	-	-	-	2,168,430	2,168,430
Trade/Insurance receivables	8	-	-	-	-	-	-	361,667	361,667
		-	-	-	-	-	-	2,530,097	2,530,097
- Statutory deposits with CBN	16	-	-	-	-	-	-	340,000	340,000
		-	-	-	-	-	-	340,000	340,000
									15,531,621

31 December 2017	Note	**AAA** **₦'000**	**AA** **₦'000**	**A+** **₦'000**	**A** **₦'000**	**BBB** **₦'000**	**B** **₦'000**	**Not rated** **₦'000**	**Carrying Amount** **₦'000**
Fair value through other comprehensive income(OCI)									
- FGN Bond	7(b)	-	-	-	-	-	113,972	-	113,972
- Treasury bills (> 90 days)	7(b)	-	-	-	-	-	289130	-	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 prepayment	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
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

s

ts based on past due status

	Notes	Assets carried at fair value other comprehensive income ₦'000	Held to maturity ₦'000	Other receivables less prepayments ₦'000	Financial assets at amortised cost ₦'000	Recoverable from reinsurers ₦'000	Insurance/trade receivables ₦'000
	11	-	-	781,560	-	-	-
	9	-	-	-	-	-	-
	8	-	-	-	-	-	541,208
		-	-	-	-	-	-
ed	7,11,9,8	38,214	-	640,555	93,407	2,169,221	361,667
		38,214	**-**	**1,422,115**	**93,407**	**2,169,221**	**902,875**

	Notes	Assets carried at fair value other comprehensive income ₦'000	Held to maturity ₦'000	Other receivables less prepayments ₦'000	Loans and receivables ₦'000	Recoverable from reinsurers ₦'000	Insurance/trade receivables ₦'000
	11	-	-	793,240	-	-	-
		-	-	-	-	-	-
	8(a),(b)	-	-	-	-	-	778,167
		-	-	-	-	-	-
d	7,11,9,8	403,102	-	2,309,460	91,671	1,569,961	35,646
		403,102	**-**	**3,102,700**	**91,671**	**1,569,961**	**813,813**

(iii) Liquidity risk

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

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

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

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

Sources of Liquidity

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

- Premium Income;
- Investment income
- Investment assets

Application of funds

The principal uses of our liquidity include:

- Payment of Claims
- 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 recognised 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 2018

	Note	Carrying amount ₦'000	Contractual cash flow ₦'000	< 1 month ₦'000	1 - 3 months ₦'000	3 - 12 months ₦'000	1 - 5 years ₦'000	> 5 years ₦'000
Non-derivative financial assets								
Cash and cash equivalents	6	11,325,338	-	11,325,338	-	-	-	-
Fair value through other comprehensive income	7(b)	38,214	-	-	-	38,214	-	-
Financial assets at amortised cost	7(c)	93,407	-	-	-	93,407	-	-
Trade receivables	8	361,667	361,667	-	361,667	-	-	-
Reinsurance assets - recoverable from reinsurers	9	2,168,430	-	-	-	2,168,430	-	-
Other receivables less prepayment	11	640,555	640,555	-	-	140,555	500,000	-
Statutory deposits	16	340,000	340,000	-	-	-	340,000	-
		14,967,611	1,342,222	11,325,338	361,667	2,440,606	840,000	-
Non-derivative financial liabilities								
Bank overdrafts	6	54,220	54,220	54,220	-	-	-	-
Trade payables	20	5,465,549	-	5,166,855	298,694	-	-	-
Borrowings	22(b)	31,708	-	-	-	31,708	-	-
Finance lease obligations	22(a)	49,473	49,473	49,473	-	-	-	-
Other liabilities	21	737,733	737,733	737,733	-	-	-	-
		6,338,683	841,426	6,008,281	298,694	31,708	-	-
Gap (asset - liabilities)		8,628,928	500,796	5,317,057	62,973	2,408,897	840,000	-
Cumulative liquidity gap		14,264,231	6,517,243	11,834,300	11,897,273	14,306,170	15,146,170	

31 December 2017

Non-derivative financial assets	Note	Carrying amount ₦'000	Contractual cash flow ₦'000	< 1 month ₦'000	1 - 3 months ₦'000	3 - 12 months ₦'000	1 - 5 years ₦'000	> 5 years ₦'000
Cash and cash equivalents	6	11,333,888	11,333,888	11,333,888	-	-	-	-
Fair value through other comprehensive income	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(d)	35,646	35,646	-	35,646	-	-	-
Reinsurance assets - recoverable from reinsurers	9	1,569,961	1,569,961	-	-	1,569,961	-	
Other receivables less prepayment	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)		5,635,303	6,016,447	1,119,353	(182,480)	3,740,173	926,865	412,536
Cumulative liquidity gap		5,635,303	6,016,447	7,135,800	6,953,320	10,693,493	11,620,358	12,032,894

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

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

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

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

Non-life insurance
The Company writes fire, general accident, oil & gas, engineering, bond, marine and motor risks primarily over a twelve month duration (usually longer for engineering policies). The most significant risks arise from natural disasters, climate change and other catastrophes (i.e. high severity, low frequency events). A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of non-life insurance by the location of the underlying risk is summarized below by reference to liabilities.

	Gross 2018 ₦'000	Gross 2017 ₦'000	Reinsurance 2018 ₦'000	Reinsurance 2017 ₦'000	Net 2018 ₦'000	Net 2017 ₦'000
Non-life insurance						
- Within Nigeria	5,318,102	5,446,009	2,709,833	2,212,548	2,608,269	3,233,461
- Outside	-	-	-	-	-	-
	5,318,102	**5,446,009**	**2,709,833**	**2,212,548**	**2,608,269**	**3,233,461**

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

	Gross 2018 ₦'000	Gross 2017 ₦'000	Reinsurance 2018 ₦'000	Reinsurance 2017 ₦'000	Net 2018 ₦'000	Net 2017 ₦'000
Fire	2,156,893	2,089,367	1,538,463	1,345,788	618,430	743,579
Accident	579,206	412,026	117,209	72,815	461,997	339,211
Motor	842,811	962,162	78,635	101,085	764,176	861,077
Marine	296,600	449,537	101,328	126,007	195,273	323,530
Oil and Gas	1,251,627	1,396,351	727,581	479,595	524,046	916,756
Engineering	162,726	126,916	132,452	82,000	30,274	44,916
Bond	28,239	9,650	14,165	5,258	14,074	4,392
	5,318,102	**5,446,009**	**2,709,833**	**2,212,548**	**2,608,268**	**3,233,461**

Outstanding Claims (IBNR & reported)	Gross 2018 ₦'000	Gross 2017 ₦'000	Reinsurance 2018 ₦'000	Reinsurance 2017 ₦'000	Net 2018 ₦'000	Net 2017 ₦'000
Fire	1,874,926	1,679,242	1,431,344	1,173,325	443,582	505,917
Accident	428,821	255,431	61,871	41,502	366,950	213,929
Motor	414,051	428,064	59,805	73,563	354,246	354,501
Marine	181,361	217,338	77,333	50,286	104,028	167,052
Oil and Gas	747,320	801,783	474,924	121,596	272,396	680,187
Engineering	74,017	98,415	50,735	69,493	23,282	28,922
Bond	24,835	8,754	12,417	4,813	12,418	3,941
Total	3,745,331	3,489,027	2,168,429	1,534,578	1,576,902	1,954,449

Unexpired Risk	Gross 2018 ₦'000	Gross 2017 ₦'000	Reinsurance 2018 ₦'000	Reinsurance 2017 ₦'000	Net 2018 ₦'000	Net 2017 ₦'000
Fire	281,965	410,125	107,119	172,463	174,846	237,662
Accident	150,385	156,595	55,338	31,313	95,047	125,282
Motor	428,760	534,098	18,830	27,522	409,930	506,576
Marine	115,240	232,199	23,994	40,338	91,246	191,861
Oil and Gas	504,307	594,568	252,657	357,999	251,650	236,569
Engineering	88,709	28,501	81,717	12,507	6,992	15,994
Bond	3,404	896	1,748	428	1,656	468
Total	1,572,770	1,956,982	541,403	642,570	1,031,367	1,314,412

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 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 years, paid claims were accumulated to the valuation date and projected 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 adjusted claims were then treated similarly to the Basic Chain Ladder described above. The projected incremental paid claims are then inflated based on our futu...

iii Discounted Basic Chain Ladder (BCL) and inflation Adjusted Basic Chain Ladder (BCL) and inflation Adjusted Basic Chain Ladder (IABCL)

Historical claims paid were grouped 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 for claim 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 judgements 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 combines the estimates attained from the Chain Ladder and Loss Ratio methods. The BF methods 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.

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 an average halfway through year
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.
iii Development year to the next is used to calculate the expected cumulative payments for the future development period.
iv An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged into 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 assumption that the 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 HR Nigeria Ltd, 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 table below sets out the capital that is managed by the Company on an IFRS and regulatory basis:

The Insurance Act 2003 (Section 24) prescribed that an insurer shall in respect of its business other than life insurance business, maintain a margin of solvency being the excess of the value of its admissible assets in Nigeria over its liabilities in Nigeria.

The solvency margin, which is determined as the excess of admissible assets over total liabilities shall not be less than 15% of the gross premium income less reinsurance premiums paid out during the year under review or the minimum paid up capital, whichever is greater.

Notes to the financial statements

The company's solvency position is as follows:

Solvency margin computation

	2018			2017
Admissible Assets	**Total**	**Inadmissible**	**Admissible**	
	₦'000	**₦'000**	**₦'000**	**₦'000**
Cash and cash equivalents	11,325,338	-	11,325,338	10,547,832
Financial assets:				
- Available for sale	-	-	-	440,212
- At fair value through profit or loss	781,688	-	781,688	1,311,082
- At fair value through other comprehensive income	547,584	-	547,584	-
- Amortised cost	93,407	-	93,407	91,671
Trade receivables	361,667	344,397	17,270	35,646
Reinsurance assets	2,709,833	-	2,709,833	2,212,548
Deferred acquisition cost	217,457		217,457	248,260
Other receivables:	745,873	745,873	-	532,157
Investment in associates	432,781	-	432,781	418,421
Investment properties	4,239,347	3,239,347	1,000,000	2,969,719
Property and equipment (L&B)	1,129,882	1,129,882	-	842,154
Property and equipment (EXCL L&B)	96,502	-	96,502	
Intangible assets	-	-	-	1,389
Statutory deposit	340,000	-	340,000	340,000
Employees benefits assets	283,850	-	283,850	258,135
Others (specify)	-	-	-	-
A	**23,305,209**	**5,459,499**	**17,845,710**	**20,249,226**
Less: Admissible liabilities				
Insurance liabilities	5,318,102	-	5,318,102	5,446,009
Bank overdrafts	54,220	-	54,220	49,068
Deferred income	144,133	-	144,133	143,798
Trade and other payables	5,465,549	-	5,465,549	9,910,957
Provision and other payables	737,733	-	737,733	880,894
Finance lease obligations	49,473	-	49,473	89,061
Borrowings	31,708	-	31,708	330,499
Current income tax liabilities	376,966	-	376,966	266,976
Employees benefits obligations	21,239	-	21,239	28,358
Deposit for share	2,000,000	-	2,000,000	-
Deferred tax liabilities	256,260	256,260	-	-
B	**14,455,383**	**256,260**	**14,199,123**	**17,145,620**
Solvency margin (A-B)	**8,849,826**	**5,203,239**	**3,646,587**	**3,103,606**
Minimum paid up capital	3,000,000	-	3,000,000	3,000,000
Net premium	5,501,036			4,235,774
15% of Net premium	825,155			635,366
Excess/(Deficit) Solvency Margin			646,587	103,606

The company's solvency margin of ₦3,646,587,000 (2017: ₦3,103,606,000) is above the minimum paid up capital of N3,000,000,000 (2017: N3,000,000,000) prescribed by the Insurance Act of Nigeria.

Notes to the financial statements

(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 2018

	Note	Financial assets at amortised cost	Designated at fair value	Other financial liabilities at amortised cost	Total carrying amount	Fair value
		₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	6	11,325,338	-	-	11,325,338	11,325,338
Financial assets	7	93,407	781,688	-	875,095	875,095
Trade receivables	8	361,667	-	-	361,667	361,667
Other receivables less prepayments	11	640,555	-	-	640,555	640,555
Statutory deposits	16	340,000	-	-	340,000	340,000
Reinsurance assets	9	2,168,430	-	-	2,168,430	2,168,430
		14,929,397	781,688	-	15,711,085	15,711,085
Bank overdrafts	6	-	-	54,220	54,220	54,220
Trade payables	20	-	-	5,465,549	5,465,549	5,465,549
Borrowings	22b	-	-	31,708	31,708	31,708
Other liabilities	21	-	-	737,733	737,733	737,733
		-	-	6,289,210	6,289,210	6,289,210

Notes to the financial statements

31 December 2017

	Note	Loans and receivables	Designated at fair value	Available - for-sale	Other financial liabilities at amortised cost	Total carrying amount	Fair value
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	6	11,333,888	-	-	-	11,333,888	5,534,750
Financial assets	7	-	1,311,082	440,212	-	1,751,294	2,676,939
Trade receivables	8	35,646	-	-	-	35,646	170,138
Other receivables less prepayments	11	3,121,514	-	-	-	3,121,514	1,361,813
Statutory deposits	16	340,000	-	-	-	340,000	340,000
Reinsurance assets	9	1,569,961	-	-	-	1,569,961	723,432
		16,401,009	1,311,082	440,212	-	18,152,303	10,807,072
Bank overdrafts	6	-	-	-	49,068	49,068	49,068
Trade payables	20	-	-	-	9,910,957	9,910,957	9,910,957
Borrowings	22b				330,499	330,499	330,499
Other liabilities	21	-	-	-	880,894	880,894	880,894
		-	-	-	11,171,418	11,171,418	11,171,418

6 Cash and cash equivalents

	2018 ₦'000	2017 ₦'000
Cash	1,867	1,229
Bank balances	462,947	209,933
Short-term deposits (including demand and time deposits)	10,910,674	11,122,726
ECL Impairment on short-term deposit	(50,150)	-
Cash and cash equivalents (as per statement of financial position)	11,325,338	11,333,888
Bank overdrafts	(54,220)	(49,068)
Cash and cash equivalents (as per statement of cash flows)	**11,271,118**	**11,284,820**

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% (2017: 6%).

7 Financial assets

	2018 ₦'000	2017 ₦'000
Available for sale financial assets: (see note 7(a)below	-	440,212
Fair value through other comprehensive income (FVOCI) (see note 7(bi) below	547,584	-
Fair value through profit or loss (FVTPL) (see note 7(bii) below	781,688	1,311,082
Loans and receivables at amortised cost (see note 7(c) below	93,407	-
Loans and receivables	-	91,671
Total financial assets	**1,422,679**	**1,842,965**
Within one year	44,366	295,282
More than one year	1,378,313	1,547,683
	1,422,679	**1,842,965**

Notes to the financial statements

(a)(i) An analysis of unquoted equities fair valued through OCI as at 31 December 2018 is as shown below

Name of entity	**Carrying value of equities**
	₦'000
Sterling Assurance	117,542
African Reinsurance Corporation	124,641
Nigeria Energy Liability Pool	29,231
Royal Exchange Microfinance Bank Ltd	3,191
Nigeria Liability Pool	108,344
WAICA Re	13,782
Others	1,697
	398,428

(a)(ii) The company's investments in unlisted equities are carried at fair value in line with IFRS 9 and IFRS 13. Quoted investments are carried at fair value with the changes recognised in Other Comprehensive Income ("OCI").

(bi)

Fair value through profit or loss (Profit or Loss)	**2018**	**2017**
	₦'000	**₦'000**
Federal government bonds	-	113,972
Treasury bills	-	289,130
Quoted equities	781,688	907,980
	781,688	**1,311,08**

		2018	2017
		₦'000	₦'000
(bii)	**Fair value through other comprehensive income (FVOCI)**		
	Federal Government bonds	111,138	-
	Treasury bills	38,214	-
	Unquoted equities	398,428	-
	ECL impairment	(196)	-
		547,584	**-**
(c)	**Financial assets at amortised cost**		
	Staff mortgage loans	99,336	85,519
	Placements	6,152	6,152
	ECL impairment	(12,081)	-
		93,407	**91,671**

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

	31-December-18			
2018	**Fair value through profit or loss ₦'000**	**Financial assets at amortised cost ₦'000**	**Fair value through other comprehe-nsive income ₦'000**	**Total ₦'000**
As at 1 January	907,980	79,061	842,832	1,829,873
Additions/(Recoveries) during the year	45,572	20,383	119,793	185,748
Interest accrued	-	-	8,309	8,309
Disposal (sales & redemptions)	(46,756)	(6,565)	(390,514)	(443,835)
Impairment (allowance)/write-back for the year	-	528	286	814
Fair value losses recognised in profit or loss	(125,108)	-	-	(125,108)
Fair value losses recognised in OCI	-	-	(33,122)	(33,122)
As at 31 December	**781,688**	**93,407**	**547,584**	**1,422,67**

	31-December-17			
2017	**Fair value through profit or loss ₦'000**	**Loans and receivables ₦'000**	**Available for sale ₦'000**	**Total ₦'000**
As at 1 January	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	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	**1,311,082**	**91,671**	**440,212**	**1,842,965**

		2018	2017
		₦'000	₦'000
8	**Trade receivables**		
	Due from agents (see note 8(a) below)	62,167	18,238
	Due from co-insurers (see note 8(b) below)	299,500	17,408
		361,667	**35,646**
	Within 30 days	361,667	35,646
	Above 30 days	-	778,167
		361,667	**813,813**
(a)	The analysis of due from agents is as follows:		
	Gross receivable from agents	249,669	362,550
	Less: ECL impairment allowance (see note 8a(i) below)	(187,502)	(344,312)
		62,167	**18,238**
(a)(i)	The movements in impairment allowance on amount due from agents is analysed below;		
	At 1 January	344,312	290,947
	Impairment allowance	25,864	53,365
	Recovery made during the year	(182,674)	-
	At 31 December	**187,502**	**344,312**

Recovery relates to receipt on trade premium receivable from agents during the year.

		2018	2017
(b)	Due from co-insurers		
	Reinsurance receivables	653,206	451,263
	Less: Impairment allowance (see note (8b)(i) below)	(353,706)	(433,855)
		299,500	**17,408**
(b)(i)	The movements in impairment allowance on reinsurance receivables is analysed below;		
	At 1 January	433,855	356,634
	Allowance made during the year	(80,148)	77,221
	At 31 December	**353,706**	**433,855**

		2018	2017
		₦'000	**₦'000**
9	**Reinsurance assets**		
	Prepaid reinsurance premium (see note 9(a))	541,404	642,587
	Reinsurers' share of claims expenses outstanding (see note 9(b))	1,867,130	1,204,292
	Reinsurers' share of incurred but not reported claim (see note 9(c))	301,299	365,669
		2,709,833	**2,212,548**
(a)	The movement in prepaid reinsurance premium is shown below:		
	At 1 January	642,588	1,217,601
	Movement during the year (see note 31)	(101,184)	(575,013)
	At 31 December	**541,404**	**642,588**
(b)	The movement in reinsurer's share of outstanding claims is shown below:		
	At 1 January	1,204,292	643,402
	Movement during the year	662,838	560,890
	At 31 December	**1,867,130**	**1,204,292**
(c)	The movement in reinsurer's share of incurred but not reported claim is shown below:		
	At 1 January	365,669	328,932
	Movement during the year (see note 33(c))	(64,370)	36,737
	At 31 December	**301,299**	**365,669**
(d)	Analysis of reinsurance assets by business classes are as follows:		
	Fire	1,538,463	1,345,788
	General Accident	117,209	72,815
	Motor	78,635	101,085
	Marine	101,328	126,007
	Oil & Gas	727,581	479,595
	Engineering	132,452	82,000
	Bonds	14,165	5,258
		2,709,833	**2,212,548**
	Within one year	2,709,833	2,212,548
	More than one year	-	-
		2,709,833	**2,212,548**

Reinsurance assets are valued after an allowance for their recoverability.

10 Deferred acquisition cost

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

	2018	2017
	₦'000	₦'000
At 1 January	248,260	283338
Additions in the year	1,800,973	705,744
Amortization in the year	(1,831,776)	(740,822)
At 31 December	**217,457**	**248,260**

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

	2018	2017
Fire	53,878	59,451
Accident	21,158	20,396
Motor	23,283	33,221
Marine and aviation	12,726	31,409
Oil & Gas	102,623	99,342
Engineering	3,107	4,410
Bond	682	31
	217,457	**248,260**

Notes to the financial statements

11 Other receivables and prepayment

	Gross Amount 31 Dec 2018 ₦'000	Opening ₦'000	Addition ₦'000	Recovery / Write-back/ Write-off ₦'000	Total ₦'000	Carrying amount 31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
	(a)	(b)	(c)	(d)	(e) = (b)+(c)+(d)	(f)=(a)-(e)	
Intercompany receivables (see note 11(a) below)	128,957	12,893	-	-	12,893	116,064	2,562,813
Accrued investment income (see note 11 (b) below)	31,307	8,267	-	-	8,267	23,040	4,018
Sundry receivables (see note 11(c) below)	280,404	290,633	-	(11,680)	278,953	1,451	54,683
Security Holding Trust account (incidental expense)	527,079	27,079	-	-	27,079	500,000	500,000
Prepayments (see 11(e) below	572,579	467,261	-	-	467,261	105,318	134,129
	1,540,326	**812,053**	-	**(11,680)**	**739,953**	**745,873**	**3,255,643**

	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Within one year	245,873	2,755,643
More than one year	500,000	500,000
	745,873	**3,255,643**

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

		2018	2017
		₦'000	₦'000
11(a)	**Intercompany receivables**		
	Royal Exchange Plc	-	2,173,342
	Royal Exchange Prudential Life Assurance	3,405	291,047
	Royal Exchange Healthcare Ltd	90,713	89,121
	Royal Exchange Finance	31,854	22,123
	Royal Exchange Microfinance Bank Ltd	2,985	5,992
	ECL impairment allowance	(12,893)	(18,813)
		116,064	**2,562,812**

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 Exchange Finance and Investment Limited and Royal Exchange Microfinance Bank) represents the net of the expenses incurred on behalf of the Company. The intercompany balances do not attract any interest charges. There are no redefined repayments terms and the amounts are realized in cash and /or by offsetting with other payables to the Company.

		2018	2017
		₦'000	₦'000
11(b)	**Accrued Investment Income**		
	Dividend receivables	23,040	4,018
		23,040	**4,018**

11(b)(i) The movements in impairment allowance on dividend receivable is analyzed below

	2018	2017
At 1 January	-	8,855
Reversal of impairment (see note 36)	-	(8,855)
At 31 December	-	-

		2018	2017
11(c)	**Sundry Receivables**		
	Other receivable	697,759	769,334
	Accrued rental Income	18,575	12,477
	Staff loans and other debtors	66,677	66,112
		783,011	847,923
	Impairment on other receivables (see 11(c)(i) below)	(781,560)	(793,240)
		1,451	**54,683**

Notes to the financial statements

		2018 ₦'000	2017 ₦'000
11(c)(i)	The movements in impairment allowance on other receivables is analyzed below		
	At 1 January	793,240	825,121
	Allowance made during the year	-	10,032
	Write back of other receivables	-	(41,913)
	Write-off	(11,680)	-
	At 31 December	**781,560**	**793,240**

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/5479/08 in which Royal Exchange Plc is a defendant. Assets in cash dividends of N228.61million (2017: N228.61 million) and ordinary shares of Royal Exchange Plc with market value of N500 million (2017: N452 million) as at 31 December 2018 are being held as guarantee that value will not be lost. The above matter has been slated for 10th December 2019 for hearing of parties' pending applications.

11(e) Prepayment

	2018 ₦'000	2017 ₦'000
Prepaid furniture allowance	31,341	41,119
Prepaid rent allowance	43,363	57,626
Prepaid staff benefit	21,116	18,681
Prepaid expenses	9,498	16,703
	105,318	**134,129**

The movements in prepayment is analyzed below;

At 1 January	134,129	141,747
Amortization to P&L	(166,823)	(300,788)
Additions	138,012	293,170
At 31 December	**105,318**	**134,129**

Analysis of other receivables fully impaired	Gross Amount 31 Dec 2018 ₦'000	At 1 Jan Opening ₦'000	Addition ₦'000	Recovery/ Write-back/ Write-off ₦'000	Total ₦'000	Carrying amount 31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
	(a)	(b)	(c)	(d)	(e) =(b)+(c)+ (d)	(f) =(a)- (d)	
Security holding trust (incidental expenses)	-	27,079	-	-	27,079	-	27,079
Accrued investment income	-	8,267	-	-	8,267	-	8,267
Short term placements (Phoenix insurance	-	416,631	-	-	416,631	-	416,631
Short term placements (Failed Banks)	-	46,578	-	-	46,578	-	46,578
REA property account	-	16,761	-	-	16,761	-	16,761
Interest receivable on legal suit	-	12,296	-	-	12,296	-	12,296
Unlisted debentures	-	154,919	-	-	154,919	-	154,919
Amount to be recovered from exited staff	-	2,044	-	-	2,044	-	2,044
Accrued rental income	-	16,854	-	-	16,854	-	16,854
PAYE Suspense	-	65,324	-	-	65,324	-	65,324
Other Suspense accounts	-	4,052	-	-	4,052	-	4,052
Unsubstantiated bank balances	-	22,435	-	(11,680)	10,755	-	22,435
Impairment on other receivables	**-**	793,240	-	(11,680)	781,560	-	793,240
ECL impairment intercompany receivables	-	18,813	-	(5,920)	12,893	-	18,813
Total impairment on other receivables	**-**	**812,053**	**-**	**(17,600)**	**794,453**	**-**	**812,05**

12 Investment in associates

(a) The movement in balances of investment in equity accounted investee are as shown below:

2018	**CBC EMEA ₦'000**	**REHL ₦'000**	**TOTAL ₦'000**
At 1 January	193,618	224,803	418,421
Share of current year other comprehensive income	(485)	3,557	3,072
	193,133	228,360	421,493
Share of current year profit or loss	20,164	(8,876)	11,288
At 31 December	**213,297**	**219,484**	**432,781**

2017	**CBC EMEA ₦'000**	**REHL ₦'000**	**TOTAL ₦'000**
At 1 January	179,147	236,282	415,429
Share of current year other comprehensive income	-	(905)	(905)
	179,147	235,377	414,524
Share of current year profit or loss	14,471	(10,574)	3,897
At 31 December	**193,618**	**224,803**	**418,421**

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

Name of entity	**Value of equities ₦'000**	**Percent age holding %**
Royal Exchange Healthcare Limited (see note (b)(i) below)	219,484	33.00%
CBC EMEA Limited (see note 12(b)(ii) below)	213,296	26.10%
At 31 December	**432,780**	

(b)(i) This represents the Company's investment in the ordinary shares of Royal Exchange Healthcare Limited ("REHL"), a company incorporated in Nigeria. Royal Exchange Healthcare Limited is owned by three (3) entities (i.e. Royal Exchange Plc which holds 30%, Royal Exchange General Insurance which holds 33% and Royal Exchange Prudential life Plc which holds 37%). Royal Exchange Prudential Life Plc and Royal Exchange General Insurance are wholly owned subsidiaries of Royal Exchange Plc. Hence, Royal Exchange Plc indirectly owns 100% of Royal Exchange Healthcare Limited. The investee company has a 31 December year end.

Notes to the financial statements

The summarised financial information of the entities are as set out below:

REHL

	2018	2017
Percentage ownership interest	**33.0%**	**33.00%**
	₦'000	**₦'000**
Non-Current Assets	549,266	565,060
Current Assets	456,089	394,194
Non-Current Liabilities	(30,981)	(31,302)
Current Liabilities	(416,005)	(385,416)
Net assets	**558,369**	**542,536**
Company's share of net assets	184,262	179,037
Net premium income	318,275	296,717
Total underwriting expenses	(300,777)	(326,647)
Net other income	71,544	40,706
Total expenses	(110,908)	(142,460)
Profit before tax from continuing operations	(21,866)	(131,684)
Taxation	(5,030)	99,641
Profit after tax from continuing operations	(26,896)	(32,043)
Other comprehensive income net of tax	10,780	(2,743)
Total comprehensive income	(16,116)	(34,786)
Company's share of total comprehensive income	(5,318)	(11,479)
Company's share of other comprehensive income	3,557	(905)
Company's share of profit	(8,875)	(10,574)

(b)(ii) This represents the Company's investment in the ordinary shares of City Business Computers EMEA Limited (CBC EMEA) incorporated in Nigeria, representing 26.10% (31 December 2017: 26.10%) equity interest in the Company. The investee company has 31 December year end.

The summarised financial information of the entities are as set out below:

CBC EMEA

	2018	2017
Percentage ownership interest	**26.10%**	**26.10%**
	₦'000	**₦'000**
Non-Current Asset	1,323,054	1,422,311
Current Asset	1,579,454	2,063,771
Non-Current Liabilities	(433,072)	(415,740)
Current Liabilities	(773,336)	(1,568,832)
Net assets	**1,696,100**	**1,501,510**
Company's share of net assets	442,682	391,894
Revenue	179,889	140,615
Profit from continuing operations	77,257	55,445
Other comprehensive loss	(1,860)	-
Dividend received	-	-
Total comprehensive income	75,397	55,445
Company's share of total comprehensive income	19,678	14,471
Company's share of other comprehensive income	486	-
Company's share of profit	**20,164**	**14,471**

13 Investment properties

At 1 January	3,660,719	3,741,609
Transfer from Property and Equipment	509,373	-
Fair value gains(Loss)	69,255	(80,890)
At 31 December	**4,239,347**	**3,660,719**

Notes to the financial statements

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	2018 ₦'000	2017 ₦'000
No. 2 Post Office Road, Kano	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja	FRC/2013/NIESV/00000000834	A-1277	422,300	-
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
No.5, NBC road, off Ahmadu Bello way, Kaduna	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja	FRC/2013/NIESV/00000000834	A-1277	280,200	280,200
No. 7, Usuma Cresent Maitama Abuja	Emeka Orji Partnership	Suite 9G, 9th floor, Ahmed Talib House (NNDC) 18/19 Ahmadu Bello Way, Kaduna	FRC/2013/NIESV/00000000976	A-1672	580,000	562,870
No 1, Eleko Close, Ikoyi,Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/00000000730	A-1878	771,941	771,942
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	950,640
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	684,266	684,267
No 6A/6B Usman Crescent, Mataima, Abuja	Emeka Orji Partnership	Suite 9G, 9th floor, Ahmed Talib House (NNDC) 18/19 Ahmadu Bello Way, Kaduna	FRC/2013/NIESV/00000000976	A-1672	550,000	-
Total					**4,239,347**	**3,660,719**

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

Property details	Status of title	Balance as at 1 January 2018	Transfer	Fair value gain	Balance as at 31 December 2018
		₦'000	₦'000	₦'000	₦'000
No. 2 Post Office Road, Kano *	Deed of assignment	-	410,800	11,500	422,300
No.2, Bank Road, off Ibrahim Taiwo way, Kano **	N/A	410,800	(410,800)	-	-
No.5, NBC road,off Ahmadu Bello way, Kaduna	Yet to be perfected	280,200	-	-	280,200
No. 7, Usuma Cresent Maitama Abuja	Deed of assignment	562,870	-	17,130	580,000
No 1, Eleko Close, Ikoyi,Lagos	Deed of assignment	771,942	-	(1)	771,941
No. 2, Eleko Close Ikoyi Lagos	Deed of assignment	950,640	-	-	950,640
No. 26, Abduraman Okene Cresent, Victoria Island, Lagos	Deed of assignment	684,267	-	(1)	684,266
No 6A/6B Usman Crescent, Mataima, Abuja ***	Deed of assignment	-	509,373	40,627	550,000
		3,660,719	509,373	69,255	4,239,347

13(c) Assets given or received

	Entity/asset Giving or receiving	Ref. No.	Carrying amount of asset given/received	Value at which asset is reported in the books	Revaluation gain/(loss)
			₦'000	₦'000	₦'000
No. 2 Post Office Road, Kano* exchanged for No.2, Bank Road, off Ibrahim Taiwo way, Kano**	Royal Exchange Healthcare Limited		418,000	422,300	11,500
No. 26, Abduraman Okene Cresent, Victoria Island, Lagos***	Property, Plant and Equipment	Note 14	509,373	550,000	40,627
			920,173	972,300	52,127

The former property in the books of Royal Exchange Healthcare Limited located at 2 Post Office Road Kano with the market value of ₦422, 300,000 was withdrawn, by an ordinary resolution of the Board passed on 18 December 2018, and substituted with the property located at 2 Bank Road Kano with the market value of ₦418, 000,000

Notes to the financial statements

Property details	Balance as at 1 Jan 2017	Fair value gain	Balance as at 31 Dec 2017
	₦'000	₦'000	₦'000
No.2, bank road, off Ibrahim Taiwo way, Kano	405,600	5,200	410,800
No.5, NBC road, off Ahmadu Bello way, Kaduna	275,400	4,800	280,200
No. 7, Usuma Cresent Maitama Abuja	560,000	2,870	562,870
No 1, Eleko Close, Ikoyi, Lagos	799,422	(27,480)	771,942
No. 2, Eleko Close Ikoyi Lagos	981,073	(30,433)	950,640
No. 26, Abduraman Okene Cresent, Victoria Island, Lagos	720,114	(35,847)	684,267
Land at Odonla in Odogunyan Area of Ikorodu,Lagos			
	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 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

13(d) 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 ₦87,790,605.46 (2017: N77,150,683.33). 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.

Notes to the financial statements

Property description	Valuation (₦'000)	Location of property	Valuation technique	Significant unobservable input	Sensitivity on management's estimates		
					Estimate	**Impact Lower (N'000)**	**Impact Higher (N'000)**
The property is a 1 storey commercial property located at no. 2 post office road off Ibrahim Taiwo road in Kano Municipal LGA of Kano State. Site: The site is approximately rectangular in share covering an approximately land area of 2,618 square metres by onsite measurement.Situation: Primary access to the property is vide the Ibrahim Taiwo road Kano State.	422,300	No. 2 Post Office Road, 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 rate.	Expected market rental growth rate (2018:15% 2017:15%),Estimated vacancy rates (2018:0%;2017:0 %),	Discount factor	-	-

Property description	Valuation (₦'000)	Location of property	Valuation technique	Significant unobservable input	Sensitivity on management's estimates		
					Estimate	Impact Lower (N'000)	Impact Higher (N'000)
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 cash flows of net benefits derivable from the property over its useful economic life.	Future rental cash flows; Estimated vacancy rates; Maintenance costs and Capitalisation rate.	Discount factor	-	-
The property is a 5 bedroom detached duplex located in a high brow low density residential neighborhood 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.	580,000	No. 7, Usuma Crescent Maitama Abuja	Discounted cashflows of annual rentals	Future rental cash flows; Estimated vacancy rates; Maintenance costs and Capitalisation rate.	Discount factor	54,582	(54,582)

Notes to the financial statements

Property description	Valuation (₦'000)	Location of property	Valuation technique	Significant unobservable input	Sensitivity on management's estimates		
					Estimate	Impact Lower (N'000)	Impact Higher (N'000)
The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighborhood 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.	771,941	No 1, Eleko Close, Ikoyi, Lagos	Discounted cash flows of net benefits derivable from the property over its useful economic life	Future rental cash flows; Estimated vacancy rates; Maintenance costs and Capitalisation rate.	Discount factor	79,942	(79,942)
The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighborhood 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 cash flows of net benefits derivable from the property over its useful economic life.	Future rental cash flows; Estimated vacancy rates; Maintenance costs and Capitalisation rate.	Discount factor	85,000	(85,000)

Notes to the financial statements

Property description	Valuation (₦'000)	Location of property	Valuation technique	Significant unobservable input	Sensitivity on management's estimates		
					Estimate	Impact Lower (N'000)	Impact Higher (N'000)
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.	684,266	No. 26, Abduraman Okene Cresent,Victoria Island, Lagos	Discounted cashflows of net benefits derivable from the property over its useful economic life.	Future rental cashflows; Estimated vacancy rates; Maintenance costs and Capitalisation rate.	Discount factor	72,011	(72,011)

Property description	Valuation (₦'000)	Location of property	Valuation technique	Significant unobservable input	Sensitivity on management's estimates		
					Estimate	Impact Lower (N'000)	Impact Higher (N'000)
The property is a single dwelling residential development which comprise of 2 No. 5 Bedroom semi-detached duplexes, a semi-detached Boy's Quarters, semi-detached generator house, a water pump house and 2 No gate houses. It situates on a well fenced plot of 2,680.30 square metres subdivded into 1,357.30 square metres as No 6A and 6B respectively.	550,000	No 6A/6B Usman Crescent, Mataima, Abuja	Discounted cash flows of net benefits derivable from the property over its useful economic life.	Future rental cash flows; Estimated vacancy rates; Maintenance costs and Capitalisation rate.	Discount factor	-	-
Total fair value	**4,239,347**						

14 Property and equipment

	Leasehold land	Freehold buildings	Computer equipment	Furniture & office Equipment	Motor vehicles	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January 2018	195,069	1,649,770	235,828	437,704	478,996	2,997,367
Transfer to Investment Properties	-	(541,886)	-	-	-	(541,886)
Additions	-	-	3,270	922	14,020	18,212
Disposals	-	-	(91,657)	(136,936)	(28,344)	(256,937)
At 31 December 2018	**195,069**	**1,107,884**	**147,441**	**301,690**	**464,672**	**2,216,756**
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)
At 31 December 2017	**195,069**	**1,649,770**	**235,828**	**437,704**	**478,996**	**2,997,367**

Notes to the financial statements

Depreciation

	Leasehold Land	Freehold buildings	Computer Equipment	Furniture & office Equipment	Motor vehicles	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
At 1 January 2018	-	183,487	225,487	409,830	364,000	1,182,804
Charge for the year	-	22,097	6,225	15,194	52,795	96,311
Transfer to Investment Properties	-	(32,513)	-	-	-	(32,513)
Disposals	-	-	(91,655)	(136,231)	(28,344)	(256,230)
At 31 December 2018	-	**173,071**	**140,057**	**288,793**	**388,451**	**990,372**
At 1 January 2017	-	179,378	216,581	388,031	332,930	1,116,920
Transfer from prepaid expenses	-	-	-	-	-	-
Charge for the year	-	4,109	8,906	26,890	64,320	104,225
Disposals	-	-	-	(5,091)	(33,250)	(38,341)
At 31 December 2017	-	**183,487**	**225,487**	**409,830**	**364,000**	**1,182,804**
Carrying amounts:						
At 31 December 2018	**195,069**	**934,813**	**7,384**	**12,897**	**76,221**	**1,226,384**
At 31 December 2017	**195,069**	**1,466,283**	**10,341**	**27,873**	**114,996**	**1,814,562**

(a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2017: nil).

(b) The Company had no capital commitments as at the balance sheet date (2017: nil)

(c) Included in properties and equipment is an aggregate amount of ₦718.2million (2017: ₦718.2 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.

(d) No assets above are pledged as collateral.

S/n	Location and address of Leasehold Land & Freehold Buildings	Status of title	At 1 Jan	Addition	Transfer	Disposal	Deprecia tion	Impair ment	Closing balance
			₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
	LEASEHOLD:								
1	4,Hectar Of Land At 4 Odoguyan	Leasehold	41,361	-	-	-	-	-	41,361
2	4,Hectar Of Land At 4 Odoguyan: transferred to Regic	Leasehold	41,361	-	-	-	-	-	41,361
3	Land In Asaba	Leasehold	50,924	-	-	-	-	-	50,924
4	Olowogbowo Land- Plot 21	Leasehold	30,713	-	-	-	-	-	30,713
5	Olowogbowo Land- Plot 25	Leasehold	30,710	-	-	-	-	-	30,710
	Sub-total		**195,069**	-	-	-	-	-	**195,069**
	FREEHOLD BUILDING:								
1	Additional Payment For Outright Purchase Of Plot 19 Olowogbowo Land		11,791	-	-	-	(249)	-	11,542
2	Being Repair Works On Drainage System At Operations Office, Oshodi		1,316	-	-	-	(28)	-	1,288
3	Repairs Of Roof Leakage & Installation Of Aluminimum Gutter @ Archives Building		137	-	-	-	(3)	-	134

Notes to the financial statements

S/n	Location and address of Leasehold Land & Freehold Buildings	Status of title	At 1 Jan	Addition	Transfer	Disposal	Depreciation	Impairment	Closing balance
			₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
4	Construction Of Existing Septic Tank & Evacuation Of Existing Septic Tank		499	-	-	-	(10)	-	489
5	No 6A/6B Usuma Cresent,Maitama,		509,373		(509,373)	-	-		-
6	Roof Works At Operations Office.		5,082	-	-	-	(109)		4,974
7	Roofing Of Generator House @26E & 30% On Construction Of The Driver'S Lounge		545	-	-	-	(12)		533
8	Fixing Of Floor Tiles		450	-	-	-	(10)		440
9	60% Contruction Of Drivers Lounge		546	-	-	-	(12)		534
10	Renovation Works @Ph Regional Office		2,265	-	-	-	(50)		2,216
11	Tiling Of Offices		270	-	-	-	(6)		264
12	Tiling Of Offices		403	-	-	-	(9)		395
13	Fixing Of Tiles @ Ikeja Office (70%)		1,040	-	-	-	(23)		1,017
14	Fixing Of Tiles @ Operation Office (70%)		905	-	-	-	(20)		885
15	Additional Work @ Enugu Regional Office		433	-	-	-	(10)		423
16	Renovation Work @ Staff Car Park (10% Bal)		118	-	-	-	(3)		115
17	Renovation Of Staff Car Park		351	-	-	-	(8)		343
18	Renovation Of Staff Car Park		1,518	-	-	-	(34)		1,484
19	Repairs Of Leaking Roof (60%)		445	-	-	-	(10)		435
20	60% Car Park Renovation		698	-	-	-	(16)		682
21	Royal Exc. Oshodi Office Trans From Plc		802,581	-	-	-	(18,296)		784,285
22	Fenced Land For Car Pack		4,345	-	-	-	(110)		4,235
23	Fenced Land For Car Pack		4,317	-	-	-	(110)		4,207
24	Land And Building		112,150	-	-	-	(2,862)		109,288
25	Fencing Of Asaba Land (2Nd Half)		2,253	-	-	-	(47)		2,206
26	Fencing Half An Acre Asaba Land		2,451	-	-	-	(52)	-	2,398
	Sub-total		**1,466,282**	**-**	**(509,373)**	**-**	**(22,098)**	**-**	**934,811**
	Grand total		**1,661,351**	**-**	**(509,373)**	**-**	**(22,098)**	**-**	**1,129,881**

15 Intangible assets

	2018	2017
	₦'000	₦'000
Cost:		
At 1 January	165,007	165,007
Additions	-	-
At 31 December	**165,007**	**165,007**
Accumulated amortisation:		
At 1 January	163,618	159,100
Charge for the year (see note 39)	1,389	4,518
At 31 December	**165,007**	**163,618**
At 31 December	**-**	**1,389**

All Company's intangible assets represents purchased software.

16 Statutory Deposits

In line with section 10 (3) of the Insurance Act of Nigeria, a deposit of 10% of the regulatory share capital is kept with the Central Bank of Nigeria. The cash amount held is considered to be a restricted cash balance.

	2018	2017
	₦'000	₦'000
Deposits with Central Bank of Nigeria	340,000	340,000

17 Employee retirement benefits

The Company operated two (2) employee retirement benefit schemes. The Company operate defined benefit staff pension plan based pension scheme prior to the New Pension Reform Act 2004, for pensionable employees who were in service prior to the introduction of contributory pension scheme.

The Company offers its employees defined benefit plan in the form of long service awards. The plan entitles employee who have spent 10 years and above in the service of the Company to specified awards. This benefit is awarded in different categories depending the number of years in service.

The employee retirement benefits are actuarially determined at the year-end by EY Nigeria with FRC number FRC/2012/NAS/00000000738. The actuarial valuation is computed based on the "Projected Unit Credit" method. Gains and losses of changes in actuarial assumptions are charged to other comprehensive income. These defined benefit plans exposes the Company to actuarial risks, such as interest rate risks and market risks.

The details of the employee retirement benefits are given as below:

(a)

		Note	2018 ₦'000	2017 ₦'000
	Employees retirement benefits (see note 17(d))		283,850	258,135
	Long Service Award (Outstanding liability)		(21,239)	(28,358)
(b)	Company's Asset for:-			
	- Pension benefits (note 7(d)		462,355	455,550
	Total		**462,355**	**455,550**
(c)	Company's obligations for:-			
	- Pension benefits (see note 17(d))		(178,505)	(197,415)
	- Long Service Award (see note 17(f))		(21,239)	(28,358)
	Total Company's obligation		**(199,744)**	**(225,773)**
	Amount expenses in profit or loss-			
	- Pension benefits		(38,210)	(39,274)
	- Long Service Award		(469)	6,772
	Total		**(38,679)**	**(32,502)**
	Gain/ (loss) on other comprehensive income			
	-Adjustments for Net Pension Assets		(12,496)	(15,150)
	-Adjustments for Long-Service Awards Obligations		7,142	1,145
	Total (see note 29)		**(5,354)**	**(14,005)**

(d) Pension benefits

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

	2018	2017
Present value of funded obligations	(178,505)	(197,415)
Fair value of plan assets	462,355	455,550
Asset in the statement of financial position	**283,850**	**258,135**
Current	-	-
Non-current	283,850	258,135
Asset in the statement of financial position	**283,850**	**258,135**

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

	2018	2017
	₦'000	₦'000
At 1 January	197,415	181,830
Current service cost		-
Interest cost	25,567	26,429
Actuarial losses/(gains)-Assumption	(13,674)	16,940
Actuarial losses/(gains)-Experience	12,983	(12,754)
Benefits paid by employer		-
Benefits paid by the Fund	(43,786)	(15,030)
At 31 December	**178,505**	**197,415**

The movement in the fair value of plan assets of the year is as follows:		
At 1 January	455,551	415,842
Expected return on plan assets	63,777	65,703
Employer contributions	-	-
Benefit paid from the fund	(43,786)	(15,030)
Actuarial Gains/(Losses)	(13,187)	(10,964)
At 31 December	**462,355**	**455,551**

The amounts recognised in the profit or loss are as follows:		
Current service costs	-	-
Net interest costs/income:		
- Interest costs	25,567	26,429
- Expected Return on plan asset	(63,777)	(65,703)
At 31 December	**(38,210)**	**(39,274)**

The principal actuarial assumptions used were as follows:		
Discount rate	15.5%	14%
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:

	2018	2017
Male	79	79
Female	83	83

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

2018

	Change in assumption		Impact on overall liability (₦'000)	
Discount rate	-0.50%	0.50%	182,843	174,369

2017

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

(f) Long Service Awards

	2018 ₦'000	2017 ₦'000
Present value of funded obligations	(21,239)	(28,358)
	-	-
Liability in the statement of financial position	**21,239**	**28,358**
Current	-	-
Non-current	(21,239)	(28,358)
Liability in the statement of financial position	**(21,239)**	**(28,358)**

The movement in the defined benefit obligation (long service award) during the year is as follows:

At 1 January	28,358	29,995
Current service cost	2,981	2,929
Interest cost	3,692	3,843
Benefits paid	(6,650)	(7,264)
Actuarial losses/(gains)	(7,142)	(1,145)
At 31 December	**21,239**	**28,358**

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

Current service costs	2,981	2,929
- Interest costs	3,692	3,843
At 31 December	**6,673**	**6,772**

The principal actuarial assumptions used were as follows:

Discount rate	15.5%	14%
Future salary increases	13%	13%
Inflation rate	12%	12%

Notes to the financial statements

	2018 ₦'000	2017 ₦'000
Current	-	-
Non-current	(21,239)	(28,358)
Liability in the statement of financial position	**(21,239)**	**(28,358)**

The movement in the defined benefit obligation (long service award) during the year is as follows:

At 1 January	28,358	29,995
Current service cost	2,981	2,929
Interest cost	3,692	3,843
Benefits paid	(6,650)	(7,264)
Actuarial losses/(gains)	(7,142)	(1,145)
At 31 December	**21,239**	**28,358**

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

Current service costs	2,981	2,929
- Interest costs	3,692	3,843
At 31 December	**6,673**	**6,772**

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	15.5%	14%
Future salary increases	13%	13%
Inflation rate	12%	12%

The sensitivity of overall long service award liability:

2018

	Change in assumption		Impact on overall liability (₦'000)	
Discount rate	(0.50%)	0.50%	21,801	20,701
Future salary increases	(0.50%)	0.50%	20,812	21,681
Inflation rate	(0.50%)	0.50%	21,147	21,332

2017

	Change in assumption		Impact on overall liability (₦'000)	
Discount rate	(0.50%)	0.50%	29,129	27,622
Future salary increases	(0.50%)	0.50%	27,782	28,956
Inflation rate	(0.50%)	0.50%	28,233	28,485

Notes to the financial statements

18 Deferred Taxation

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

2018

	Note	Net balance as at 1 January	Recognised in profit or loss	Recognised in OCI	Net balance as at date	Deferred tax asset	Deferred tax liabilities
Net Deferred tax assets		**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Property and equipment, and software		91,012	(189,440)	-	(98,428)	-	(98,428)
Allowances for loans and receivables		-	(18,454)		(18,454)	-	(18,454)
Unrelieved loss		136,449	(136,449)	-	-	-	-
Employee benefits		8,507	107,605	-	116,112	-	116,112
Deferred tax assets/(liabilities)		**235,968**	**(236,738)**	**-**	**(770)**	**-**	**(770)**
Deferred tax liabilities							
Investment properties		(248,565)	(6,925)	-	(255,490)	-	(255,490)
Deferred tax assets/(liabilities)		**(12,597)**	**(243,663)**	**-**	**(256,260)**	**-**	**(256,260)**

In thousands of Naira

2017

	Note	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
		₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Net Deferred tax assets							
Property and equipment, and software		114,202	(23,190.00)	-	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)**

As at 31 December 2018, the company did not have any unrecognised deferred tax assets (31 December 2017: nil) as it is not deemed probable that the future taxable profits will be available which can be utilised.

Notes to the financial statements

19 Deferred income

	2018	2017
	₦'000	₦'000
Deferred rental income	40,553	40,593
Deferred commission income (see note 19(b))	103,580	103,205
	144,133	**143,798**
Due within 1 - 12months	103,580	120,331
Due after more than 12months	40,553	23,467
	144,133	**143,798**

(a) *Deferred rental income*

	2018	2017
At 1 January	40,593	29,648
Additions during the year	-	86,805
Amortised during the year	(40)	(75,860)
At 31 December	**40,553**	**40,593**

(b) *Deferred commission income*

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

	2018	2017
	₦'000	₦'000
At 1 January	103,205	133,294
Additions during the year	494,838	467,565
Amortised during the year	(494,463)	(497,654)
At 31 December	**103,580**	**103,205**

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

	2018	2017
	₦'000	₦'000
Fire	30,068	27,619
Accident	17,785	10,347
Motor	6,038	8,332
Marine and aviation	7,856	13,084
Oil & Gas	17,968	20,864
Engineering	23,341	22,826
Bond	524	133
	103,580	**103,205**

20 Trade payables

	2018	2017
Reinsurance payables	298,694	618,161
Premium received in advance (see(i) below)	5,166,855	9,292,796
	5,465,549	**9,910,957**

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

	2018	2017
	₦'000	₦'000
Due within 1 - 12months	5,465,549	9,910,957
Due after more than 12months	-	-
	5,465,549	**9,910,957**

(i) Include in the trade payable balance is ₦5.167b (2017: 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 2018 to be remitted to other co-insurers of the policy.

21 Other liabilities

	2018	2017
	₦'000	₦'000
Accrual and other payables (see(i) below))	160,130	237,101
NAICOM levy	26,979	32,827
Other liabilities (see(ii) below))	335,573	352,854
Payable to Royal Exchange Plc	78,068	-
Payable to Royal dividend fund	64,058	64,058
Payable to Royal Exchange Trustee Fund	72,925	194,054
	737,733	**880,894**
Due within 1 - 12months	737,733	880,894
Due after more than 12months	-	-
	737,733	**880,894**

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

	2018	2017
Final exit benefits payables	22,784	16,253
Other payables	80,181	138,921
Provision for audit fees	16,000	21,052
Provision for Industrial Training Fund (ITF) levy	13,340	11,182
Provision for accounting/consulting fees	2,150	2,150
Management fee payable	25,675	47,543
	160,130	**237,101**

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

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% (2017: 18% to 24%) per annum.

	Future minimum lease payments		Interest		Net present value of future lease payments	
	31-Dec-18	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Not later than one year	43,328	66,949	6,809	16,012	36,519	50,937
Later than one year and not later than 5 years	14,711	43,108	1,758	4,984	12,954	38,124
	58,039	**110,057**	**8,567**	**20,996**	**49,473**	**89,061**
Within one year	43,328	66,949	6,809	16,012	36,519	50,937
More than one year	14,711	43,108	1,758	4,984	12,954	38,124
	58,039	**110,057**	**8,567**	**20,996**	**49,473**	**89,061**

(b) Finance lease payments

1 January	89,061	103,925
Addition	13,592	43,049
Principal repayment	(53,180)	(57,913)
31 December	**49,473**	**89,061**
Interest expense (see note 39)	18,034	110,418

(c) Borrowings

	2018 ₦'000	2017 ₦'000
Royal Exchange Prudential Life Plc	-	269,335
Royal Exchange Finance and investment Ltd	31,708	61,164
	31,708	**330,499**
Due within 1-12 months	31,708	330,499
Due after more than one year		-
	31,708	**330,499**
At 1 January	330,499	-
Addition	180,000	319,335
Interest expense	52,529	11,164
Cash repayment	(150,000)	-
Intercompany settlement	(381,320)	-
At 31 December	**31,708**	**330,499**

Borrowings consist of facilities with Royal Exchange Prudential Life Assurance, 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. No asset is pledged as security.

23 Insurance contract liabilities

	2018	2017
Non-life business	₦'000	₦'000
Unearned premium reserve	1,572,772	1,956,982
Incurred but not reported	680,323	904,986
Claims outstanding	3,065,007	2,584,041
Total insurance contract liabilities	**5,318,102**	**5,446,009**

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

	2018 ₦'000	2017 ₦'000
Fire	2,156,893	2,089,367
Accident	579,206	412,026
Motor	842,811	962,162
Marine	296,000	449,537
Oil and Gas	1,251,627	1,396,351
Engineering	162,726	126,916
Bond	28,839	9,650
	5,318,102	**5,446,009**

Notes to the financial statements

		2018	2017
		₦'000	₦'000
(b)	Unexpired risk is summarized by type below		
	Fire	281,965	410,125
	Accident	150,386	156,595
	Motor	428,760	534,098
	Marine	115,240	232,199
	Oil and Gas	504,308	594,568
	Engineering	88,709	28,501
	Bond	3,404	896
	Total	**1,572,772**	**1,956,982**
(c)	The movement in unexpired risk reserve is shown below:		
	At 1 January	1,956,982	2,459,159
	Movement during the year (see note 30(a))	(384,210)	(502,177)
	At 31 December	**1,572,772**	**1,956,982**

(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:

	2018	2017
	₦'000	₦'000
Fire	1,874,926	1,679,242
Accident	428,821	255,431
Motor	414,051	428,064
Marine	181,361	217,338
Oil and Gas	747,320	801,783
Engineering	74,017	98,415
Bond	24,835	8,754
Total	**3,745,331**	**3,489,027**

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

	₦'000	₦'000
0- 90 days	110,707	243,634
91- 180 days	78,467	124,091
181-270 days	58,699	155,484
271-360 days	113,248	789,068
Above 360 days	2,703,886	1,271,764
	3,065,007	**2,584,041**

Outstanding claims (Days)

	0-90	91-180	181-270	271-360	Above 360	Total
	₦000	₦000	₦000	₦000	₦000	₦000
Awaiting supporting Documents	79,965	63,577	47,720	93,204	1,804,938	2,089,403
Awaiting settlement decision from lead insurer	20,746	14,890	10,979	20,044	400,177	466,837
Claims awaiting payment	9,996	-	-	-	498,771	508,767
Total	**110,707**	**78,467**	**58,699**	**113,248**	**2,703,886**	**3,065,007**

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

	2018	2017
	₦000	₦000
1 January	3,489,027	2,939,820
Movement during the year (see note 33)	256,303	549,207
31 December	**3,745,330**	**3,489,027**

Notes to the financial statements

(f) Policyholders' Assets and Liabilities Management (PALM)

	Insurance contract liabilities ₦'000	Shareholders & other funds ₦'000	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Cash and cash equivalent	3,619,275	7,706,063	11,325,338	11,333,888
Financial assets:				
- Available for sale	-	-	-	440,212
- Fair value through profit or loss (quoted equities)	781,688	-	781,688	1,311,082
- Fair value through other comprehensive income (Federal Government Bonds & Treasury Bills)	149,156	-	149,156	-
- Fair value through other comprehensive income (Unquoted equities)	398,428	-	398,428	-
- Amortised cost	93,407	-	93,407	-
- Loans and receivables	-	-	-	91,671
Trade receivables	-	361,667	361,667	35,646
Reinsurance assets	-	2,709,833	2,709,833	2,212,547
Deferred acquisition cost	-	217,457	217,457	248,260
Other receivables and prepayments	-	745,873	745,873	3,255,643
Investment in associates	-	432,781	432,781	418,421
Investment properties	847,869	3,391,478	4,239,347	3,660,719
Property and equipment	-	1,226,384	1,226,384	1,814,562
Intangible assets	-	-	-	1,389
Statutory deposits	-	340,000	340,000	340,000
Employee retirement benefits	-	283,850	283,850	258,135
Deferred tax assets	-	-	-	235,968
Total assets	**5,889,823**	**17,415,386**	**23,305,209**	
Available Funds	**2,608,269**	**20,696,940**	**23,305,209**	
Excess/(Deficit) is Asset Cover	**3,281,554**	**(3,281,554)**	**-**	

24 Taxation

(a) *Charge for the year*

	Notes	31-Dec 2018 ₦000	31-Dec 2017 ₦000
Company income tax		131,979	-
Withholding tax on dividends		-	6,754
Tertiary education tax		32,003	
Minimum tax		-	55,602
		163,982	62,356
NTDA levy		11,545	4,497
		175,527	66,853
Origination of temporary differences	18	243,664	117,107
Income Taxes		**419,191**	**183,960**

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	2018 Tax rate %	2018 Amount ₦'000	2017 Tax rate %	2017 Amount ₦'000
Profit before tax		1,154,518		449,679
Company income tax using the domestic corporation tax rate	30%	346,355	30%	134,904
Non-deductible expenses	4%	44,258	7%	31,120
Tax exempt income	(14%)	(166,540)	(43%)	(192,916)
De-recognition of unrelieved losses	13%	151,570	32%	143,999
Minimum tax	0%	-	12%	55,602
WHT paid on dividends	0%	-	2%	6,754
Information technology levy	1%	11,545	1%	4,497
Tertiary education tax	3%	32,003	0%	-
	36%	**419,191**	**41%**	**183,960**

(b) *Current income tax liabilities*

	2018 ₦'000	2017 ₦'000
At 1 January	266,976	262,572
Charge for the year	175,527	66,853
Paid during the year	(65,537)	(62,449)
At 31 December	**376,966**	**266,976**

		2017	2018
25	**Share capital**	**₦'000**	**₦'000**
	Share capital comprises		
	Authorized share capital		
	8,000,000,000 ordinary share of ₦1 each	**8,000,000**	**6,000,000**
	Ordinary share capital		
	5,366,666,666 ordinary share of ₦1 each	5,366,667	4,366,667
	Addition during the year	-	1,000,000
	5,366,666,666 ordinary share of ₦1 each	**5,366,667**	**5,366,667**

(i) During the year, the shareholders approved the issue of Nil ordinary shares to Royal Exchange Plc (2017: ₦1billion). 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.

		2018	2017
		₦'000	**₦'000**
26	**Share premium**		
	At 1 January	802,737	802,737
	Additions during the year	-	-
	At 31 December	**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.

	2018	2017
	₦'000	**₦'000**
At 1 January	1,849,430	1,558,477
Transfer from profit or loss account	321,503	290,953
At 31 December	**2,170,933**	**1,849,430**

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).

	2018	2017
	₦'000	**₦'000**
At 1 January	44,853	70,087
IFRS 9 opening transition adjustment	(104,317)	-
Transfer from profit and loss	735,327	265,719
Transfer to contingency reserve	(321,503)	(290,953)
At 31 December	**354,360**	**44,853**

		2018	2017
		₦'000	₦'000
29	**Other components of equity**		
	At 1 January	200,272	184,854
	IFRS 9 opening transition adjustment	7,494	
	Fair value changes :		
	-Fair value gain/losses recognised in OCI (see note 7(d))	(50,355)	25,782
	-Share of current year results in equity accounted investees (see note 12(a))	3,072	(905)
	Total fair value changes in statement of changes in equity	160,483	209,731
	-Actuarial gains/(losses) on employee benefit obligations (see note 17(c))	(5,354)	(14,005)
	Tax effects on OCI (see note 18)	-	4,546
	At 31 December	**155,129**	**200,272**

(a) Nature and purpose of other components of equity

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.

Actuarial 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

		2018	2017
		₦'000	₦'000
	Non-life insurance premiums:		
	Gross written premiums	10,716,756	9,698,433
	Change in unearned premiums (see note 23(c))	384,210	502,177
	Gross earned premiums	11,100,966	10,200,610
31	**Reinsurance expenses**		
	Gross written reinsurance premiums	5,498,747	5,389,823
	Change in reinsurance unearned premiums(see note 9(a) below)	101,185	575,013
		5,599,932	**5,964,836**
32	**Fee and commission income**		
	Reinsurance commissions	**494,463**	**467,565**

		2018	2017
		₦'000	₦'000
33	**Insurance claims and benefits incurred**		
	Gross claims paid	2,860,624	2,247,543
	Less: Movement in gross outstanding claims and IBNR (see note 23(e))	256,303	549,207
	Gross incurred claims (see note (a) below)	3,116,927	2,796,750
	Less: Reinsurance incurred claims (see note 33(b) below)	(2,472,472)	(1,449,260)
		644,455	**1,347,490**
(a)	Analysis of insurance claims and benefits incurred by class are as follows:		
	Motor and Accident	764,913	533,081
	Fire and IAR	1,426,358	1,683,835
	Marine	166,810	121,911
	Engineering	24,928	83,985
	Bond	16,080	(3,525)
	Special Risk	717,838	377,463
		3,116,927	**2,796,750**
b)	Insurance claims and benefits incurred-recoverable from reinsurers		
	Motor and Accident	83,061	68,079
	Fire and IAR	870,123	1,045,696
	Marine	55,941	53,335
	Engineering	68,174	73,760
	Bond	7,604	(1,362)
	Special Risk	1,387,567	209,752
		2,472,470	**1,449,260**
(c)	Breakdown of insurance claims and benefits incurred-recoverable from reinsurers		
	Reinsurance claims recoveries	1,874,004	851,633
	Movement in reinsurers' share of claims expenses outstanding (see note 9(b))	662,838	560,890
	Movement in reinsurers' share of incurred but not reported claims (see note 9(c))	(64,370)	36,737
		2,472,472	**1,449,260**

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

	2018	2017
	₦'000	₦'000
Acquisition expenses	1,831,775	740,823
Maintenance expenses	1,081,531	1,280,699
	2,913,306	**2,021,522**

35 Investment and other income

	2018	2017
Interest income on investment (see note 35(a) below)	344,353	447,963
Dividend income (see note 35(a) below)	64,358	102,136
Net realised gains/(losses) on financial assets (see 35(a) below)	(33,691)	36,589
Net Investment Income	**375,020**	**586,688**
(a) Changes in fair value (see note 35(a)i below)	(55,853)	200,117
Total Investment Income	**319,167**	**786,805**

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

	2018				
	Dividend Income	**Net realised gains and losses**	**Changes in fair value**	**Interest Income**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Debt securities:					
*At fair value through profit/loss	-	-	-	-	-
*Financial asset at amortised cost	-	-	-	4,780	4,780
Equity Securities:					
*At fair value through profit/loss	63,697	(33,691)	(125,108	-	(95,102
*At fair value through OCI	661	-	-	-	661
Investment properties	-	-	69,255	-	69,255
Cash and cash equivalents	-	-	-	339,573	339,573
	64,358	(33,691)	(55,853)	344,353	319,167

	2017				
	Dividend Income	**Net realised gains and losses**	**Changes in fair value**	**Interest Income**	**Total**
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Debt securities:					
*At fair value through profit/loss	-	-	-	56,716	56,716
*Held for trading	-	-	-	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
	102,136	**36,589**	**200,117**	**447,963**	**786,805**

36(a)i Write back/allowance for impairment

	2018	2017
	₦'000	**₦'000**
Impairment allowance on premium receivables - non-life business (see note 8(a)(i))	(182,674)	53,365
Impairment allowance on reinsurance receivables (see note 8(b)(i))	(80,148)	77,221
Impairment allowance on other receivables (see note 11(c)(i))	-	(13,068)
Impairment allowance on loans and receivables	-	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 profit or loss	-	-
	(262,822)	**147,068**

(a)ii ECL Impairment Allowance	**1-Jan 2018**	**Addition/ write-back)**	**31-Dec 2018**
	₦'000	**₦'000**	**₦'000**
Cash & cash equivalent	6,121	44,029	50,150
Treasury bills	259	(236)	23
FGN bonds	223	(50)	173
Mortgage loan	12,609	(528)	12,081
Trade receivables	129,996	57,505	187,501
Intercompany receivables	128,066	(115,173)	12,893
	277,274	**(14,453)**	**262,821**

			2018	2017
			₦'000	₦'000
37	**Other operating income**			
	Rental income		87,791	77,151
	(Loss)/profit on disposal of property and equipment's		5,056	5,411
	Income from lead-underwriting businesses		241,778	16,149
			334,625	**98,711**
38	**Foreign exchange gains**			
	Gains on translation of foreign currency transactions		**(339,814)**	**(2,218)**
39	**Management expenses**	**Note**		
	Salaries and allowances of other employees	39(a)	416,630	469,660
	Post-employment defined benefit expenses	17(c)	23	(32,065)
	Redundancy Cost		381,513	-
	Audit fees		16,000	21,051
	Amortization of intangible assets	15	1,389	4,518
	Promotional and advert expenses		1,965	7,692
	Depreciation on property and equipment	14	96,311	104,225
	Directors' fees		890	1,625
	Donation		-	214
	Bank charges		2,724	11,903
	Legal fee retainer		26,673	41,843
	Insurance premium		30,082	26,580
	Accounting consultancy fee		15,237	6,572
	Investment expenses		214,083	186,987
	Electricity charges		42,309	4,076
	Repairs and maintenance		20,251	15,843
	Telephone expenses		6,504	17,914
	Transportation expenses		34,179	36,335
	Annual software renewal fees		19,192	4,169
	Subscription and Journals		16,042	8,267
	Marketing expenses		144,471	288,958
	Advertisements		-	67,322
	Finance charges		18,034	110,418
	Communication cost		210,076	34,261
	Rent and rate		10,893	27,155
	Business and admin cost		194,834	61,118
	Other Administrative expenses		4,134	65,307
	NAICOM levy		-	32,827
			1,924,439	**1,624,775**

Notes to the financial statements

(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 returns on plan assets as a result of actuarial review of the defined pension plan and long service awards maintained by the Company. For the year 2018, the expected return on plan assets was greater than the interest cost on the obligation.

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

	2018	2017
	₦'000	₦'000
Salaries & allowances - underwriting employees (see note 34)	549,813	685,458
Salaries and allowances of other employees	416,630	469,660
	966,443	**1,155,118**

40 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 group.

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

Name of related party/(relationship)

Name of related party	Relationship	Nature of transaction	2018 ₦'000	2017 ₦'000
Royal Exchange Plc	Parent Company	Receivable	-	2,173,343
Royal Exchange Prudential Life Plc	Sister Company	Receivable	3,405	291,047
Royal Exchange Finance Company Ltd	Sister Company	Receivable	31,854	22,123
Royal Exchange Healthcare Plc	Sister Company	Receivable	90,713	89,121
Royal Exchange Microfinance Bank Ltd	Sister Company	Receivable	2,985	5,992
Royal Exchange Plc	Parent Company	Payable	(78,068)	-
Royal Exchange Trustee Fund	Fund managed by parent company	Payable	(72,925)	(194,054)
Royal Exchange Dividend Fund	Fund managed by parent company	Payable	(64,058)	(64,058)
Royal Exchange Plc	Parent Company	Gross premium written	-	588
Royal Exchange Finance Company Ltd	Sister Company	Gross premium written	2,441	9,452
Royal Exchange Prudential Life Plc	Sister Company	Gross premium written	12,055	4,094
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 Company Ltd	Sister Company	Borrowings	(31,708)	(61,164)
Royal Exchange Prudential Life Plc	Sister Company	Borrowings	-	(269,335)
Royal Exchange Finance and Company Ltd	Sister Company	Finance lease obligation	(49,473)	(89,061)
Royal Exchange Prudential Life 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 Plc	Sister Company	Interest expense	55,985	14,194
Royal Exchange Finance Company Ltd	Sister Company	Interest expense	8,621	82,168
Royal Exchange Plc	Parent Company	Management fees	110,786	153,390
Royal Exchange Healthcare Plc	Sister Company	Employee health insurance	19,895	40,657
Royal Exchange Prudential Life Plc	Sister Company	Employee group life cover	13,600	14,043
Royal Exchange Microfinance Bank Ltd	Sister Company	Bank overdraft	(54,220)	(49,068)

	REPLC ₦'000	REPRU ₦'000	REHEALTH ₦'000	REFCO ₦'000	REMFB ₦'000	RETFUN ₦'000	REDFUND ₦'000
Amount receivables/(payables) to related party							
At 1 January 2018	2,173,342	291,047	89,121	22,123	5,992	(194,054)	(64,058)
Addition	1,248,590	193,475	33,137	44,106	8,164	-	-
Total	3,421,932	484,522	122,258	66,229	14,156	(194,054)	(64,058)
Payment	(3,500,000)	(481,117)	(31,545)	(34,375)	(11,172)	121,129	-
ECL impairment allowance	-	-	(10,712)	(2,158)	(23)	-	-
At 31 December 2018	**(78,068)**	**3,405**	**80,002**	**29,696**	**2,961**	**(72,925)**	**(64,058)**
Interest expense	-	(55,985)	-	(8,621)	-	-	-
Management fees	(110,786)	-	-	-	-	-	-
Employee health insurance	-	-	-	-	-	-	-
Employee group life cover	-	13,600	(19,895)	-	-	-	-
Gross premium written	-	12,055	-	(2,441)	-	-	-
Amount borrowed from related party							
At 1 January 2018	-	(269,335)	-	(61,164)	-	-	-
Addition	-	(235,985)	-	(2,544)	-	-	-
Payment	-	505,320	-	32,000	-	-	-
At 31 December 2018	-	-	-	(31,708)	-	-	-
Overdraft from related party							
At 1 January 2018	-	-	-	-	(49,068)	-	-
Addition	-	-	-	-	(35,248)	-	-
Payment	-	-	-	-	30,095	-	-
At 31 December 2018	-	-	-	-	(54,220)	-	-
Finance lease from related party							
At 1 January 2018	-	-	-	(89,061)	-	-	-
Addition	-	-	-	(13,592)	-	-	-
Payment	-	-	-	53,180	-	-	-
At 31 December 2018	-	-	-	(49,473)	-	-	-

Legend:

REPLC – Royal Exchange Plc
REPRU – Royal Exchange Prudential Life Plc
REHEALTH – Royal Exchange Healthcare Limited
REFCO – Royal Exchange Finance Company Limited
REMFB – Royal Exchange Microfinance Bank Limited

RETFUND – Royal Exchange Trustee Fund
REDFUND – Royal Exchange Dividend Fund

41 Contingencies and Commitments

a Commitments for expenditure

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

b Contingencies and commitments

	2018	2017
	₦'000	₦'000
Contingent liabilities		
Legal proceedings and litigations	3,498,925	1,199,671
Contingent assets		
Legal proceedings and litigations	11,672	25,181

The Company in its ordinary course of business, is presently involved in 38 (2017: 44) 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 advice received, no additional provisions other than those in the books are deemed necessary for these claims.

42 Events after the reporting period

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

43 Compensation of key management personnel

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

	2018	2017
	₦'000	₦'000
Chairman	700	429
Other Directors	16,504	14,624
	17,204	15,053
Directors' fees	890	83
Emoluments as Executives	16,314	14,970
	17,204	**15,053**
The highest paid director	**15,614**	**14,697**

Notes to the financial statements

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

	2018	2017
	Number	**Number**
2,000,001 - 5,000,000	1	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:

	2018	2017
900,001 - 1,000,000	-	1
1,000,001 - 2,000,000	11	10
2,000,001 - 3,000,000	70	100
3,000,001 - 4,000,000	11	12
4,000,001 - 5,000,000	33	34
5,000,001 - 6,000,000	18	27
6,000,001 - 7,000,000	8	16
7,000,001 - 8,000,000	2	3
8,000,001 - 9,000,000	4	7
9,000,001 - 10,000,000	6	-
10,000,001 - 12,000,000	4	4
12,000,001 - 18,000,000	4	2
18,000,001 - 22,000,001	-	-
	171	**216**

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

	2018	2017
	Number	**Number**
Managerial	15	15
Senior staff	146	191
Junior staff	10	10
	171	**216**

The staff costs for the above persons was:

	2018	2017
	₦'000	**₦'000**
Salaries , wages and other allowances	918,222	1,099,396
Pension cost	48,221	55,722
	966,443	**1,155,118**
Pension Scheme		
At January	-	-
Provision in the year	48,221	55,722
Remitted to Pension Fund Administrators	(48,221)	(51,179)
At 31 December	**-**	**4,543**

Notes to the financial statements

44 Contraventions

During the year, the Company did not contravene any sections of the Insurance Act Cap I17 LFN 2004 and the NAICOM Circulars.

45 Regulatory capital

The Company's solvency margin as at 31 December 2018 was ₦3.647billion. This is ₦0.647billion above the Company's required minimum solvency margin of ₦3billion.

46 Reconciliation notes to statement of cash flows

(a) Insurance premium received from customers

	2018	2017
	₦'000	**₦'000**
Gross written premium (See note 30(a)	11,100,968	10,200,610
Unexpired risk, opening balance (See note 23(c))	(1,956,982)	(2,459,159)
Unexpired risk, closing balance (See note 23(c))	(1,572,771)	(1,956,982)
Unearned premium	**(384,211)**	**(502,177)**
Trade receivables, opening balance (See note 8)	35,646	47,587
Recoveries, premium receivables - non-life business (see note 36(a)(b)(i))	182,674	-
Trade receivables, closing balance (See note 8)	(361,667)	(35,646)
Premium received from trade debtors	**(143,347)**	**11,941**
Insurance premium received from customers	**10,573,409**	**9,710,374**

(b) Insurance benefits and claims paid to customers

Claims incurred (See note 33)	(3,116,928)	(2,796,750)
Outstanding claims reserve, opening balance (See note 23(d))	(3,489,027)	(2,939,820)
Outstanding claims reserve, closing balance (See note 23(d))	3,745,331	3,489,027
Insurance benefits and claims paid to customers	**(2,860,624)**	**(2,247,543)**

(c)(i) Outward reinsurance premium paid

Opening trade payables (See note 20)	(618,161)	(307,542)
Gross expenses recognised in Profit or Loss (See note 31)	(5,498,747)	(5,389,823)
Closing trade payables (See note 20)	298,694	618,161
Outward reinsurance premium paid	**(5,818,214)**	**(5,079,204)**

Notes to the financial statements

(c)(ii) Net premium received in advance

	2018	2017
	₦'000	**₦'000**
Premium paid (See note 20)	(9,292,796)	(8,005,683)
Premium received in advance during the year (see note 20)	5,166,855	9,292,796
Net premium received in advance	**(4,125,941)**	**1,287,113**

(d) Fees and commission received

Opening deferred income (See note 19(b))	(103,205)	(133,294)
Net fee and commission recognised in P or L (See note 32)	494,463	467,565
Closing deferred income (See note 19(b))	103,580	103,205
Fees and commission received	**494,838**	**437,476**

(e) Claim recoveries made from reinsurers

Reinsurers share of claims expenses outstanding, opening (See note 9)	1,204,292	643,402
Reinsurers' share of claims expenses outstanding, closing (See note 9)	(1,867,130)	(1,204,292)
Movement in reinsurers share of claims expenses outstanding	**(662,838)**	**(560,890)**
Reinsurers share of incurred but not reported claim, opening (See note 9)	365,669	328,932
Reinsurers share of incurred but not reported claim, closing (See note 9)	(301,299)	(365,669)
Movement in reinsurers share of incurred but not reported claims	**64,370**	**(36,737)**
Claim recoveries (See note 33(b))	2,472,471	1,449,260
Claim recoveries made from reinsurers	**1,874,003**	**851,633**

(f) Commission paid

Deferred Acquisition cost, opening balance (See note 10)	248,260	283,338
Deferred Acquisition cost, closing balance (See note 10)	(217,456)	(248,260)
Charge to Profit or Loss	(1,401,435)	(741,073)
Commission paid	**(1,370,631)**	**(705,995)**

Notes to the financial statements

(g) Cash payment to employees, intermediaries and other supplier

	2018	2017
	₦'000	**₦'000**
Cash payments to employees (See note 39(a))	(927,764)	(1,162,382)
Other cash payments to intermediaries and supplier	(1,720,153)	(3,753,657)
Cash payment to employees, intermediaries and other supplier	**2,647,917**	**4,916,039**

(h) Proceeds from sale of property and equipment

Cost of property and equipment	256,937	38,341
Accumulated depreciation	(256,230)	(38,341)
Profit on disposal (See note 37)	5,056	5,411
Proceeds from sale of property and equipment	**5,763**	**5,411**

(i) Dividend income received

Dividend accrual, opening balance (See note 11(b))	4,018	11,313
Profit or loss Charge (See note 35)	64,358	102,136
Impairment charge (See note 36)	-	(20,965)
Dividend accrual, closing balance (See note 11(b))	(23,040)	(4,018)
Dividend income received	**45,336**	**88,466**

(j) Rental Income

Rental income regognised in profit or loss (See note 37)	87,791	77,151
Non-cash adjustments	-	-
Rental income received	**87,791**	**77,151**

(k) Interest income received

Accrued interest income (opening)	50,855	57,522
Profit or loss charge	344,353	447,963
Accrued interest income (closing)	(56,981)	(50,855)
Interest income received	**338,227**	**454,630**

47 Outstanding claims on insurance contracts

Outstanding claims represents the estimated cost os settling all claims arising from incidents occurring as at the date of the statement of financial position. The Company has adopted the Discounted Inflation Adjustment Basic Chain Ladder Method in determining the claims reserves for the year.

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

31 December , 2018

Table 47(a)(i)

Class of Business	Gross Outstanding Claims ₦'000	Estimated Reinsurance Recoveries ₦'000	Net Outstanding Claims ₦'000
General Accident	428,821	(61,871)	366,950
Engineering	74,016	(50,735)	23,281
Fire	1,874,926	(1,431,344)	443,582
Marine	181,361	(77,333)	104,028
Motor	414,051	(59,805)	354,246
Bond*	24,835	(12,417)	12,418
Oil & Gas*	747,320	(474,923)	272,397
TOTAL	**3,745,330**	**(2,168,428)**	**1,576,902**

**Estimated using Expected Loss Ratio method and discounted*

31 December , 2017

Class of Business	Gross Outstanding Claims ₦'000	Estimated Reinsurance Recoveries ₦'000	Net Outstanding Claims ₦'000
General Accident	255,430	(41,501)	213,929
Engineering	98,415	(69,492)	28,923
Fire	1,679,242	(1,173,325)	505,917
Marine	217,339	(85,669)	131,670
Motor	428,065	(73,562)	354,503
Bond*	8,754	(4,813)	3,941
Oil & Gas*	801,783	(121,596)	680,187
TOTAL	**3,489,028**	**(1,569,958)**	**1,919,070**

**Estimated using Expected Loss Ratio method and discounted*

Notes to the financial statements
31 December , 2018

Gross **Incurred But Not Reported (IBNR) Table**
Table 47(a)(ii)

Class of Business	**Outstanding Claim Reserves ₦'000**	**Outstanding Reported Claim Reserves ₦'000**	**IBNR ₦'000**
General Accident	428,820	408,166	20,654
Engineering	74,017	49,149	24,868
Fire	1,874,926	1,650,449	224,477
Marine	181,361	85,727	95,634
Motor	414,051	370,622	43,429
Bond*	24,835	24,578	257
Oil & Gas*	747,320	476,315	271,005
TOTAL	**3,745,330**	**3,065,006**	**680,324**

31 December , 2017
Incurred But Not Reported (IBNR) Table

Class of Business	**Outstanding Claim Reserves ₦'000**	**Outstanding Reported Claim Reserves ₦'000**	**IBNR ₦'000**
General Accident	255,430	(185,232)	70,198
Engineering	98,415	(50,778)	47,637
Fire	1,679,242	(1,453,939)	225,303
Marine	217,339	(92,084)	125,255
Motor	428,065	(301,184)	126,881
Bond*	8,754	(6,000)	2,754
Oil & Gas*	801,782	(494,823)	306,959
TOTAL	**3,489,027**	**(2,584,040)**	**904,987**

Notes to the financial statements

31 December , 2018

Table 47(a)(iii): Reinsurance IBNR Table

Class of Business	Total Outstanding Reinsurance Recoveries ₦'000	Outstanding Reported Reinsurance Recoveries ₦'000	Reinsurance IBNR ₦'000
General Accident	61,871	58,496	3,375
Engineering	50,735	34,401	16,334
Fire	1,431,344	1,366,744	64,600
Marine	77,333	40,419	36,914
Motor	59,805	52,081	7,724
Bond*	12,417	12,289	128
Oil & Gas*	474,924	302,670	172,254
TOTAL	**2,168,429**	**1,867,100**	**301,329**

31 December , 2017

Reinsurance IBNR Table

Class of Business	Total Outstanding Reinsurance Recoveries ₦'000	Outstanding Reported Reinsurance Recoveries ₦'000	Reinsurance IBNR ₦'000
General Accident	41,501	(26,905)	14,596
Engineering	69,492	(34,070)	35,422
Fire	1,173,325	(1,015,901)	157,424
Marine	85,669	(35,114)	50,555
Motor	73,562	(44,682)	28,880
Bond*	4,813	(3,000)	1,813
Oil & Gas*	121,596	(44,619)	76,977
TOTAL	**1,569,958**	**(1,204,291)**	**365,667**

31 December , 2018

UPR (Gross and Reinsurance UPR) – Result Table

Table 47(a)(iv): *UPR (Gross and Reinsurance UPR)-Result Table*

Class of Business	Gross UPR ₦	Reinsurance UPR ₦	NET UPR ₦
General Accident	150,385	(55,338)	95,047
Engineering	88,709	(81,717)	6,992
Fire	265,324	(107,119)	158,205
Marine	115,240	(23,994)	91,246
Motor	428,760	(18,830)	409,930
Bond*	3,404	(1,748)	1,656
Oil & Gas*	504,307	(252,657)	251,650
TOTAL	**1,556,129**	**(541,403)**	**1,014,726**

Notes to the financial statements

47(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 2018, are summarized in Table 41(b)(i) below:

31 December , 2018

Table 47(b)(i)
Incremental Chain Ladder:

	Incremental Chain ladder-Yearly Projections (~~N'000~~)								
Accident year	**1**	**2**	**3**	**4**	**5**	**8**	**9**	**10**	**11**
2007	109,324	130,760	40,801	16,493	6,639	1,605	5,952	1,802	
2008	224,573	320,685	10,146	4,537	56,817	873	4,045	-	
2009	273,653	144,617	46,445	71,491	23,592	982	825	16,302	
2010	424,976	201,641	191,204	19,854	21,506	1,535	743		
2011	217,142	1,664,790	274,558	104,755	12,044	4,120			
2012	920,028	963,273	362,810	58,722	4,922				
2013	703,893	571,066	181,076	15,106	3,253				
2014	740,384	1,018,548	389,088	19,085	14,465				
2015	1,037,614	599,603	247,006	50,797					
2016	944,962	632,754	373,400						
2017	1,327,909	1,934,139							
2018	438,529								

Notes to the financial statements

Table 47(b)(ii) Motor

	Incremental Chain ladder-Yearly Projections (₦'000)								
Accident year	**1**	**2**	**3**	**4**	**5**	**8**	**9**	**10**	**11**
2007	13,481	8,411	4,318	4,083	1,604	255	3,578	575	-
2008	30,101	10,914	934	1,504	1,361	427	-	-	-
2009	88,639	30,546	32,015	25,171	-	840	821	500	
2010	219,849	5,888	8,745	1,268	-	-	-	-	
2011	11,186	162,423	11,635	265	617	3,500	-	-	
2012	303,225	190,408	2,851	678	1,923				
2013	344,468	81,833	9,053	77	880				
2014	317,989	125,683	14,156	648	3,707				
2015	359,380	102,119	5,649	11,901	2				
2016	372,082	100,896	16,961						
2017	325,136	151,747							
2018	247,369								

Notes to the financial statements

Table 47(b)(iii) Marine

	Incremental Chain ladder-Yearly Projections (~~N'000)~~								
Accident year	**1**	**2**	**3**	**4**	**5**	**8**	**9**	**10**	**11**
2007	235	116	798	32	104				
2008	5,094	13,421	902	108	6,972				
2009	15,955	7,849	4,772	157	60				
2010	11,390	149,416	3,247	1,674	13				
2011	155,086	29,262	5,208	656	1,880				
2012	20,061	28,365	1,420	900	50				
2013	22,666	13,975	4,969	1,030	382				
2014	20,490	13,795	812	316	3,069				
2015	48,679	6,158	22,560	1,109					
2016	36,262	132,037	2,866						
2017	85,222	23,340							
2018	11,515								

Notes to the financial statements

Table 47(b)(iv) Accident

	Incremental Chain ladder-Yearly Projections (~~N'000~~)								
Accident year	**1**	**2**	**3**	**4**	**5**	**8**	**9**	**10**	**11**
2007	246	17,808	3,409	2,586	101	-	2,374	577	
2008	28,038	22,092	3,571	615	46,221	446	-	-	
2009	49,304	46,466	4,915	22,320	13,906	143	3	752	
2010	25,344	13,211	9,475	5,342	2,002	1,466	743	-	
2011	9,363	61,322	22,754	2,957	7,081	620			
2012	35,606	70,541	17,706	11,504	857				
2013	46,991	33,390	17,903	8,647	2				
2014	35,364	46,283	6,211	1,152	605				
2015	61,158	41,138	4,365	2,424					
2016	62,774	25,056	18,366						
2017	23,231	38,093							
2018	21,082								

Notes to the financial statements

Table 47(b)(v) Fire

	Incremental Chain ladder-Yearly Projections (~~N'000~~)								
Accident year	**1**	**2**	**3**	**4**	**5**	**8**	**9**	**10**	**11**
2007	54,175	62,508	4,435	4,602	377	1,350		650	
2008	116,006	3,304	1,505	350	2,262	-			
2009	31,420	3,701	3,053	1,507	1,635	-			
2010	70,296	11,825	10,948	2,668	7,384	54			
2011	11,211	139,179	52,933	2,234	1,458				
2012	20,874	170,000	27,385	5,795	1,937				
2013	156,771	171,249	35,020	4,354	1,500				
2014	117,750	143,860	24,699	16,914	7,083				
2015	211,660	214,902	56,119	29,844					
2016	226,674	123,769	139,604						
2017	129,572	340,091							
2018	76,028								

Notes to the financial statements

Table 47(b)(vi) Engineering

	Incremental Chain ladder-Yearly Projections (~~₦'000)~~								
Accident year	**1**	**2**	**3**	**4**	**5**	**8**	**9**	**10**	**11**
2007	8,837	11,723	14,266	5,190	4,453				[redacted]
2008	1,540	24,632	3,234	1,959	-		[redacted]	[redacted]	[redacted]
2009	11,922	2,640	1,689	12,620	-		[redacted]	[redacted]	[redacted]
2010	25,564	21,301	20,030	494	133		[redacted]	[redacted]	[redacted]
2011	30,295	123,508	-	35	-	[redacted]	[redacted]	[redacted]	[redacted]
2012	58,399	5,686	5,730	2,539	-	[redacted]	[redacted]	[redacted]	[redacted]
2013	4,011	6,720	6,082	-	-	[redacted]	[redacted]	[redacted]	[redacted]
2014	4,529	13,720	-	-	2	[redacted]	[redacted]	[redacted]	[redacted]
2015	22,464	12,080	-	788	-	[redacted]	[redacted]	[redacted]	[redacted]
2016	34,116	8,487	10,954	-	-	[redacted]	[redacted]	[redacted]	[redacted]
2017	4,047	8,111	-	-	-	[redacted]	[redacted]	[redacted]	[redacted]
2018	4,880	-	-	-	-	[redacted]	[redacted]	[redacted]	[redacted]

OTHER NATIONAL DISCLOSURES

VALUE ADDED STATEMENT

	2018		2017	
	₦'000	%	₦'000	%
Net premium income	11,100,968		10,200,610	
Reinsurance, claims, commission and others	(8,883,025)		(9,117,595)	
	2,217,943		1,083,015	
Investment income	375,020		586,688	
Other income	384,593		102,608	
Other gains and losses	(55,853)		200,117	
Value added	**2,921,703**	**100**	**1,972,428**	**100**
Applied as follows:				
In payment of employees:				
- Salaries, wages and other benefits	1,347,979	46	1,123,053	57%
In payment to government:				
- Taxation	175,526	6	183,960	9%
For future replacement of assets				
and expansion of business:				
Deferred taxation	243,664	9	-	-
Depreciation & amortization	97,704	3	108,743	6%
Contingency reserve	321,503	11	290,953	15%
General reserve	735,327	25	265,719	13%
	2,921,703	**100**	**1,972,428**	**100**

FINANCIAL SUMMARY

	2018 ₦'000	2017 ₦'000	2016 ₦'000	2015 ₦'000	2014 ₦'000
ASSETS					
Cash and cash equivalents	11,325,338	11,333,888	9,615,160	5,534,750	5,617,944
Financial assets	1,422,679	1,842,965	2,428,713	2,676,939	3,193,407
Investment in associate	432,781	418,421	415,429	500,669	518,580
Deferred acquisition cost	217,457	248,260	283,338	301,965	327,004
Trade receivables	361,667	35,646	47,587	170,138	32,832
Other receivables and prepayment	745,873	3,255,643	1,082,007	1,530,051	1,133,203
Reinsurance assets	2,709,833	2,212,548	2,189,935	1,582,128	1,745,574
Statutory deposits	340,000	340,000	340,000	340,000	340,000
Intangible assets	-	1,389	5,907	12,597	21,078
Investment properties	4,239,347	3,660,719	3,741,609	3,265,716	3,341,640
Property and equipment	1,226,384	1,814,562	1,887,386	1,912,242	1,435,078
Employees retirement benefits/LSA	283,850	258,135	234,011	154,016	170,198
Deferred tax assets	-	235,968	339,360	401,915	671,643
Total Assets	**23,305,209**	**25,658,144**	**22,610,442**	**18,383,126**	**18,548,181**
EQUITY & LIABILITIES					
Share Capital & Reserves:					
Ordinary share capital	5,366,667	5,366,667	4,366,667	4,366,666	4,366,666
Share premium	802,737	802,737	802,737	802,737	802,737
Statutory contingency reserve	2,170,933	1,849,430	1,558,477	1,288,611	1,081,952
General reserve	354,360	44,853	70,087	255,889	797,208
Other component of equity	155,129	200,272	184,854	72,454	131,162
Total Equity	**8,849,826**	**8,263,959**	**6,982,822**	**6,786,357**	**7,179,725**
Liabilities:					
Bank overdrafts	54,220	49,068	63,718	56,149	15,552
Deferred income	144,133	143,798	162,942	122,169	102,234
Trade payables	5,465,549	9,910,957	8,313,225	5,376,586	5,121,897
Other liabilities	737,733	880,894	1,052,868	704,396	464,182
Finance lease obligations	49,473	89,061	103,925	5,001	12,331
Borrowings	31,708	330,499	-	-	-
Deposit for shares	2,000,000	-	-	-	-
Insurance contract liabilities	5,318,102	5,446,009	5,398,979	4,434,285	4,733,745
Income tax payable	376,966	266,976	262,572	217,737	222,666
Deferred tax liabilities	256,260	248,565	239,396	186,916	180,756
Employees retirement benefits	21,239	28,358	29,995	493,530	515,093
Total Liabilities	**14,455,383**	**17,394,185**	**15,627,620**	**11,596,769**	**11,368,456**
Total Equity & Liabilities	**23,305,209**	**25,658,144**	**22,610,442**	**18,383,126**	**18,548,181**
TURNOVER AND PROFIT					
Gross premium written	10,716,756	9,698,433	9,439,600	6,888,637	6,719,311
Net premium earned	5,501,036	4,235,774	4,090,546	4,657,133	4,757,033
Profit before taxation	1,154,518	394,077	140,798	159,413	539,520
Profit/(loss) after taxation	735,327	265,719	(203,660)	57,109	611,578

Revenue analysis per business line

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

The following is an analysis of the Company's revenue and result by reportable segment in 2018.

							2018
	Motor and Accident	**Marine Life**	**Engineering**	**Fire & IAR**	**Bond**	**Special Risk**	**Total**
Income:	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Gross written premiums	2,040,089	570,936	194,732	1,297,235	4,594	6,609,170	10,716,756
Net change in unearned premiums	111,548	116,959	(60,208)	128,160	(2,508)	90,261	384,212
	2,151,637	**687,895**	**134,524**	**1,425,395**	**2,086**	**6,699,431**	**11,100,968**
Insurance premium ceded to reinsurers	311,167	148,334	298,645	514,362	2,355	4,223,884	5,498,747
Net change in unearned premiums	(15,333)	16,344	(69,209)	65,344	(1,303)	105,342	101,185
	295,834	**164,678**	**229,436**	**579,706**	**1,052**	**4,329,226**	**5,599,932**
Net insurance premium income	1,855,803	523,217	(94,912)	845,689	1,034	2,370,205	5,501,036
Fee and commission income	94,062	49,414	65,162	160,325	316	125,185	494,463
Segment income	**1,949,865**	**572,631**	**(29,750)**	**1,006,014**	**1,350**	**2,495,390**	**5,995,499**

	Motor and Accident	Marine Life	Engineering	Fire & IAR	Bond	Special Risk	Total
Expenses:							
Claims and benefits	764,913	166,810	24,928	1,426,358	16,081	717,838	3,116,928
Reinsurers' share - Change in insurance liabilities	(83,061)	(55,941)	(68,174)	(870,123)	(7,604)	(1,387,567)	(2,472,470)
Fees and commission expense	188,610	102,252	32,352	198,698	222	1,309,642	1,831,776
Business Acquisition cost	6,734	1,885	643	4,282	15	21,817	35,376
Salaries & Allowances - Underwriting personnel	104,665	29,291	9,991	66,553	236	339,077	549,813
Other Underwriting Expenses	94,486	26,443	9,019	60,081	213	306,101	496,343
	1,076,347	**270,740**	**8,759**	**885,849**	**9,163**	**1,306,908**	**3,557,766**
Segment underwriting profit	873,519	301,891	(38,509)	120,165	(7,813)	1,188,483	2,437,736
Net investment return	186,754	52,265	17,826	118,751	421	605,018	981,035
Other income	(64,689)	(18,104)	(6,175)	(41,133)	(146)	(209,567)	(339,814)
Management expenses	(366,345)	(102,525)	(34,969)	(232,948)	(825)	(1,186,828)	(1,924,440)
Profit before Tax	629,239	233,527	(61,827)	(35,165)	(8,363)	397,106	1,154,517
Income Tax expense							(419,191)
Minimum Tax Expense							-
Profit after Tax							735,326
Net actuarial gains/(losses) on employee benefits							(5,354)
Net effects on other comprehensive income							(30,050)
Total comprehensive income							**699,922**

							2017
	Motor and Accident	**Marine**	**Engineer ing**	**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	35,330
Salaries & Allowances - Underwriting 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**	**(1,520)**	**960,542**	**3,369,013**

	Motor and Accident	Marine Life	Engineering	Fire & IAR	Bond	Special Risk	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Segment underwriting profit	1,311,997	136,339	94,954	(31,260)	3,427	(181,131)	1,334,326
Net investment return	178,935	56,602	12,729	121,783	323	371,972	742,344
Other income	-	-	-	-	-	-	-
Management expenses	(392,172)	(124,053)	(27,898)	(266,912)	(708)	(815,249)	(1,626,992)
Profit before tax	1,098,760	68,888	79,785	(176,389)	3,042	(624,408)	449,678
Income tax expense							(128,358)
Minimum tax							(55,602)
Profit after tax							265,718
Net actuarial gains/(losses) on employee benefits							10,872
Tax effects on other comprehensive income							4,546
Total comprehensive income							**281,136**