Royal Exchange General Insurance Company Limited (RC: 725727)

Annual report
31 December 2015

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CORPORATE INFORMATION

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

Directors' Report
for the year ended 31 December 2015

The Directors are pleased to submit to the Members of the Company their 7th 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 2015

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 2015 are as follows:

For the year ended 31 December	2015	2014
	₦'000	*₦'000*
Gross written premium	**6,888,637**	**6,719,311**
Profit before taxation	140,798	159,413
Income taxes	(300,722)	(57,116)
Minimum tax	(43,736)	(45,188)
(Loss)/Profit after taxation	(203,660)	57,109
Transfer to contingency reserve	(206,659)	(201,579)
Transfer to retained earnings	(410,319)	(144,471)

3 DIRECTORS AND DIRECTORS' INTEREST AND SHAREHOLDING
A Board of 6 (six) Directors determined the general policy of the Company for the year under review

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

Mr. Chike Mokwunye	- Chairman
Alhaji Auwalu Muktari	- Vice Chairman
Chief Gilbert Temisan Grant	- Independent Director
Mr. Donald Nosiri	- Director
Mr Nelson Akerele	- Director
Mr Francis Okoli*	- Director
Mr. Richard Olutayo Borokini**	- Managing Director
Mr. Benjamin Agili***	- Managing Director

3.2 Resignation, Appointment and Re-appointment of Directors:

* Mr Francis Okoli was appointed as a Director of the company with effect from 7 December 2015.
** Mr. Richard Olutayo Borokini resigned as the Managing Director of the company with effect from 30 September 2015.
*** Mr Benjamin Agili was appointed Managing Director of the company with effect from 1 October 2015.

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

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

4 SHARE CAPITAL AND SHAREHOLDING
4.1 *Authorized Share Capital*
The authorized share capital of the Company is ₦5,000,000,000 (2014:₦5,000,000,000) made up of 5,000,000,000 (2014: ₦5,000,000,000) 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 ₦4,366,666,666 (2014: ₦4,366,666,666) made up of 4,366,666,666 (2014: 4,366,666,666) ordinary Shares of ₦1.00 each. An analysis of the shareholding interest in the issued share capital of the Company is disclosed below:

	2015 No. of Ordinary Shares	2015 % Holding	2014 No. of Ordinary Shares	2014 % Holding
Royal Exchange Plc	4,366,666,665	99.9%	4,366,666,665	99.9%
Mr. K.E. Odogwu	1	0.1%	1	0.1%
Total	4,366,666,666	100%	4,366,666,666	100%

5 PROPERTY AND EQUIPMENT

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

6 DONATIONS

The Company made a total donation of ₦2,080,000 (2014: ₦1,370,000) to different organisations during the year as analysed below:-

Beneficiaries	Amount
Donation towards World Sickle Cell Awareness Campaign	2,000,000
Donation for the 9th Speech & Prize giving day of Fountain Heights School	50,000
Donations to NCRIB	30,000
Total	2,080,000

7 EVENTS AFTER REPORTING DATE

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

8 AGENTS, BROKERS AND INTERMEDIARIES

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

9 EMPLOYERS' INVOLVEMENT, TRAINING AND WELFARE

9.1 *Employment of Physically Challenged Persons*

It is the policy of the Company that there will be no discrimination in the consideration of all applications for employment. As at 31 December 2015 (2014: nil), there was no disabled person employed by the Company.

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

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

9.3 *Involvement and Consultation*

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

9.4 Training

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

10 AUDITORS

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

11 COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

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

BY ORDER OF THE BOARD

Sheila Ezeuko
Company Secretary
Lagos, Nigeria.
FRC/2013/NBA/000000004059
13 April 2016

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2015

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

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS:

Auwalu Muktari
Chairman
FRC/2013/IODN/00000004058
13 April 2016

Benjamin Agili
Managing Director
FRC/2016/CIIN/00000014211
13 April 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Royal Exchange General Insurance Company Limited** ("the Company), which comprise the statement of financial position as at 31 December, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 84.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of **Royal Exchange General Insurance Company Limited** ("the Company") as at 31 December, 2015, and of the Company's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act 2011, the Insurance Act of Nigeria and National Insurance Commission of Nigeria (NAICOM) guidelines and circulars.

Report on Other Legal and Regulatory Requirements

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

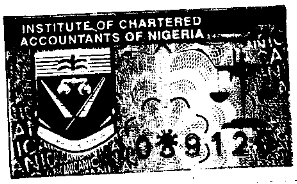
In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Penalties

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

Signed:

Adetola P. Adeyemi
FRC/2012/ICAN/00000000620
For: KPMG Professional Services
Chartered Accountants
15 April 2016
Lagos, Nigeria



Company information and statement of accounting policies

1 Reporting Entity

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

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

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

2 Basis of preparation

(a) Statement of compliance with International Financial Reporting Standards

These financial statements for the year ended 31 December 2015 have been prepared in accordance with, and comply with the, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The financial statements comply with the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act,2011, the Insurance Act of Nigeria and National Insurance Commission of Nigeria ("NAICOM") circulars.

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

(b) Functional and presentation currency

The financial statement is presented in Naira, which is the Company's functional currency. Financial information presented in Naira has been rounded to the nearest thousands except where indicated.

(c) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following:

Measurement basis	*Details*
(i) At fair value	• financial instruments at fair value through profit or loss;
	• available-for-sale financial assets;
	• investment properties.
(ii) Measured at present value	• Retirement benefit obligations are measured in terms of the projected unit credit method;
(ii) Measured at amortised cost	• loans and receivables;
	• held to maturity financial instruments;
	• financial liabilities at amortised cost;

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 2015.

(e) Use of estimates and judgment

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

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

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

(f) Changes in accounting policies

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2015, except for changes/amendments highlighted below:

Standards, amendments and interpretations effective during the reporting period

Amendments to IAS 19 and the improvement cycles 2010 - 2012 and 2011 - 2013 which became effective in the reporting period from 1st January 2015 do not have any material impact on the accounting policies, financial position or performance of the Company.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early.

Effective for the financial year commencing 1 January 2016

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

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

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

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

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

The amendments to IAS 16 Properties,Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, Plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate.

The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated; or when the intangible asset is expressed as a measure of revenue.

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

(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 ammendments apply retrospectively. The ammendment 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 ammendment is not expected to have any significant impact on the Company.

(vi) ***Disclosure Initiative (Amendments to IAS 1)***

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The amendments also clarify presentation principles applicable to the order of notes, subtotals presented in the statement of finacial position, and the statement of profit or loss and other comprehensive income.

The Company will adopt amendments in the year ending 31 December 2016

(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 ammendment is not expected to have any significant impact on the Company.

Effective for the financial year commencing 1 January 2018

(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 most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing more detailed assessment of the impact of this standard on the Company.

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

(ii) ***IFRS 9Financial Instruments***

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

This standard will have a significant impact on the company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model which is expected to increase the provision of bad debts recognised in the Company. The 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 will adopt the amendments for the year ending 31 December 2018

Based on preliminary assessment of the Company, the new accounting policies are not expected to have signifcant impact on the financial statements, except for possibly IFRS 9 and IFRS 15.

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 an 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 OCI:

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

(b) Cash and Cash Equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.For the purpose of the statement of cash flows, cash and cash equivalents are net of outstanding overdrafts.

(c) Financial Instruments

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

(i) Classification of Financial Assets

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

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

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

Financial instruments are classified at FVTPL when the financial instrument is either held for trading or it is designated as at FVTPL. Financial instruments at FVTPL are stated at fair value.

Available-for-sale Finanacial assets (AFS)

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

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

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

Held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Loans and receivables

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

Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measures at cost less any impairment.

(ii) Classification of Financial Liabilities

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred.
Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs.

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

(iii) Initial recognition and measurement

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

(iv) Subsequent measurement

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

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

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

Available-for-sale financial assets (AFS)

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

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

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

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

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

Loans and receivables
Loans and receivables comprise of mortgage loans, trade receiveables and other receivables.

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

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

Held to maturity
Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassification in any of the following circumstances would not trigger a reclassification:

• sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

• sales or reclassifications after the Company has collected substantially all of the asset's original principal; and

• sales or reclassifications that are attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

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

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

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

(v) Fair value measurement

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

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

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

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

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

The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted.

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

(vi) Impairment of financial assets

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

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

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

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged

Loans and receivables and held to maturity

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

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

Available-for-sale financial assets (AFS)

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

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

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

Trade receivables

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

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

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

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

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

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

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

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

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

(d) Impairment of other non-financial assets

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

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

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

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

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

(e) Reinsurance Assets

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

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

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

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

(f) Deferred acquisition costs

The incremental costs directly attributable to the acquisition of new business which had not expired at the reporting date, are deferred by recognizing an asset. For non-life insurance contracts, acquisition costs include both incremental acquisition costs and other indirect costs of acquiring and processing new businesses.

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

(g) Other Receivables and Prepayments

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

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

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

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

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

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

(i) Investment Properties

Investment properties are properties held for long-term rental yields or for capital appreciation (including property under construction for such purposes) or for both purposes, but not for sale in the ordinary course of business.

Recognition and measurement

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

Investment properties are measured initially at cost, including all transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss in the period in which they arise. Fair values are evaluated and assessed annually by an external valuer who is accredited by the Financial Reporting Council.

De-recognition

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

Transfers

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

(j) Property and Equipment

Recognition and measurement

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

Subsequent costs

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

Depreciation

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

Freehold land is not depreciated

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

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

De-recognition

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

(k) Intangible Assets

Acquired computer software

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

Amortization

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

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

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

(l) Income Taxes

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

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill (arising in a business combination) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

(m) Statutory Deposits

Statutory deposits are cash balances held with the Central Bank of Nigeria (CBN) in compliance with the Insurance Act, CAP 117, LNF 2004 for the general insurance companies.

The deposits are only available as a last resort to the Company if it goes into liquidation. Statutory deposits are measured at cost.

(n) Hypothecation of Assets

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

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

The assets hypothecated are shown in Note 23(d) to the financial statements.

(o) Borrowings

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

(p) Deferred income

Deferred income comprises deferred rental income and deferred commission.

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

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

(q) Provisions and other liabilities

Provisions

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

Other liabilities

Other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted.

(r) Finance and operating lease obligations

These are the corresponding liabilities on assets acquired under finance lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Lease assets - lessee

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

Assets held under other leases are classified as operating leases.

Lease payments

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

Lease assets - lessor

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

(s) Insurance Liabilities

(i) Classification

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

Insurance contracts are those contracts when the insurer has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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

Unearned premium provision

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

Reserve for unexpired risk

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

Reserve for outstanding claims

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

Reserve for incurred but not reported claims (IBNR)

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

Liability Adequacy Test

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

(ii) Recognition and Measurement of Insurance Contract

Premium

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

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

Reinsurance

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

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

Claims

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

(t) Employee Benefits

(i) Short-term benefits

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

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

(ii) Defined Contribution Plans

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

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

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

(iii) Termination Benefits

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

(a)Defined Benefit Plan

The Company operates a staff gratuity scheme for some of its employees. The gratuity liability is valued by an actuary using the projected unit credit method with discount rate used being the market yield on government bonds. The plan is unfunded and payments are made on a pay-as-you-go basis. Only staff of the Company as at 1 June 2008 are eligible for the staff gratuity scheme. Benefits accrue after a minimum of five years of service.

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.

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

(u) Capital and Reserves

(i) Share capital

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

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

(ii) Share premium

This represents the excess amount paid by shareholders on the nominal value of the shares. This amount can be utilized as provided in Section 120(3) of Companies Allied Matters Act. The share premium is classified as an equity instrument in the statement of financial position.

(iii) Contingency reserve

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

(iv) Retained Earnings

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

(v) Fair value reserves

Fair value reserves represent the cummulative 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 recognized 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.

(v) Revenue Recognition

(i) Gross Written Premium

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

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

(ii) Reinsurance expenses

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

(iii) Fees and commission income

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

(iv) Investment Income

Investment income consists of dividends and interest income on loans and receivables, realized gains and losses as well as unrealized gains and losses on fair value assets.

Interest income

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

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

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

Dividend income

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

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 recognized unrealized gains and losses in respect of disposals during the year.

(v) Other operating income

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

(w) Expense Recognition

(i) Insurance claims and benefits incurred

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

Salvage

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

Subrogation

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

(ii) Underwriting expenses

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

(iii) Management expenses

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

4 Critical accounting estimates and judgments

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

A Judgements

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.

B Assumptions and estimation uncertainties

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

(i) Liabilities arising from insurance contracts

Claims arising from non-life insurance contracts

Liabilities for unpaid claims are estimated on case by case basis. The liabilities recognised for claims fluctuate based on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and the Company deems liabilities reported as adequate. Assumptions used in determining the liabilities are disclosed in Note 40.

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

Investment in equity securities are evaluated for impairment on the basis described in accounting policies note 3(c)(vi). The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires estimation relating to the period over which the losses occur. In obtaining this estimate, the Company evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, decline in quoted market price that has lasted for 9 months, industry and sector performance, changes in technology, and operational and financing cash flows etc.

(iii) Fair value of financial instruments

The directors use their judgment in selecting an appropriate valuation technique for some financial assets. Impairment for financial assets carried at amortized costs as well as the amount of impairment for trade receivables.The significant estimates applied in determination of fair value of financial assets are as shown in the statement of accounting policies note 3 (c)(v).

(iv) Determination of fair value of investment property

Management employed the services of estate surveyors and valuers to value its investment properties. The estimated open market value is deemed to be the fair value based on the assumptions that there will be willing buyers and sellers. Recent market prices of 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.

(vi) Current income tax

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

(vii) Deferred tax assets

Recognised deferred tax assets (See note 18) are measured at the tax rates enacted or substantively enacted at the end of the reporting period and represents those amounts that are probable of realisation taking into account management's estimates of future taxable profits. In determining estimates of future taxable profit against which deductible amount can be utilised, management has considered the existence of taxable temporary differences that will reverse in the same year that deductible amounts will reverse.Mangement's estimate of future taxable profits has been determined on the basis of a five year profit forecast. Management affirms that assumptions undelying the five year forecast is reasonable given the Compnay's restructured operations and there are no objective indictors to suggest that the projected earnings level will not be achieved.

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

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

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

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of the assets will have an impact on the carrying value of these items. Depreciation and ammortisation is recognised on the basis described in accounting policies note 3(j) and 3(k)

Statement of Financial Position
for the year ended

	Notes	31-Dec-15 ₦'000	31-Dec-14 ₦'000
ASSETS			
Cash and cash equivalents	6	5,534,750	5,617,944
Financial assets:			
- Available for sale	7	346,211	322,836
- Fair value through profit or loss	7	1,234,425	1,518,872
- Loans and receivables	7	1,096,303	1,194,487
- Held to maturity	7	-	157,212
Trade receivables	8	170,138	32,832
Reinsurance assets	9	1,582,128	1,745,574
Deferred acquisition cost	10	301,965	327,004
Other receivables and prepayment	11	1,530,051	1,133,203
Investment in associates	12	500,669	518,580
Investment properties	13	3,265,716	3,341,640
Property and equipment	14	1,912,242	1,435,078
Intangible assets	15	12,597	21,078
Statutory deposits	16	340,000	340,000
Employee benefit obligation	17(d)	154,016	170,198
Deferred tax assets	18	401,915	671,643
Total assets		18,383,126	18,548,181
LIABILITIES			
Bank overdrafts	6	56,149	15,552
Deferred income	19	122,169	102,234
Trade payables	20	5,376,586	5,121,897
Other liabilities	21	704,396	464,182
Finance lease obligations	22	5,001	12,331
Insurance contract liabilities	23	4,434,285	4,733,745
Current income tax liabilities	24(b)	217,737	222,666
Employee benefit liability	17(a)	493,530	515,093
Deferred tax liabilities	18	186,916	180,756
Total liabilities		11,596,769	11,368,456
EQUITY			
Share capital	25	4,366,666	4,366,666
Share premium	26	802,737	802,737
Contingency reserve	27	1,288,611	1,081,952
Retained earnings	28	255,889	797,208
Other components of equity	29	72,454	131,162
Total equity		6,786,357	7,179,725
Total equity and liabilities		18,383,126	18,548,181

These financial statements were approved by the Board of Directors on 13 April 2016 and signed on behalf of the board of directors by:

Auwalu Muktari
Chairman
FRC/2013/IODN/00000004058

Benjamin Agili
Managing Director
FRC/2016/CIIN/00000014211

Additionally certified by:

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

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

Statement of Profit or Loss and Other Comprehensive Income
for the year ended

	Notes	31-Dec-15 ₦'000	31-Dec-14 ₦'000
Gross premium written	30(a)	6,888,637	6,719,311
Unearned premium	30(b)	80,056	202,749
Gross premium income		6,968,693	6,922,060
Reinsurance expenses	31	(2,311,560)	(2,165,027)
Net premium income		4,657,133	4,757,033
Fees and commission income	32	279,985	376,915
Net underwriting income		4,937,118	5,133,948
Insurance claims and benefits incurred	33(a)	(2,101,914)	(1,976,074)
Insurance claims and benefits incurred - recoverable from reinsurers	33(b)	626,158	473,122
Net claims expenses		(1,475,756)	(1,502,952)
Underwriting expenses	34	(2,142,439)	(2,246,859)
Total underwriting expenses		(3,618,195)	(3,749,811)
Underwriting profit		1,318,923	1,384,137
Net investment income	35	313,784	330,165
Share of loss on investment in associate	12	(35,792)	(17,031)
Net fair value gain/(loss) on financial assets	35(a)	285,525	(68,130)
Allowance for impairment	36	(284,936)	(88,698)
Other operating income	37	121,229	156,199
		399,810	312,505
Net income		1,718,733	1,696,642
Foreign exchange gains	38	48,875	33,440
Management expenses	39	(1,626,810)	(1,570,669)
Expenses		(1,577,935)	(1,537,229)
Profit before taxation		140,798	159,413
Income taxes	24(a)	(300,722)	(57,116)
Minimum tax	24(a)	(43,736)	(45,188)
(Loss)/Profit after taxation		(203,660)	57,109
Other comprehensive income, net of tax			
Items that will never be classified in profit or loss			
Net actuarial losses on employee benefits	17(c)	(73,547)	(44,538)
Tax effects on employee benefits	18	207	(12,054)
Items that may be classified to profit or loss:			
Share of current year results in associates	12	2,418	1,679
Fair value changes on AFS	7(d)	12,215	55,653
Total other comprehensive income, net of tax		(58,708)	740
Total comprehensive income for the year		(262,368)	57,848
Total comprehensive income attributable to shareholders		(262,368)	57,848

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

Statement of Changes in Equity

as at 31 December 2015

	Share capital	Share Premium	Contingency Reserve	Retained Earnings	Actuarial Gain/(Loss) Reserve	Fair value reserve	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance as at 1 January 2015	4,366,667	802,737	1,081,952	797,208	73,829	57,332	7,179,725
Loss for the year	-	-	-	(203,660)	-		(203,660)
Transfer to contingency reserve (see note 27)	-	-	206,659	(206,659)	-	-	-
Other comprehensive income:	-	-	-	-	(73,547)	14,633	(58,914)
Tax effects on other comprehensive income	-	-	-	-	207	-	207
Total comprehensive income for the year	-	-	206,659	(410,319)	(73,340)	14,633	(262,368)
Transactions with owners of the Company:							
Dividend paid	-	-	-	(131,000)	-	-	(131,000)
Total contribution and distributions to equity holders	-	-	-	(131,000)	-	-	(131,000)
As at 31 December 2015	4,366,667	802,737	1,288,611	255,889	489	71,965	6,786,357

As at 31 December 2014

	Share capital	Share Premium	Contingency Reserve	Retained Earnings	Actuarial Gain/Loss Reserve	Fair value Reserve	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance as at 1 January 2014	3,716,667	412,737	880,373	1,090,345	130,421	-	6,230,543
Profit for the year	-	-	-	57,109	-	-	57,109
Transfer to contingency reserve (see note 27)	-	-	201,579	(201,579)	-	-	-
Other comprehensive income:	-	-	-	-	(44,538)	57,332	12,794
Tax effects on other comprehensive income	-	-	-	-	(12,054)	-	(12,054)
Total comprehensive income for the year	-	-	201,579	(144,470)	(56,592)	57,332	57,849
Transactions with owners of the Company:							
Dividends paid				(148,667)			(148,667)
Issue of ordinary shares	650,000	390,000					1,040,000
Total contribution and distributions to equity holders	650,000	390,000	-	(148,667)	-	-	891,333
As at 31 December 2014	4,366,667	802,737	1,081,952	797,208	73,829	57,332	7,179,725

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

Statement of Cash Flows
for the year ended 31 December 2015

	Note	31-Dec-15 ₦'000	31-Dec-14 ₦'000
Cash flows from operating activities			
Insurance premium received from customers		6,911,445	11,922,795
Insurance benefits and claims paid to customers		(2,321,319)	(1,842,153)
Outward reinsurance premium paid		(2,056,871)	(2,165,027)
Fees and commission received		260,050	359,478
Claim recoveries made from reinsurers		774,331	612,610
Commissions paid		(821,305)	(888,747)
Cash payment to employees		(1,507,457)	(1,463,220)
Other operating expenses		(1,798,768)	(1,643,356)
Income tax paid	24(b)	(73,292)	(42,745)
VAT paid		(45,483)	(53,822)
Net cash flow from Operating activities		(678,669)	4,795,813
Cash flows from investing activities			
Purchase of property and equipment	14	(136,399)	(121,793)
Proceeds from sale of property and equipment		25,161	8,582
Purchase of financial assets		(279,417)	(1,161,719)
Additional investment in associate		(30,000)	(96,908)
Rental income from investment properties		55,672	60,918
Interest income		203,475	149,304
Dividend income		178,178	75,067
Proceeds on redemption/disposal of financial assets		632,691	170,734
Net cash flow from/(used in) investing activities		649,361	(915,815)
Cash flows from financing activities			
Proceeds from issue of share capital	25	-	1,040,000
Dividend paid to shareholders	28	(131,000)	(148,667)
Payment of finance lease liabilities		(7,330)	(29,489)
Net cash flow (used in)/from financing activities		(138,330)	861,844
Net cash increase in cash and cash equivalents		(167,638)	4,741,842
Cash and cash equivalents, beginning of year		5,602,392	830,086
Effect of exchange rate fluctuations		43,847	30,464
Cash and cash equivalents, end of year		**5,478,601**	**5,602,392**

Notes to the financial statements

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.

Notes to the financial statements

31 December 2015		Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial Assets:					
Fair value through profit or loss:-					
Quoted equity shares	7(b)	1,034,712	-	-	1,034,712
Treasury bills	7(b)	6,185	-	-	6,185
Federal Government Bonds	7(b)	193,528	-	-	193,528
		1,234,425	-	-	1,234,425
Available for sale financial assets:-					
Quoted equity shares	7(a)	84,788			84,788
Total financial assets measured at fair value		1,319,213	-	-	1,319,213

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

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 the carrying amount is a reasonable approximation of its fair value. These financial instruments 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.

Loans and receivables

Loans and receivables consists of placements with financial institutions and staff mortgage loans.

The estimated fair value of fixed interest earning placements is based on discounted cash flows using prevailing money-market interest rates for the debts. The carrying amount represents the fair value which is receivable on maturity. The estimated fair value of staff mortgage loans represents the market values of the loans, arrived at by recalculating the carrying amount of the loans using the estimated market rate. □

Financial assets held to maturity

Held to maturity consists of state government and corporate bonds .

The carrying amount of financial assets held to maturity are a reasonable approximation of their fair values which are receivable on demand.

Trade receivables and other receivables

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

Bank 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.

Notes to the financial statements

(b) Financial risks

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

(i) *Market risk*

This reflects the possibility that the value of the 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 of the fair value of financial instruments being affected by changes in foreign exchange rates.

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

Foreign Currency risk

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

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

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

31 December 2015

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
Assets (Cash & Cash Equivalent)	2,615	15,689	5,037,837	5,056,141
Quoted equities	-	-	116,832	116,832
Loans and receivables	-	-	63,453	63,453
Liabilities	-	-	(5,018,782)	(5,018,782)
	2,615	15,689	199,340	217,644

31 December 2014

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Assets (Cash & Cash Equivalent)	11,906	11,594	4,997,073	5,020,573
Quoted Equities	-	-	108,104	108,104
Loans and receivables	-	-	1,062,048	1,062,048
Liabilities	-	-	(4,957,183)	(4,957,183)
	11,906	11,594	1,210,042	1,233,542

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.

Notes to the financial statements

31 December 2015

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
10% increase	262	1,569	19,934	21,764
10% decrease	(262)	(1,569)	(19,934)	(21,764)
Impact of increase on:				
Pre-tax Profit	-	-	-	162,563
Impact of decrease on:				
Pre-tax Profit	-	-	-	119,034

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 2014

	Pounds sterling ₦'000	Euro ₦'000	US Dollars ₦'000	Total ₦'000
10% increase	1,191	1,159	121,004	123,354
10% decrease	(1,191)	(1,159)	(121,004)	(123,354)
Impact of increase on:				
Pre-tax (loss)/profit	-	-	-	282,767
Impact of decrease on:				
Pre-tax Profit	-	-	-	36,059

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.

Notes to the financial statements

Financial instruments	Notes	31-Dec-15	31-Dec-14
		₦'000	₦'000
Fixed Interest rate Instruments:			
Federal government bonds	7(b)	193,528	99,990
State government bonds	7(b)	-	8,734
Corporate bonds	7(b)	-	148,478
Treasury bills	7(b)	6,185	6,145
Placements	7(c)	905,156	1,066,756
Statutory deposits	16	340,000	340,000
Debenture (unlisted)	7(c)	-	328
Mortgage loans	7(c)	191,147	127,403
Finance lease obligations	22	(5,001)	(12,331)
		1,631,015	1,785,503
Others:			
Bank overdrafts	6	(56,149)	(15,552)
		(56,149)	(15,552)

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*	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Increase in interest rate by 50 basis points (+0.5%)	8,155	8,928	(281)	(78)
Decrease in interest rate by 50 basis points (-0.5%)	(8,155)	(8,928)	281	78
Impact of increase on:				
Pre-tax profit/(loss)	148,953	168,340	140,517	159,335
Impact of decrease on:				
Pre-tax profit/(loss)	132,643	150,485	141,079	159,491

The tax impact of interest rate movement 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 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:

		2015	2014
		₦'000	₦'000
Equity Securities; - quoted (available for sale)	7(a)	84,788	72,573
Equity Securities; - quoted (fair value through profit or loss)	7(b)	1,034,712	1,412,737
Equity Securities; - unquoted (available for sale)	7(a)	261,423	250,263
		1,380,923	1,735,572

Notes to the financial statements

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.

	2015	2014
	₦'000	₦'000
10% increase	138,092	173,557
10% decrease	(138,092)	(173,557)
Impact of increase on:		
Pre-tax profit/(loss)	278,890	332,970
Impact of decrease on:		
Pre-tax profit/(loss)	2,706	(14,144)

The tax impact of equity price movement 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 equity price results for tax purposes.

Notes to the financial statements

(ii) Credit risk

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

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

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

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

The credit risk on liquid funds and other near cash financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

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

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

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

Analysis of financial assets based on credit risk grades

31 December 2015	Notes	**AAA**	**AA**	**A+**	**A**	**BBB**	**Not rated**	**Amount**
		₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Available for sale financial assets:								
- Unquoted equity securities	7(a)	-	-	-	-	-	261,423	261,423
- Quoted equity securities	7(a)	-	-	-	-	-	84,788	84,788
		-	-	-	-	-	346,211	346,211
Fair value through profit or loss carried at fair value (FVTPL)								
- FGN Bond	7(b)	-	193,528	-	-	-	-	193,528
- Treasury bills (> 90 days)	7(b)	6,185	-	-	-	-	-	6,185
		6,185	193,528	-	-	-	-	199,713
Loans and receivables:								
- Mortgage Loans	7(c)	-	-	-	-	-	191,147	191,147
- Placement with Finance Houses	7(c)	-	-	-	-	-	905,156	905,156
		-	-	-	-	-	1,096,303	1,096,303
- Other receivables net prepayment	11	-	-	-	-	-	1,361,813	1,361,813
		-	-	-	-	-	1,361,813	1,361,813
Cash and cash equivalents:								
- Bank balances	6	-	-	-	5,203,757	-	-	5,203,757
- Tenor Deposits (0-30 days)	6	-	-	-	-	-	329,678	329,678
		-	-	-	5,203,757	-	329,678	5,533,435
Reinsurance assets:								
Reinsurance claims recoverable	9	-	-	-	-	-	723,432	723,432
Trade/Insurance receivables	8	-	-	-	-	170,138	-	170,138
- Statutory deposits with CBN	16	-	-	-	-	-	340,000	340,000
		-	-	-	-	-	340,000	340,000
								9,771,045

31 December 2014	Notes	**AAA**	**AA**	**A+**	**A**	**BBB**	**Not rated**	**Carrying**
		₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Available for sale financial assets:								
- Unquoted equity securities	7(a)	-	-	-	-	-	250,263	250,263
- Quoted equity securities	7(a)	-	-	-	-	-	72,573	72,573
		-	-	-	-	-	322,836	322,836
Fair value through profit or loss carried at fair value (FVTPL)								
- FGN Bond		-	99,990	-	-	-	-	99,990
- Treasury bills (> 90 days)		6,145	-	-	-	-	-	6,145
	3(b)	6,145	99,990	-	-	-	-	106,135
Loans and receivables:								
- FMBN Corporate Bond	7(c)	-	-	148,478	-	-	-	148,478
- Kaduna State Government Bond	7(c)	-	-	8,734	-	-	-	8,734
- Unlisted debentures	7(c)	-	-	-	-	-	328	328
- Mortgage Loans	7(c)	-	-	-	-	-	127,403	127,403
- Placement with Finance Houses	7(c)	-	-	-	-	-	1,066,756	1,066,756
		-	-	157,212	-	-	1,194,487	1,351,699
- Other receivables net prepayment	11	-	-	-	-	-	981,638	981,638
		-	-	-	-	-	981,638	981,638
Cash and cash equivalents:								
- Bank balances		-	-	-	5,313,979	-	-	5,313,979
- Tenor Deposits (0-30 days)	6	-	-	-	-	-	303,218	303,218
		-	-	-	5,313,979	-	303,218	5,617,197
Reinsurance assets:								
Reinsurance claims recoverable	9	-	-	-	-		832,728	832,728
Trade/Insurance receivables	8	-	-	-	-	32,832	-	32,832
- Statutory deposits with CBN	16	-	-	-	-	-	340,000	340,000
								9,585,065

Notes to the financial statements

Analysis of financial assets based on past due status
31 December 2015

Past due status	Notes	Assets carried at fair value through profit/loss (FVTPL)	Held to maturity	Other receivables less	Loans and receivables	Recoverable from reinsurers	Insurance/trade receivables
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Past due and impaired	11	-	-	792,687	-	-	-
Past due more than 90 days	9	-	-	-	-	-	-
Past due 31 to 90 days	8	-	-	-	-	-	147,864
Past due less than 30 days		-	-	-	-	-	-
Neither past due nor impaired	7,11,9,8	199,713	-	1,361,813	1,096,303	723,432	22,273
Total Carrying Amount		199,713	-	2,154,500	1,096,303	723,432	170,138

31 December 2014

Past due status	Notes	Assets carried at fair value through profit/loss (FVTPL)	Held to maturity	Other receivables less	Loans and receivables	Recoverable from reinsurers	Insurance/trade receivables
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Past due and impaired	11	-	-	797,554	-	-	48,510
Past due more than 90 days	9	-	-	-	-	-	2,806
Past due 31 to 90 days	8	-	-	-	-	-	142,644
Past due less than 30 days		-	-	-	-	-	34,441
Neither past due nor impaired	7,11,9,8	1,518,872	157,212	981,638	1,194,487	832,728	24,662
Total Carrying Amount		1,518,872	157,212	1,779,192	1,194,487	832,728	253,063

(iii) Liquidity risk

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

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

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

Sources of Liquidity

In managing our cash flow position, we have a number of sources of liquidity, including the following principal sources:
- Premium Income;
- Investment income
- Investment assets

Application of funds

The principal uses of our liquidity include:
- Payment of Claims
- Staff benefits;
- Purchase of investments' and;
- Payment in connection with financing activities.

In practice, most of the company's assets are cash.

Maturity Profile

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

It also shows details of the expected maturity profile of the company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognized insurance contract liabilities. It includes both interest and principal cash flows. It is noted that all equity investments have an undtermined maturity.

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

31 December 2015

Non-derivative financial assets	Notes	Carrying amount	Contractual cashflow	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	6	5,534,750	5,537,048	5,205,072	331,976	-	-	-
Fair value through profit or loss carried at fair value	7(b)	199,713	343,344	7,376	18,489	24,541	180,811	112,127
Loans and receivables	7(c)	1,096,303	1,123,731	-	-	905,439	218,293	-
Trade receivables	8	170,138	170,138	-	170,138	-	-	-
Reinsurance assets - recoverable from reinsurers	9	723,432	723,432	-	-	723,432	-	-
Other receivables less prepayment	11	1,361,813	1,361,813	-	-	861,813	500,000	-
		9,086,149	9,259,506	5,212,448	520,603	2,515,225	899,104	112,127
Non-derivative financial liabilities								
Bank overdrafts	6	56,149	56,149	56,149	-	-	-	-
Trade payables	20	5,376,586	5,376,586	5,018,782	-	357,804	-	-
Other liabilities	21	704,396	704,396	704,396	-	-	-	-
Finance lease obligations	22	5,001	5,247	-	5,247	-	-	-
		6,142,132	6,142,378	5,779,327	5,247	357,804	-	-
Gap (asset - liabilities)		2,944,017	3,117,128	(566,879)	515,355	2,157,421	899,104	112,127
Cumulative liquidity gap		2,944,017	6,061,145	5,494,267	6,009,622	8,167,043	9,066,146	9,178,273

Notes to the financial statements

31 December 2014 *Non-derivative financial assets*	Notes	**Carrying amount** ₦'000	**Contractual cashflow** ₦'000	**< 1 month** ₦'000	**1 - 3 months** ₦'000	**3 - 12 months** ₦'000	**1 - 5 years** ₦'000	**> 5 years** ₦'000
Cash and cash equivalents	6	5,617,944	5,617,944	5,314,726	303,218	-	-	-
Fair value through profit or loss carried at fair value	7(b)	106,135	115,916	-	5,918	-	109,998	-
Loans and receivables	7(c)	1,194,487	1,194,487	1,066,756	-	-	127,731	-
Held to maturity	7(d)	157,212	157,212	-	-	157,212	-	-
Reinsurance assets - recoverable from reinsurers	9	832,728	832,728	-	832,728	-	-	-
Other receivables less prepayment	11	981,638	981,638	-	-	481,638	500,000	
		8,890,144	8,899,925	6,381,482	1,141,864	638,850	737,729	-
Non-derivative financial liabilities								
Bank overdrafts	6	15,552	15,552	15,552	-	-	-	-
Trade payables	20	5,121,896	5,121,896	-	4,957,183	164,715	-	-
Other Liabilities	21	464,182	464,182	464,182	-	-	-	-
Finance lease obligations	22	12,331	13,443	-	1,254	12,189	-	-
		5,613,961	5,615,073	479,734	4,958,437	176,904	-	-
Gap (asset - liabilities)		3,276,183	3,284,852	5,901,748	(3,816,572)	461,946	737,729	-
Cumulative liquidity gap		3,276,183	6,561,035	12,462,784	8,646,211	9,108,157	9,845,886	9,845,886

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

Insurance risk management

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

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

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

Non-life insurance

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

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

	Gross		**Reinsurance**		**Net**	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Non-life insurance						
- Within Nigeria	4,434,285	4,733,745	1,582,128	1,745,574	2,852,157	2,988,171
- Outside Nigeria	-	-	-	-	-	-
	4,434,285	4,733,745	1,582,128	1,745,574	2,852,157	2,988,171

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

	Gross		**Reinsurance**		**Net**	
	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Fire	1,021,552	820,105	491,262	499,088	530,290	321,017
Accident	556,796	590,676	93,060	97,355	463,736	493,320
Motor	1,016,989	926,625	126,504	118,315	890,485	808,310
Marine	198,273	225,627	73,492	91,766	124,781	133,861
Oil and Gas	1,460,761	1,989,664	697,414	855,436	763,347	1,134,228
Engineering	163,055	141,159	89,924	59,857	73,131	81,302
Bond	16,859	39,889	10,472	23,756	6,387	16,133
	4,434,285	4,733,745	1,582,128	1,745,574	2,852,157	2,988,171

	Gross		**Reinsurance**		**Net**	
Outstanding Claims (IBNR & reported)	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000	2015 ₦'000	2014 ₦'000
Fire	657,276	643,856	403,777	421,642	253,499	222,214
Accident	390,808	428,890	64,399	65,093	326,409	363,797
Motor	472,017	324,866	86,204	67,714	385,813	257,152
Marine	138,687	158,887	40,479	57,371	98,208	101,516
Oil and Gas	433,838	765,075	57,701	162,759	376,137	602,316
Engineering	102,128	74,751	62,229	36,723	39,899	38,028
Bond	16,247	34,080	8,644	21,425	7,603	12,655
Total	2,211,001	2,430,405	723,433	832,728	1,487,568	1,597,677

Notes to the financial statements

	Gross		Reinsurance		Net	
	2015	2014	2015	2014	2015	2014
Unexpired Risk	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Fire	364,276	339,394	87,485	83,463	276,791	255,931
Accident	165,988	161,786	28,661	29,970	137,327	131,816
Motor	544,971	601,759	40,300	50,601	504,671	551,158
Marine	59,587	66,740	33,013	36,343	26,574	30,397
Oil and Gas	1,026,922	1,044,108	639,713	687,003	387,209	357,105
Engineering	60,928	83,744	27,695	23,134	33,233	60,610
Bond	612	5,810	1,828	2,331	(1,216)	3,478
Total	2,223,284	2,303,340	858,695	912,846	1,364,588	1,390,494

Assumptions and sensitivities

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

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

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

	Pre-tax profit		Shareholders' equity	
	2015	**2014**	**2015**	**2014**
	₦'000	**₦'000**	**₦'000**	**₦'000**
Non-Life Insurance:				
5% increase in loss ratios	140,798	159,412	6,786,357	7,179,725
- Gross	(207,636)	(186,691)	6,578,721	6,993,034
- Net	(92,058)	(78,439)	6,694,299	7,101,286
5% decrease in loss ratios				
- Gross	489,233	505,515	7,275,590	7,685,240
- Net	373,655	397,264	7,160,012	7,576,989

Claims development table for Royal General Insurance

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

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

Claims Development Pattern: Non- Life insurance

31 December 2015 — **Incremental Chain ladder-Yearly Projections (N)**

Accident year	1	2	3	4	5	6	7	8	9
2007	90,369	130,740	40,801	16,499	20,453	4,601	2,386	1,605	5,952
2008	224,573	320,685	10,146	8,950	29,856	2,085	564	873	
2009	262,763	144,617	172,929	35,249	23,592	16,790	1,240		
2010	423,867	348,593	151,926	32,554	21,506	5,280			
2011	690,757	1,100,802	274,558	104,755	12,044				
2012	484,693	976,216	349,847	58,722					
2013	703,893	571,066	181,076						
2014	740,354	1,018,548							
2015	1,037,614								

31 December 2014 — **Incremental Chain ladder-Yearly Projections (N)**

Accident year	1	2	3	4	5	6	7	8
2007	90,369	130,740	40,801	16,499	20,453	4,601	2,386	1,605
2008	224,573	320,685	10,146	8,950	29,856	2,085	564	-
2009	262,763	144,617	172,929	35,249	23,592	16,790	-	
2010	423,867	348,593	151,926	19,554	21,506	-		
2011	690,757	1,100,802	274,558	104,755	-			
2012	484,693	976,216	349,847	-				
2013	703,893	571,066	-					
2014	740,354	-						

c Capital Management

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

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

The Company equally measures its capital using an economic capital model which is the Company's own assessment of the amount of capital it needs to hold and takes into account both financial and non-financial assumptions. In most cases the internally required capital is determined by the application of percentages to premiums, claims, reserves and expenses.

The 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

Notes to the financial statements

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

Solvency margin computation

Admissible Assets	**2015 ₦'000**	**2014 ₦'000**
Cash and cash equivalents	5,500,258	5,617,944
Financial assets:		
- Available for sale	346,211	322,836
- At fair value through profit or loss	1,234,425	1,518,872
- Loans and receivables	1,096,303	1,194,487
- Held to maturity	-	157,212
Investment in associates	500,669	518,580
Trade receivables	170,138	27,698
Other receivables and prepayment	500,000	609,093
Deferred acquisition cost	301,965	327,004
Reinsurance assets	1,582,128	1,745,574
Investment properties	2,724,214	2,824,488
Statutory deposit	340,000	340,000
Property and equipment	801,268	401,181
Intangible assets	12,597	-
Employees benefits assets	154,016	170,198
A	**15,264,191**	**15,775,167**
Less: Admissible liabilities		
Bank overdrafts	56,149	15,552
Trade and other payables	5,376,586	5,121,896
Provision and other payables	704,396	464,182
Deferred income	122,169	102,234
Insurance liabilities	4,434,285	4,733,746
Finance lease obligations	5,001	12,331
Employees benefits obligations	493,530	515,093
Current income tax liabilities	217,737	222,666
B	**11,409,853**	**11,187,700**
Solvency margin (A-B)	**3,854,338**	**4,587,467**
Minimum paid up capital	3,000,000	3,000,000
Net premium	4,657,133	4,757,033
15% of Net premium	698,570	713,555

The company's solvency margin of ₦3,854,338,000 (2014: ₦4,587,467,000) is more than the minimum paid up capital of N3,000,000,000 (2014: N3,000,000,000). The company is solvent since the solvency margin is higher than the minimum paid up capital & 15% of net premium.

d 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 2015

	Notes	Loans and receivables	Designated at fair value	Available-for-sale	Other financial liabilities at amortised cost	Total carrying amount	Fair value
		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	6	5,534,750	-	-	-	5,534,750	5,534,750
Financial assets	7	1,096,303	1,234,425	346,211	-	2,676,939	2,676,939
Trade receivables	8	170,138	-	-	-	170,138	170,138
Other receivables less prepayments	11	1,361,813	-	-	-	1,361,813	1,361,813
Statutory deposits	16	340,000	-	-	-	340,000	340,000
Reinsurance assets	9	723,432	-	-	-	723,432	723,432
		9,226,436	1,234,425	346,211	-	10,807,072	10,807,072
Bank overdrafts	6	-	-	-	56,149	56,149	56,149
Trade payables	20	-	-	-	5,376,586	5,376,586	5,376,586
Other payables	21	-	-	-	704,396	704,396	704,396
		-	-	-	6,137,131	6,137,131	6,137,131

Notes to the financial statements

31 December 2014

	Notes	Held to maturity	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	₦'000
Cash and cash equivalents	6	-	5,617,944	-	-	-	5,617,944	5,617,944
Financial assets	7	157,212	1,194,487	1,518,872	322,836	-	3,193,407	3,193,407
Trade receivables	8	-	32,832	-	-	-	32,832	32,832
Other receivables less prepayments	11	-	981,638	-	-	-	981,638	981,638
Statutory deposits	16	-	340,000	-	-	-	340,000	340,000
Reinsurance assets	9	-	832,728				832,728	832,728
		157,212	8,166,901	1,518,872	322,836	-	10,165,821	10,998,549
Bank overdrafts	6	-	-	-	-	15,552	15,552	15,552
Trade payables	20	-	-	-	-	5,121,897	5,121,897	5,121,897
Other payables	21	-	-	-	-	464,182	464,182	464,182
		-	-	-	-	5,601,631	5,601,631	5,601,631

Notes to the financial statements

6 Cash and cash equivalents

	2015	2014
	₦'000	₦'000
Cash	1,315	747
Bank balances	5,203,757	5,313,979
Short-term deposits (including demand and time deposits)	329,678	303,218
Cash and cash equivalents (as per statement of financial position)	5,534,750	5,617,944
Bank overdrafts	(56,149)	(15,552)
Cash and cash equivalents (as per statement of cash flows)	5,478,601	5,602,392

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. All deposits were subject to an average variable interest rate of 12% (2014: 12%).
The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

7 Financial assets

	2015	2014
	₦'000	₦'000
Available for sale financial assets (see note (a)below)	346,211	322,836
Fair value through profit or loss (FVTPL) (see note (b) below)	1,234,425	1,518,872
Loans and receivables at amortised cost (see note (c) below)	1,096,303	1,194,487
Financial assets held to maturity (see note (d) below)	-	157,212
Total financial assets	**2,676,939**	**3,193,407**
Within one year	911,341	1,072,901
More than one year	1,765,597	2,120,506
	2,676,939	3,193,407

7(a) *Available for sale financial assets:*

	2015	2014
	₦'000	₦'000
Unquoted equities at cost	426,830	415,670
Quoted equities at market value	84,788	72,573
Impairment on available for sale assets (see note (a)(i) below)	(165,407)	(165,407)
Carrying amount as at year end	346,211	322,836

The Company's available for sale financial assets comprise of investment in unlisted equities which are carried at cost less impairment allowance as the fair value could not be determined reliably. The investments were assessed for impairment as at year end. Quoted investments are carried at fair value with the changes recognised in OCI.

7(a)(i) The movements in specific impairment allowance on unlisted equities is analyzed below;

	2015	2014
	₦'000	₦'000
Balance, beginning of year	165,407	165,407
Impairment allowance recognised during the year	-	-
Write-off during the year	-	-
Balance, end of year	165,407	165,407

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

	2015	2014
	₦'000	₦'000
Federal Government bonds	193,528	99,990
Treasury bills	6,185	6,145
Quoted equities	1,034,712	1,412,737
	1,234,425	1,518,872

Notes to the financial statements

7(c) ***Loans and receivables at amortised cost***

	2015	2014
	₦'000	₦'000
Unlisted debentures	-	328
Staff mortgage loans	191,147	127,403
Placements	905,156	1,066,756
	1,096,303	1,194,487

7(d) ***Finacial assets held to maturity***

	2015	2014
	₦'000	₦'000
State government bonds	-	8,734
Corporate bonds	-	148,478
	-	157,212

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

		31-DEC-15		
	Fair value through profit or loss	Loans and receivables	Available for sale	Total
	₦'000	₦'000	₦'000	₦'000
As at 1 January 2015	1,518,872	1,351,699	322,836	3,193,407
Additions during the year	69,427	198,830	11,160	279,417
Disposal (sales & redemptions)	(178,465)	(454,226)	-	(632,691)
Fair value losses recognised in profit or loss	(180,438)	-	-	(180,438)
Foreign exchange gains recognised in profit or loss	5,028	-	-	5,028
Foreign exchange gains recognised in OCI			12,215	12,215
As at 31 December 2015	1,234,424	1,096,303	346,211	2,676,938

		31-DEC-14		
	Fair value through profit or loss	Loans and receivables	Available for sale	Total
	₦'000	₦'000	₦'000	₦'000
As at 1 January 2014	2,023,940	338,739	179,598	2,542,277
Additions during the year	7,377	1,066,756	87,586	1,161,719
Disposal (sales & redemptions)	(120,414)	(53,796)	-	(174,210)
Fair values losses recognised through profit or (loss)	(395,007)	-	-	(395,007)
Fair value gains recognised through OCI	-	-	55,653	55,653
Foreign exchange gains	2,976	-	-	2,976
Impairment losses	-	-	-	-
As at 31 December 2014	1,518,872	1,351,699	322,836	3,193,408

8 Trade receivables

	2015	2014
	₦'000	₦'000
Due from agents (see note (a) below)	22,273	27,698
Due from co-insurers (see note (b) below)	147,864	5,134
	170,138	32,832
Within one year	170,138	32,832
More than one year	-	-
	170,138	32,832

The carrying amount is a reasonable approximation of fair value

Notes to the financial statements

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

	2015	2014
	₦'000	₦'000
Gross receivable from agents	379,754	110,649
Less: Impairment allowance (see note a(i) below)	(357,481)	(82,951)
	22,273	27,698

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

	2015	2014
	₦'000	₦'000
Balance, beginning of year	82,951	-
Allowance made during the year (see note 36)	274,530	82,951
Write off	-	-
Reversal during the year	-	-
	357,481	82,951

8(b) Due from co-insurers

	2015	2014
	₦'000	₦'000
Reinsurance Receivables	300,646	142,644
Less: Impairment allowance (see note (b)(i) below)	(152,782)	(137,510)
	147,864	5,134

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

	2015	2014
	₦'000	₦'000
Balance, beginning of year	137,510	126,387
Allowance made during the year	15,272	11,123
	152,782	137,510

9 Reinsurance assets

	2015	2014
	₦'000	₦'000
Prepaid reinsurance premium (see note 9(a) below)	858,696	912,846
Reinsurers' s share of claims expenses outstanding (see note 9(b) below)	437,798	436,158
Reinsurers' s share of incurred but not reported claim (see note 9(c) below)	285,634	396,570
	1,582,128	1,745,574

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

	2015	2014
	₦'000	₦'000
Balance, beginnning of year	912,846	1,030,254
Movement during the year (see note 31)	(54,150)	(117,408)
Balance, end of year	858,696	912,846

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

	2015	2014
	₦'000	₦'000
Balance, beginnning of year	436,158	608,602
Movement during the year	1,640	(172,444)
Balance, end of year	437,798	436,158

Notes to the financial statements

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

	2015	2014
	₦'000	₦'000
Balance, beginnning of year	396,570	257,325
Movement during the year	(110,936)	139,245
Balance, end of year	285,634	396,570

9(d) Analysis of reinsurance assets by business classes are as follows:

	2015	2014
	₦'000	₦'000
Fire	491,262	505,106
General Accident	93,060	95,063
Motor	126,504	118,315
Marine	73,492	93,714
Oil & Gas	697,414	849,763
Engineering	89,924	59,857
Bonds	10,472	23,756
Total reinsurance recoverables	1,582,128	1,745,574
Within one year	1,582,128	1,745,574
More than one year		
	1,582,128	1,745,574

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

10 Deferred acquisition cost

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

	2015	2014
	₦'000	₦'000
Balance at start of the year	327,004	390,154
Additions during the year	772,524	780,516
Amortization during the year	(797,563)	(843,665)
Balance as at year end	301,965	327,004

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

	2015	2014
	₦'000	₦'000
Fire	52,259	56,450
Accident	26,478	28,050
Motor	37,622	47,493
Marine and aviation	9,640	10,403
Oil & Gas	166,164	168,741
Engineering	9,735	14,885
Bond	67	982
	301,965	327,004

Notes to the financial statements

11 Other receivables and prepayment

	2015	2014
	₦'000	₦'000
Intercompany receivables (see note (a) below)	817,874	346,677
Accrued investment income (see note (b) below)	28,110	109,093
Sundry receivables (see note (c) below)	15,829	25,868
Security holding trust account (see (d) below	500,000	500,000
Prepayments (see (e) below	168,238	151,565
	1,530,051	1,133,203
Within one year	1,030,051	472,059
More than one year	500,000	661,144
	1,530,051	1,133,203

The carrying amount is a reasonable approximation of fair value

11(a) *Intercompany receivables*

	2015	2014
	₦'000	₦'000
Royal Exchange Plc	464,025	206,584
Royal Exchange Prudential Life Assurance	273,403	81,876
Royal Exchange Healthcare Ltd	74,905	46,792
Royal Exchange Finance and Asset Management Company	5,541	11,425
	817,874	346,677

11(b) *Accrued investment income*

	2015	2014
	₦'000	₦'000
Dividend receivables	28,110	117,948
Impairment on dividend receivable (see note (b)i below)	-	(8,855)
	28,110	109,093

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

	2015	2014
	₦'000	₦'000
Balance, beginning of the year	8,855	4,027
Allowance made during the year (see note 36)	-	4,828
Reversal of impairment (see note 36)	(8,855)	-
Balance, end of the year	-	8,855

11(c) *Sundry Receivables*

	2015	2014
	₦'000	₦'000
Other receivables	672,536	624,029
Accrued rental income	20,279	21,943
Staff loans and other debtors	115,701	168,595
Impairment on other receivables (see (c)(i) below)	(792,687)	(788,699)
	15,829	25,868

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

	2015	2014
	₦'000	₦'000
Balance, beginning of the year	788,699	792,202
Allowance made during the year (see note 36)	3,988	6,352
Reclassifications	-	6,700
Write back of other receivables (see note 36)	-	(16,555)
Balance, end of the year	792,687	788,699

Notes to the financial statements

11(d) Security holding trust account relates to amounts receivable from Security Holding Trust in respect of an investment in a proposed staff share incentive scheme which is a subject of litigation in suit FHC/L/CS/5479/09. Assets in cash dividends of N231million and ordinary shares of Royal Exchange Plc with market value of N462 million as at 31 December 2015 are being held as guarantee that value will not be lost.

11(e) ***Prepayment***

	2015	2014
	₦'000	₦'000
Prepaid furniture allowance	40,761	41,833
Prepaid rent allowance	58,170	32,466
Prepaid staff benefit	53,985	29,264
Prepaid expenses	15,322	48,001
	168,238	151,565

The movements in prepayment is analysed below;

	2015	2014
	₦'000	₦'000
Balance, beginning of year	151,565	165,791
Amortisations to P&L	(256,805)	(256,367)
Additions	273,479	251,651
Reclassification to properties and equipments	-	(9,510)
Balance, end of year	168,239	151,565

12 Investment in associates

The movement in balances of investment in equity accounted investee during the year are as shown below:

31 December 2015	CBC EMEA	REHL	TOTAL
	₦'000	₦'000	₦'000
Balance, beginning of the year	295,251	223,329	518,580
Additional investment during the year	30,000	-	30,000
Dividend income	(14,536)	-	(14,536)
Share of current year other comprehensive income	-	2,418	2,418
	310,715	225,747	536,461
Share of current year profit or loss	(48,799)	2,569	(46,230)
Share of cumulative unrecognised results	12,172	(1,734)	10,438
Recognised in profit or loss	(36,627)	835	(35,792)
Balance, end of the year	274,088	226,581	500,669

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

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

Name of entity	Value of equities	Percentage holding
	₦'000	%
Royal Exchange Healthcare Limited (see note (b)(i) below)	226,581	33.00%
CBCEMEA Limited (see note (b)(ii) below)	274,088	26.10%
Balance, end of year	**500,669**	

Notes to the financial statements

12(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.

12(b)(ii) This represents the Company's investment in the ordinary shares of City Business Computers EMEA Limited (CBC EMEA) incorporated in Nigeria, representing 22.92% (December 2014: 22.92%) 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:

REHL

	2015	2014
	₦'000	₦'000
Percentage ownership interest	**33.00%**	**33.0%**
Total assets	1,133,397	1,002,725
Total liabilities	446,788	331,226
Net assets	686,609	671,499
Company's share of net assets	226,581	221,595
Carrying amount of associate	226,581	223,329
Net premium income	419,801	306,695
Total underwriting expenses	(329,258)	(166,698)
Net other income	63,784	176,871
Total expenses	(140,637)	(206,055)
Profit before tax from continuing operations	13,690	110,813
Taxation	(5,906)	(1,045)
Profit after tax from continuing operations	7,784	109,768
Other comprehensive income net of tax	7,326	5,313
Total comprehensive income	15,110	115,081
Company's share of total comprehensive income	4,986	37,977
Company's share of other comprehensive income	2,418	1,753
Company's share of profit	2,569	36,223

CBC EMEA

	2015	2014
	₦'000	₦'000
Percentage ownership interest	**26.10%**	**24.9%**
Non-Current Asset	1,767,001	2,119,641
Current Asset	3,369,394	2,116,344
Non-Current Liabilities	(820,867)	-
Current Liabilities	(3,265,328)	(3,511,503)
Net assets	1,050,200	724,482
Company's share of net assets	274,086	180,396
Carrying amount of associate	274,088	295,251
Revenue	3,078,818	1,832,003
(Loss)/profit from continuing operations	(186,978)	(107,676)
Other comprehensive (loss)/income	-	7,325
Total comprehensive income	(186,978)	(100,351)
Company's share of total comprehensive income	(48,799)	(24,987)
Company's share of other comprehensive income	-	1,679
Company's share of loss	(48,799)	(17,031)

Notes to the financial statements

13 Investment properties

	2015	2014
	₦'000	₦'000
At 1 January	3,341,640	3,014,763
Additions during the year	-	-
Transfer to property and equipment	(541,887)	-
Fair value gains	465,963	326,877
At 31 December	3,265,716	3,341,640

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	2015	2014
					₦'000	₦'000
No.2, bank road, off Ibrahim Taiwo way, Kano	Yayok Associates Estate Surveyor & Valuer	Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja	FRC/2013/NIESV/000 00000834	A-1277	320,700	302,450
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/000 00000834	A-1277	220,800	214,700
No. 7, Usuma Crescent Maitama Abuja	Emeka Orji Partnership	Suite 9G, 9th floor, Ahmed Talib House (NNDC) 18/19 Ahmadu Bello Way, Kaduna	FRC/2013/NIESV/000 00000976	A-1672	545,824	513,500
No 6A/6B Usuma Cresent, Maitama, Abuja.	Emeka Orji Partnership	Suite 9G, 9th floor, Ahmed Talib House (NNDC) 18/19 Ahmadu Bello Way, Kaduna	FRC/2013/NIESV/000 00000976	A-1672	-	541,887
No 1, Eleko Close, Ikoyi, Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/000 00000730	A-1878	700,000	608,970
No. 2, Eleko Close Ikoyi Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/000 00000730	A-1878	850,000	570,000
No. 26, Abduraman Okene Cresent,Victoria Island, Lagos	Saibu Makinde & Associates	NIPOST Building, 5th floor (right wing), Lafiaji, Lagos	FRC/2013/NIESV/000 00000730	A-1878	628,391	590,133
					3,265,715	3,341,640

Included in investment properties is an aggregate amount of ₦2.724billion which represents properties registered in the name of Royal Exchange General Insurance Company Limited. The Company is making concerted efforts to perfect the title of the remaining investment properties, which are in the name of its legacy parent, Royal Exchange Assurance Nigeria Plc.

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

Property details	Balance as at 1 January 2015	Additions	Transfer	Fair value gain	31 December 2015
No.2, bank road, off Ibrahim Taiwo way, Kano	302,450	-	-	18,250	320,700
No.5, NBC road, off Ahmadu Bello way, Kaduna	214,700	-	-	6,100	220,800
No. 7, Usuma Crescent Maitama Abuja	513,500	-	-	32,324	545,824
No 6A/6B Usuma Cresent, Maitama, Abuja.	541,887		(541,887)	-	-
No 1, Eleko Close, Ikoyi, Lagos	548,970	-	-	151,030	700,000
No. 2, Eleko Close Ikoyi Lagos	630,000	-	-	220,000	850,000
No. 26, Abduraman Okene Cresent,Victoria Island, Lagos	590,133	-	-	38,258	628,391
	3,341,640	-	**(541,887)**	**465,962**	**3,265,715**

Notes to the financial statements

Property at No. 6A/6B Usuma Crescent, Maitama, Abuja was transferred to Property, Plant & Equipment during the year because it is being occupied by the Company

Property details	Balance as at 1 January 2014	Additions	Transfer	Fair value gain	31 December 2014
No.2, bank road, off Ibrahim Taiwo way, Kano	289,400	-	-	13,050	302,450
No.5, NBC road, off Ahmadu Bello way, Kaduna	202,500	-	-	12,200	214,700
No. 7, Usuma Crescent Maitama Abuja	429,999	-	-	83,501	513,500
No 6A/6B Usuma Cresent, Maitama, Abuja.	442,863		-	99,024	541,887
No 1, Eleko Close, Ikoyi, Lagos	520,000	-	-	28,970	548,970
No. 2,Eleko Close, Ikoyi Lagos	580,000	-	-	50,000	630,000
No. 26, Abduraman Okene Cresent,Victoria Island, Lagos	550,001	-	-	40,132	590,133
	3,014,763	-	-	**326,877**	**3,341,640**

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

Investment properties are stated at fair value, which has been determined based on valuations performed by Messrs Yayok Associates, Emeka Orji Partnership & Saibu Makinde Associates as at 31 December 2015. They are industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with standards issued by the International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are reported in profit or loss. The profits or losses on disposal are also reported in profit or loss as they occurred.

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 N55,672,000.00 (2014: N56,513,708.33). 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.

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 fully completed building with 3 floors located in the central business district of Kano which is a commercial neighbourhood. Site: The site, which is slightly irregular in shape, appears level and well drained and is relatively flat. It has a total area of approximately 1,685 square metres. Situation: Primary access to the property is vide the Ibrahim Taiwo road Kano State.	320,700	No.2, bank road,off Ibrahim Taiwo way, Kano	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	32,070	(32,070)

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 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.	220,800	No.5, NBC road, off Ahmadu Bello way, Kaduna	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	22,080	(22,080)
The property is a 5 bedroom detached duplex located in a high brow low density residential neighbourhood in Abuja. Site: The site is rectangular in shape, appears firm and is sloped gently towards the back. It has a total land area of approximately 2,133.60 square metres. Situation: Primary access to the property is vide the Usman Crescent which takes its root from Gana street which itself takes root from the popular Shehu Shagari way in Maitama Abuja.	545,824	No. 7, Usuma Crescent Maitama Abuja	Discounted cashflows of annual rentals	Future rental cashflows; 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 neighbourhoud of Lagos. Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,041.76 square metres. Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi.	700,000	No 1, Eleko Close, Ikoyi, 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	70,000	(70,000)
The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighbourhoud of Lagos. Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,837.85 square metres. Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi.	850,000	No. 2, Eleko Close Ikoyi 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	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.	628,391	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	62,839	(62,839)

Notes to the financial statements

14 Property and equipment

	Leasehold Land	Freehold buildings	Computer Equipment	Furniture, Fittings	Motor vehicles	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost						
Balance at 1 January 2015	137,649	1,088,343	218,654	427,967	477,781	2,350,395
Transfer from Investment Properties	-	541,887	-	-	-	541,887
Reclassifications	(2,624)	2,624	-	-		-
Additions	62,500	16,915	8,089	7,254	41,641	136,399
Disposals	-	-	-	(3,411)	(68,406)	(71,817)
Balance at 31 December 2015	197,525	1,649,770	226,743	431,809	451,017	2,956,864
Balance at 1 January 2014	1,217,925	-	208,923	406,287	486,212	2,319,347
Reclassifications	(1,082,899)	1,082,899	-	10,288	-	10,288
Additions	2,623	5,444	12,600	32,365	68,760	121,793
Disposals	-	-	(2,869)	(20,973)	(77,191)	(101,034)
Balance at 31 December 2014	137,649	1,088,343	218,654	427,967	477,781	2,350,395

Depreciation

In thousands of Naira	Land	Freehold buildings	Computer Equipment	Furniture, Fittings	Motor vehicles	Total
Balance at 1 January 2015	16	108,506	191,247	324,205	291,344	915,317
Charge for the year	2,440	37,878	14,123	38,062	82,103	174,605
Disposals	-	-	-	(2,589)	(42,711)	(45,300)
Balance at 31 December 2015	2,456	146,383	205,370	359,677	330,736	1,044,622
Balance at 1 January 2014	62,795	-	177,619	302,416	277,669	820,499
Transfer/reclassification	(62,795)	62,795	-	778	-	778
Charge for the year	16	45,711	16,253	41,984	90,492	194,456
Disposals	-	-	(2,626)	(20,973)	(76,817)	(100,416)
Balance at 31 December 2014	16	108,506	191,247	324,205	291,344	915,317
Carrying amounts:						
Balance at 31 December 2015	195,069	1,503,387	21,373	72,132	120,281	1,912,242
Balance at 31 December 2014	137,633	979,838	27,407	103,762	186,437	1,435,078

(a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2014: nil).
(b) In the opinion of the directors, the market value of the Company's property and equipment is not less than the value shown in the financial statements.
(c) The Company had no capital commitments as at the balance sheet date (2014: nil)
(d) Included in properties and equipment is an aggregate amount of ₦801.268 million registered in the name of Royal Exchange General Insurance Company Limited. The Company is making concerted efforts to perfect the title of the remaining assets, which are in the name of Royal Exchange Plc and its legacy parent, Royal Exchange Assurance Nigeria Plc.

Notes to the financial statements

15 Intangible assets

	2015	2014
	₦'000	₦'000
Cost:		
At 1 January	165,007	165,007
Additions	-	-
Balance at 31 December 2015	165,007	165,007
Accumulated amortisation:		
At 1 January	143,929	132,121
Charge for the year (see note 39)	8,481	11,808
Balance at 31 December 2015	152,410	143,929
Balance at 31 December 2015	12,597	21,078

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.

	2015	2014
	₦'000	₦'000
Deposits with Central Bank of Nigeria	340,000	340,000
	340,000	340,000

17 Employee benefit obligations

The Company operates defined contribution pension plan prior to the New Pension Reform Act 2004, a defined benefit plan for pensionable employees and other long-term benefits based on employees' length of service.

The Company offers its employees defined benefit plan in the form of gratuity scheme and other long-term benefits. The Gratuity Scheme covers all employees who were in service as at 31 May, 2008 and it is payable to an employee on resignation only if the employee has served the company for more than five years. The gratuity benefit is based on a percentage of an employee's annual emolument.

Qualification for long service award scheme operated are for employees who have spent 10 years and above in service of the company. This is awarded in different categories of 10 years, 15 years, 20 years, 25 years, 30 years and 35 years.

The employee benefit obligations are actuarially determined at the year end by HR Nigeria Limited 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.

The details of the employee benefit obligations are as below:

17(a)

	Notes	2015	2014
		₦'000	₦'000
Employees retirement benefits (see note d)		154,016	170,198
Gratuity (outstanding liability) (see note e below)		(454,603)	(482,612)
Long Service Award (outstanding liability) (see note f below)		(38,927)	(32,481)
Net Employees' Retirement Obligations		(493,530)	(515,093)

Notes to the financial statements

17(b) Company's Asset for:-

	2015	2014
	₦'000	₦'000
– Pension benefits (note d)	396,808	363,743
Total	396,808	363,743

17(c) Company's obligations for:-

	2015	2014
	₦'000	₦'000
– Pension benefits (see note 17(d))	(242,792)	193,545
– Gratuity (see note 17(e))	(454,603)	(482,612)
– Long Service Award (see note 17(f))	(38,927)	(32,481)
Total Company's obligation	(736,322)	(321,548)
Income statement charge for:-		
– Pension benefits	(27,838)	(23,835)
– Gratuity	46,623	96,822
– Long Service Award	8,288	8,526
Total (see note 39)	27,073	81,513
Gain/ (loss) on other comprehensive income		
-Actuarial loss on Net Pension Assets	(74,236)	(84,717)
-Actuarial gain on Gratuity Obligations	-	33,618
-Actuarial gain on Long-Service Award Obligations	689	6,561
Total (see note 29)	(73,547)	(44,538)

17(d) ***Pension benefits***

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

	2015	2014
	₦'000	₦'000
Present value of funded obligations	(242,792)	(193,545)
Fair value of plan assets	396,808	363,743
Asset in the statement of financial position	154,016	170,198
Current	-	-
Non-current	154,016	170,198
Asset in the statement of financial position	154,016	170,198

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

	2015	2014
	₦'000	₦'000
At 1 January	193,545	251,769
Current service cost		
Interest cost	26,724	30,600
Actuarial losses/(gains)-Assumption	37,436	(12,241)
Actuarial losses/(gains)-Experience	15,303	38,949
Benefits paid by employer	(30,216)	(64,117)
Benefits paid by the Fund	-	(51,415)
At 31 December	242,792	193,545

Notes to the financial statements

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

	2015	2014
	₦'000	₦'000
At 1 January	363,743	418,732
Expected return on plan assets	54,562	54,435
Employer contributions	-	64,117
Benefit paid from the fund	-	(115,532)
Actuarial losses	(21,497)	(58,009)
At 31 December	396,808	363,743

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

	2015	2014
	₦'000	₦'000
Current service costs	-	-
Net interest costs/income:		
- Interest costs	26,724	30,600
- Expected return on plan asset	(54,562)	(54,435)
At 31 December	(27,838)	(23,835)

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

The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	12%	15%
Future pension increases	3%	3%
Inflation rate	9%	9%

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

	2015	2014
Male	80	80
Female	84	84

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

2015

	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	250,351	235,659

2014

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

17(e) ***Gratuity Benefits***

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

	2015	2014
	₦'000	₦'000
Present value of funded obligations	-	-
Fair value of plan assets	-	-
	-	-
Present value of unfunded obligations	454,603	482,612
Liability in the statement of financial position	454,603	482,612

Notes to the financial statements

Current	(454,603)	-
Non-current	-	(482,612)
Liability in the statement of financial position	(454,603)	(482,612)

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

	2015	2014
	₦'000	₦'000
At 1 January	482,612	446,724
Current service cost	38,432	36,888
Interest cost	30,888	59,934
Past service cost (including curtailments)	(22,697)	-
Benefits paid	(74,632)	(27,316)
Actuarial losses/(gains)	-	(33,618)
At 31 December	454,603	482,612

The gratuity plan has been terminated effective 31 December 2015. The Company plans to settle the employees from it's placements in 2016.

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

	2015	2014
	₦'000	₦'000
Current service costs	38,432	36,888
Net interest costs/income:		
- Interest costs	30,888	59,934
- Past service cost (including curtailments)	(22,697)	-
At 31 December	46,623	96,822

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

The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	N/A	15%
Future salary increases	N/A	12%
Inflation rate	N/A	9%

This is not applicable since the scheme was discontinued as at the review date. The year-end liability was valued on a discontinuance basis and does not include any demographic or financial assumptions.

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

	2015	2014
Male	N/A	N/A
Female	N/A	N/A

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

	2015	2014
Male	N/A	N/A
Female	N/A	N/A

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

	2015			
	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	N/A	N/A
Future salary increases	-0.50%	0.50%	N/A	N/A

Notes to the financial statements

	2014			
	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	1,053	(1,045)
Future salary increases	-0.50%	0.50%	(2,154)	2,155

17(f) *Long Service Awards*

	2015	2014
	₦'000	**₦'000**
Present value of funded obligations	-	-
Fair value of plan assets	-	-
	-	-
Present value of unfunded obligations	(38,927)	(32,481)
Liability in the statement of financial position	38,927	32,481
Current	-	-
Non-current	(38,927)	(32,481)
Liability in the statement of financial position	(38,927)	(32,481)

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

	2015	2014
	₦'000	**₦'000**
At 1 January	32,481	32,515
Current service cost	4,105	4,284
Interest cost	4,872	4,242
Benefits paid	(1,842)	(1,999)
Actuarial losses/(gains)	(689)	(6,561)
At 31 December	38,927	32,481

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

	2015	2014
	₦'000	**₦'000**
Current service costs	4,105	4,284
Net interest costs/income:		
- Interest costs	4,872	4,242
At 31 December	8,977	8,526

The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	12%	15%
Future salary increases	11%	12%
Inflation rate	9%	9%
Staff turnover rate(average)		

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

	2015	2014
Male	N/A	N/A
Female	N/A	N/A

Notes to the financial statements

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

	2015	2014
Male	N/A	N/A
Female	N/A	N/A

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

2015

	Change in assumption		Impact on overall liability	
Discount rate	-0.50%	0.50%	40,255	37,676
Future salary increases	-0.50%	0.50%	38,155	39,737
Inflation rate	-0.50%	0.50%	38,337	39,554

2014

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

Notes to the financial statements

18 Deferred Taxation

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

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

In thousands of Naira

			2015			
	Net balance as at 1 January	**Recognised in profit or loss**	**Recognised in OCI**	**Net balance as at 31 December 2015**	**Deferred tax asset**	**Deferred tax liabilities**
Net Deferred tax assets						
Property and equipment, and software	9,882	1,312	-	11,194	11,194	-
Unrelieved loss	507,197	(264,534)	-	242,663	242,663	-
Employee benefits	154,564	(6,713)	207	148,058	148,058	-
Deferred tax assets	**671,643**	**(269,935)**	**207**	**401,915**	**401,915**	
Deferred tax liabilities						
Investment properties	(180,756)	(6,160)	-	(186,916)		(186,916)
Deferred tax assets/(liabilities)	**490,887**	**(276,095)**	**207**	**214,999**	**401,915**	**(186,916)**

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

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

As at 31 December 2015, an amount of ₦264.534million was not recorded as deferred tax asset (31 December 2014:nil) as it is not deemed probable that future taxable profits will be available which can be utilised.

Notes to the financial statements

19 Deferred income

	2015	2014
	₦'000	₦'000
Deferred rental income	23,392	28,716
Deferred commission income (see note 19(b))	98,777	73,518
	122,169	102,234

Due within 1 - 12months	95,885	80,239
Due afer more than 12months	26,284	21,995
	122,169	102,234

19(a) *Deferred rental income*

	2015	2014
	₦'000	₦'000
At 1 January	28,716	17,350
Additions during the year	34,060	28,716
Amortised during the year	(39,384)	(17,350)
At 31 December	23,392	28,716

19(b) *Deferred commission income*

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

	2015	2014
	₦'000	₦'000
Balance at start of the year	73,518	67,447
Additions during the year	305,245	382,986
Amortised during the year	(279,985)	(376,915)
Balance as at year end	98,777	73,518

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

	2015	2014
	₦'000	₦'000
Fire	23,504	22,081
Accident	9,825	9,718
Motor	10,326	14,719
Marine and aviation	9,802	7,154
Oil & Gas	37,480	10,320
Engineering	7,291	6,062
Bond	549	3,464
	98,777	73,518

20 Trade payables

	2015	2014
	₦'000	₦'000
Reinsurance payables	357,804	164,714
YOA Insurance brokers- Premium received in advance	5,018,782	4,957,183
	5,376,586	5,121,897

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

Due within 1 - 12months	5,376,586	5,121,897
Due afer more than 12months	-	-
	5,376,586	5,121,897

Notes to the financial statements

21 Other liabilities

	2015	2014
	₦'000	₦'000
Accruals	161,723	60,947
NAICOM levy	34,491	36,017
Other liabilities	223,713	251,645
Provision for litigations and claims	78,954	84,604
Payable to Royal Exchange Finance and Asset Management Company	60,505	-
Payable to Royal Exchange Plc	11,060	12,290
Payable to Royal Exchange Trustee Fund	133,949	18,590
Payable to Royal Exchange Microfinance Bank Ltd	-	89
	704,396	464,182
Due within 1 - 12months	168,440	36,017
Due afer more than 12months	535,955	428,076
	704,396	464,093

22 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 22% (2014: 18% to 22%) per annum.

	Future minimum lease payments		Interest		Net present value of future lease payments	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Not later than one year	5,247	13,712	246	1,381	5,001	12,331
Later than one year and not later than 5 years						
Later than 5 years				-		-
	5,247	13,712	246	1,381	5,001	12,331
Within one year	5,247	13,712	246	1,381	5,001	12,331
More than one year	-	-	-	-	-	-
	5,247	13,712	246	1,381	5,001	12,331

23 Insurance contract liabilities

	2015	2014
Non-life business	₦'000	₦'000
Unexpired risk (See note (b) and (c) below)	2,223,284	2,303,340
Outstanding claims: (See note (c) and (e) below)		
- Claims outstanding	1,432,816	1,495,477
- Incurred but not reported	778,185	934,928
	4,434,285	4,733,745

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

	2015	2014
	₦'000	₦'000
Fire	1,021,552	820,105
Accident	556,796	590,676
Motor	1,016,989	926,625
Marine	198,273	225,627
Oil and Gas	1,460,761	1,989,664
Engineering	163,055	141,159
Bond	16,859	39,889
	4,434,285	4,733,745

Notes to the financial statements

23(b) Unexpired risk is summarised by type below

	2015	2014
	₦'000	₦'000
Fire	364,276	339,394
Accident	165,988	161,786
Motor	544,971	601,759
Marine	59,587	66,740
Oil and Gas	1,026,922	1,044,107
Engineering	60,928	83,744
Bond	612	5,810
Total	2,223,284	2,303,340

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

	2015	2014
	₦'000	₦'000
Balance, beginnning of year	2,303,340	2,506,089
Movement during the year (see note 30(b))	(80,056)	(202,749)
Balance, end of year	2,223,284	2,303,340

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

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

	2015	2014
	₦'000	₦'000
Fire	657,276	643,856
Accident	390,808	428,890
Motor	472,017	324,866
Marine	138,687	158,887
Oil and Gas	433,838	765,075
Engineering	102,128	74,751
Bond	16,247	34,080
Total	2,211,001	2,430,405

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

	₦'000
0- 90 days	354,595
91- 180 days	167,658
181-270 days	131,392
271-360 days	108,967
Above 360 days	670,204
	1,432,816

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

	6-Jul-53	20-Mar-54
	₦'000	₦'000
Balance, beginnning of year	2,430,405	2,296,484
Movement during the year (see note 33)	(219,405)	133,921
Balance, end of year	2,211,000	2,430,405

Notes to the financial statements

23(f) Hypothecation of Insurance Fund on Assets

	2015		2014	
	₦'000	₦'000	₦'000	₦'000
Insurance liabilities	-	4,434,285	-	4,733,745
Less Reinsurance recoverable:				
Reinsurers' expenses prepaid	858,696		912,846	
Reinsurers' s share of claims expenses outstanding	437,798		436,159	
Reinsurers' s share of incurred but not reported claim	285,634		396,570	
Total recoverables		(1,582,128)		(1,745,575)
		2,852,157		2,988,170
Asset Cover:				
Quoted equity, not more than 50% of insurance liability	847,884		747,043	
Cash and cash equivalents	515,968		660,761	
Loans and receivables	905,156		1,040,000	
Federal government bond	193,528		99,990	
State government and Corporate bond	-		157,212	
Unlisted debentures	-		328	
Treasury bills	6,185		6,145	
Mortgage loan	191,147		127,403	
Unquoted equity	285,216		298,817	
Total assets		2,945,084		3,137,699
Surplus/ (deficit)		92,927		149,528

24 Taxation

24(a) *Charge for the year*

	Notes	2015	2014
Recognised in profit or loss		₦'000	₦'000
Company Income tax		-	-
Withholding tax on dividends		5,640	-
Under provision in prior years		15,380	-
Tertiary education tax		2,199	7,197
Technology tax		1,408	1,594
		24,627	8,791
Deferred tax asset - provision	18	276,095	48,325
		300,722	57,116
Minimum tax		43,736	45,188
Recognised in other comprehensive income			
Deferred tax on remeasurement of defined benefit scheme	18	207	12,054

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 Tetiary Education Tax Act, CAP E4 LFN 2004.

Reconciliation of effective tax rate

	2015		2014	
	Tax rate %	Amount ₦'000	Tax rate %	Amount ₦'000
Profit before tax		140,798		159,413
Company income tax using the domestic corporation tax rate	30%	42,239	30%	47,824
Non-deductible expenses	0%	698	32%	50,507
Tax exempt income	-22%	(31,377)	-31%	(50,006)
Derecognition of unrelieved losses	188%	264,534	0%	-
Prior year tax underprovision	11%	15,380	0%	-
Minimum tax	31%	43,736	28%	45,188
WHT paid on dividends	4%	5,640	0%	-
Information technology tax levy	1%	1,408	1%	1,594
Tertiary education tax	1%	2,199	5%	7,197
	244%	344,458	64%	102,304

Notes to the financial statements

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

	2015	2014
	₦'000	₦'000
Beginning of the year	222,666	211,432
Charge for the year	68,363	53,979
Paid during the year	(73,292)	(42,745)
As at year end	217,737	222,666

25 Share capital

Share capital comprises

	2015	2014
	₦'000	₦'000
Authorized share capital		
5,000,000,000 ordinary share of ₦1 each	5,000,000	5,000,000
Ordinary share capital		
4,366,666,666 ordinary share of ₦1 each	4,366,666	3,716,666
Addition during the year	-	650,000
4,366,666,666 ordinary share of ₦1 each	4,366,666	4,366,666

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

Dividends on ordinary shares

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

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

26 Share premium

	2015	2014
	₦'000	₦'000
Beginning of the year	802,737	412,737
Additions during the year	-	390,000
As at year end	802,737	802,737

27 Contingency reserve

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

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

	2015	2014
	₦'000	₦'000
Beginning of the year	1,081,952	880,373
Transfer from profit or loss account	206,659	201,579
As at year end	1,288,611	1,081,952

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). For the analysis of movement in Retained Earnings, see the 'Statement of Changes in Equity'

	2015	2014
	₦'000	₦'000
At the beginning of the year	797,208	1,090,345
Transfer from profit and loss	(203,660)	57,108
Transfer to contingency reserve	(206,659)	(201,579)
Dividend paid during the year	(131,000)	(148,667)
At end of the year	255,889	797,208

Notes to the financial statements

29 Other components of equity

	2015	2014
	₦'000	₦'000
Balance at the beginning of the year	131,162	130,421
Fair value changes :		
-Available for sale financial assets (see note 7(d)	12,215	55,653
-Share of current year results in equity accounted investees (see note 12(a)	2,418	1,679
Total fair value changes in statement of changes in equity	14,633	57,332
-Actuarial losses on employee benefit obligations (see note 17(c))	(73,547)	(44,538)
Tax effects on OCI (see note 18)	207	(12,054)
At end of the year (see note (b) below)	72,454	131,162

b Nature and purpose of other components of equity

Fair value reserves

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

Acturial reserves

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

30(a) Premium written

	2015	2014
	₦'000	₦'000
Non-life insurance premiums:		
Gross written premiums	6,888,637	6,719,311

30(b) *Unearned premium*

	2015	2014
	N'000	N'000
Change in unearned premiums	80,056	202,749
Gross earned premiums	80,056	202,749

31 Reinsurance expenses

	2015	2014
	₦'000	₦'000
Gross written reinsurance premiums	2,257,409	2,047,619
Change in reinsurance unearned premiums	54,150	117,408
	2,311,560	2,165,027

32 Fee and commission income

	2015	2014
	₦'000	₦'000
Reinsurance commissions	279,985	376,915
	279,985	376,915

33 Insurance claims and benefits incurred

	2015	2014
	₦'000	₦'000
Gross claims paid	2,321,319	1,842,153
Less: Movement in gross outstanding claims and IBNR (see note 23(e))	(219,405)	133,921
Gross incurred claims (see note (a) below)	2,101,914	1,976,074
Less: Reinsurance incurred claims (see note (b) below)	(626,158)	(473,122)
	1,475,757	**1,502,952**

Notes to the financial statements

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

	2015	2014
	₦'000	₦'000
Motor and Accident	834,795	639,615
Fire and IAR	844,977	522,275
Marine	438,174	212,212
Engineering	141,495	67,837
Bond	7,255	21,532
Special Risk	(164,782)	512,603
	2,101,914	1,976,074

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

	2015	2014
	₦'000	₦'000
Motor and Accident	231,808	214,211
Fire and IAR	281,298	242,850
Marine	114,549	49,449
Engineering	63,747	107,710
Bond	(1,072)	15,818
Special Risk	(64,173)	(156,916)
	626,158	473,122

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

	2015	2014
	₦'000	₦'000
Salaries & allowances - underwriting employees (39(a))	723,026	822,663
Accommodation costs	90,679	87,888
Communication Costs	323,269	340,576
Business and administration expenses	195,780	106,987
Acquisition costs:		
Insurance contracts – non-life	755,212	780,516
Amortisation of insurance contracts deferred acquisition costs	13,419	63,149
Other commissions	41,054	45,081
	2,142,439	2,246,859

Notes to the financial statements

35 Investment and other income

	2015	2014
	₦'000	₦'000
Interest income on investment (see note (a) below)	227,338	160,663
Dividend income (see note (a) below)	79,485	172,978
Net realised gains/(losses) on financial assets	6,962	(3,476)
Net Investment Income	313,784	330,165
Changes in fair value (see note 35(a))	285,525	(68,130)
Total Investment Income	599,309	262,035

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

2015

	Dividend Income	Net realised gains and losses	Changes in fair value	Interest Income	Total
	₦'000	₦'000	₦'000	₦'000	₦'000
Debt securities:					
*Held-to-maturity	-	-	-	-	-
*Available-for-sale	-	-	-	-	-
*At fair value through profit/loss	-	-	-	18,772	18,772
*Held for trading	-	-	-	-	-
*Loans & receivables (amortised cost)	-	-	-	107,230	107,230
Equity Securities:					
*Available-for-sale	11,302	-	-	-	11,302
*At fair value through profit/loss	68,182	6,962	(180,438)	-	(105,294)
Investment properties	-	-	465,963	-	465,963
Cash and cash equivalents	-	-	-	42,821	42,821
Deposits with credit institutions	-	-	-	14,729	14,729
Mutual funds and unit trusts	-	-	-	-	-
Investment management income	-	-	-	43,786	43,786
	79,485	6,962	285,525	227,338	599,309

2014

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

Notes to the financial statements

36 Write back/allowance for impairment

	2015	2014
	₦'000	₦'000
Impairment allowance on premium receivables - non-life business (see note 8(a)(i))	274,530	82,951
Impairment allowance on reinsurance receivables (see note 8(b)(i))	15,273	11,123
Impairment allowance on other receivables (see note 11(c)(i))	3,988	6,352
Writeback/additional impairment allowance on dividend receivables (see note 11(b)(i))	(8,855)	4,828
Write back of impairment allowance on cash & cash equivalents	-	(16,555)
	284,936	88,698

37 Other operating income

	2015	2014
	₦'000	₦'000
Rental income	55,672	60,918
(Loss)/profit on disposal of property and equipments	(1,356)	7,964
Interest on loan & advances	4,563	17,531
Income from lead-underwriting businesses	11,622	-
Recoveries of previously written off assets	11,868	11,209
Bonus payments by brokers (ceeding commission profit)	38,859	58,577
	121,229	156,199

38 Foreign exchange gains

	2015	2014
	₦'000	₦'000
Gains on translation of foreign currency transactions	48,875	33,440
	48,875	33,440

39 Management expenses

	Notes	2015	2014
		₦'000	₦'000
Salaries and allowances of other employees	39(a)	542,850	378,886
Post employment defined benefit	17(c)	27,073	81,513
Audit fees		15,500	11,500
Amortization of intangible assets		8,481	11,808
Promotional and advert expenses		3,907	7,530
Depreciation on property and equipment		174,605	194,456
Rent and rates		-	6,134
Directors' fees		1,048	7,548
Donations		2,080	1,440
Bank charges		29,888	39,555
Legal fee retainer		21,554	43,939
Insurance premium		30,131	57,696
Accounting consultancy fee		18,066	8,611
Investment expenses		157,219	194,913
Penalties paid to NAICOM		-	2,630
Electricity and diesel expenses		116,867	122,153
VAT paid		45,483	65,136
Repairs and maintenance		77,657	53,822
Telephone expenses		27,008	21,126
Transportation expenses		103,955	118,868
Annual software renewal fees		40,326	18,444
Subscription and Journals		24,268	25,597
Other Administrative expenses		158,844	97,362
		1,626,810	**1,570,669**

Notes to the financial statements

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

	2015	2014
	₦'000	₦'000
Salaries & allowances - underwriting employees (see note 34)	723,026	822,663
Salaries and allowances of other employees	542,850	378,886
	1,265,876	**1,201,549**

Notes to the financial statements

40 Outstanding claims on insurance contracts

Outstanding claim represents the estimated ultimate cost of settling all claims arising from incidents occurring as at the date of the statement of financial position. Provision for outstanding claims of ₦2,211,000,432 (See table 40(a)(iv) below) was actuarially determined based on information presented below:

40(a) Reserving Methods and Assumptions - 31 December 2015

The provision for outstanding claims, including IBNR, was determined for each line of business on both gross and net of reinsurance basis. A yearly cohort from year 2006 has been adopted in building the historical claims. In some cases, only the year of accidents or settlement was given and hence made it impossible to identify the exact period of the year when the accident or settlement was made. However, where such cases arose, we have assumed that the accident or settlement was made in the same year.

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

i **The Basic Chain Ladder Method (BCL):** The Basic Chain Ladder method forms the basics to the reserving methods explained below. Historical incremental claims paid were grouped into 8 years cohorts by class of business – representing when they were paid after their accident year e.g. a year after 2008 etc. These cohorts are called loss development triangles.

The incremental paid claims (2007-2015) are cumulated to the valuation date and projected to their expected ultimate claim estimate. The gross claim reserve are then derived from the difference between the cumulated paid claims and the estimated ultimate claim

ii **The Inflation Adjusted Chain Ladder Method (IACL):** Under this method, the historical paid losses are inflated using the corresponding inflation index in each of the accident years to the year of valuation and accumulated to their ultimate values for each accident year to obtain the projected outstanding claims. These projected outstanding claims are further multiplied by the future inflation index from the year of valuation to the future year of payment of the outstanding claims. We have adopted the following official inflation index below;

Years		Inflation Index
2007		6.60%
2008		15.10%
2009		13.90%
2010		11.80%
2011		10.30%
2012		12.00%
2013		8.00%
2014		8.30%
2015		9.60%
2016		10.00%

The calculation are on two bases;

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

Assumptions

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

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

☐ The run off period is six (6) years

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

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

☐ BCL method adopted assumes past experience is not fully representative of the future
☐ Stochastic approach samples the loss development factors with replacement

Summary of Gross Outstanding Claims reserves

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

31 December 2015

Table 40(a)(i): Basic Chain Ladder Method (Undiscounted)

Class of Business	Gross Outstanding Claims N'000	Estimated Reinsurance Recoveries N'000	Net Outstanding Claims N'000
General accident	402,495,851	(64,399,336)	338,096,515
Engineering*	100,369,111	(62,228,849)	38,140,262
Fire	672,961,214	(403,776,728)	269,184,486
Marine	139,583,077	(40,479,092)	99,103,985
Motor	453,703,766	(86,203,716)	367,500,050
Bond	18,007,559	(8,643,628)	9,363,931
Oil and gas	480,843,730	(57,701,248)	423,142,482
TOTAL	**2,267,964,308**	**(723,432,597)**	**1,544,531,711**

**Estimated using Expected Loss Ratio method*

Applying discounting, the gross claims reserve will increase from ₦2,211 billion to ₦2,268 billion leading to a net position of ₦1.545 billion as detailed in Table 40(a)(ii) above.

31 December 2015

Table 40(a)(ii): Basic Chain Ladder Method (discounted)

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

Class of Business	Gross Outstanding Claims N'000	Estimated Reinsurance Recoveries N'000	Net Outstanding Claims N'000
General accident	369,805,051	(64,399,336)	305,405,715
Engineering	92,592,757	(62,228,849)	30,363,908
Fire	625,313,863	(403,776,728)	221,537,135
Marine	129,249,188	(40,479,092)	88,770,096
Motor	417,689,802	(86,203,716)	331,486,086
Bond	16,247,203	(8,643,628)	7,603,575
Oil and gas	433,838,141	(57,701,248)	376,136,893
TOTAL	**2,084,736,005**	**(723,432,597)**	**1,361,303,408**

**Estimated using Expected Loss Ratio method*

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

Applying inflation, the gross claims reserve will reduce from ₦2.268 billion to ₦2.084 billion leading to a net position of ₦1.361 billion as detailed in Table 40(a)(iii) above.

31 December 2015

Table 40(a)(iii): Inflation Adjusted Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims N'000	Estimated Reinsurance Recoveries N'000	Net Outstanding Claims N'000
Accident	424,176,390	(64,399,336)	359,777,054
Engineering	110,639,422	(62,228,849)	48,410,573
Fire	705,287,214	(403,776,728)	301,510,486
Marine	149,428,701	(40,479,092)	108,949,609
Motor	510,940,592	(86,203,716)	424,736,876
Bond	18,007,559	(8,643,628)	9,363,931
Oil and gas	480,843,730	(57,701,248)	423,142,482
TOTAL	**2,399,323,608**	**(723,432,597)**	**1,675,891,011**

**Estimated using Expected Loss Ratio method*

Notes to the financial statements

Should there be discounting, the gross claims reserve will increase from ₦2.268 billion to ₦2.399 billion leading to a net position of ₦1.676 billion as detailed in Table 40(a)(iv) above.

31 December 2015

Table 40(a)(iv): Discounted Inflation Adjusted Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims ₦'000	Estimated Reinsurance Recoveries ₦'000	Net Outstanding Claims ₦'000
Accident	390,807,897	(64,399,336)	326,408,561
Engineering	102,127,517	(62,228,849)	39,898,668
Fire	657,275,668	(403,776,728)	253,498,940
Marine	138,686,924	(40,479,092)	98,207,832
Motor	472,017,081	(86,203,716)	385,813,365
Bond	16,247,203	(8,643,628)	7,603,575
Oil and gas	433,838,141	(57,701,248)	376,136,893
TOTAL	**2,211,000,431**	**(723,432,597)**	**1,487,567,834**

**Estimated using Expected Loss Ratio method*

The discounted inflation adjusted basic chain ladder method resulted in a gross outstanding claims reserve of ₦2.211 billion leading to a net outstanding claims of ₦1.487 billion above.

40(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 2014, are summarized in Table 37.1.2.1 below.

31 December 2015

Table 40(b)(i)

Incremental Chain Ladder:

Incremental Chain Ladder- Yearly Projections (₦'000)									
Accident year	1	2	3	4	5	6	7	8	9
2007	90,369	130,760	40,801	16,493	20,453	4,601	2,386	1,605	5,952
2008	224,573	320,685	10,146	8,950	29,856	2,088	564	873	
2009	267,763	144,617	172,929	35,249	23,592	16,790	1,240		
2010	423,867	348,593	151,026	19,854	21,506	5,250			
2011	690,737	1,100,807	274,558	104,755	12,044				
2012	484,693	976,236	349,847	58,722					
2013	703,893	571,066	181,076						
2014	740,384	1,018,548							
2015	1,037,614								

Table 3 40(b)(ii) Cumulative Claims Development Pattern: Motor

Incremental Chain Ladder- Yearly Projections (₦)									
Accident year	1	2	3	4	5	6	7	8	9
2007	13,391	8,411	4,318	4,083	1,604	325	1,686	255	3,578
2008	30,101	10,914	934	1,504	1,750	-	439	427	
2009	88,639	30,546	99,832	8,761	-	60	494		
2010	219,570	156,838	6,546	1,268	2,906	59			
2011	183,238	161,510	11,635	4,034	617				
2012	236,986	190,408	16,572	678					
2013	344,468	110,466	9,053						
2014	372,604	125,556							
2015	362,363								

Notes to the financial statements

Table 40(b)(iii) Cumulative Claims Development Pattern: Marine

Accident Year	Incremental Chain Ladder- Yearly Projections (₦)								
	1	2	3	4	5	6	7	8	9
2007	235	116	798	32	1	123	-	-	-
2008	5,094	13,421	902	2	2,993	-	-	-	
2009	15,955	7,849	12,960	169	60	135	2		
2010	11,390	13,740	4,545	1,674	13	12			
2011	52,361	31,987	5,208	656	1,880				
2012	25,040	28,365	1,420	900					
2013	22,666	15,206	4,969						
2014	30,022	13,795							
2015	48,679								

Table 40(b)(iv) Cumulative Claims Development Pattern: General Accident

Accident year	Incremental Chain Ladder- Yearly Projections (₦)								
	1	2	3	4	5	6	7	8	9
2007	246	17,808	3,409	2,586	2,238	3,115	700	-	2,374
2008	28,038	22,092	3,571	4,596	8,527	2,076	87	446	
2009	49,304	46,466	32,266	8,745	13,906	1,563	668		
2010	25,344	52,033	17,162	5,342	2,002	4,988			
2011	35,326	66,368	22,754	2,957	7,081				
2012	46,970	70,541	17,706	11,504					
2013	46,991	33,390	17,903						
2014	35,364	46,283							
2015	61,158								

Table 40(b)(v) Cumulative Claims Development Pattern: Fire

Accident year	Incremental Chain Ladder- Yearly Projections (₦)								
	1	2	3	4	5	6	7	8	9
2007	54,175	62,508	4,435	4,602	3,840	1,039	-	1,350	-
2008	116,006	3,304	1,505	678	405	11	38	-	
2009	31,420	3,701	9,303	332	1,635	644	-		
2010	70,296	88,760	1,013	2,668	7,384	190			
2011	86,312	134,821	52,933	2,234	1,458				
2012	29,082	170,000	52,421	5,795					
2013	156,771	171,249	35,020						
2014	117,750	143,860							
2015	211,660								

Table 40(b)(vi) Cumulative Claims Development Pattern: Engineering

Accident year	Incremental Chain Ladder- Yearly Projections (₦)								
	1	2	3	4	5	6	7	8	9
2007	8,837	11,723	14,266	5,190	5,421	-	-	-	-
2008	1,540	24,632	3,234	2,171	-	-	76	-	
2009	6,031	2,640	129	12,620	-	-	-		
2010	24,733	23,407	27,994	494	133	-			
2011	16,971	126,448	-	35	-				
2012	76,351	5,686	5,730	2,539					
2013	4,011	6,720	6,082						
2014	4,529	13,720							
2015	22,434								

Notes to the financial statements

40(c) Reserving Methods and Assumptions - 31 December 2014

The provision for outstanding claims, including IBNR, was determined for each line of business on both gross and net of reinsurance basis. A yearly cohort from year 2006 has been adopted in building the historical claims. In some cases, only the year of accidents or settlement was given and hence made it impossible to identify the exact period of the year when the accident or settlement was made. However, where such cases arose, we have assumed that the accident or settlement was made in the same year.

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

i **The Basic Chain Ladder Method (BCL):** The Basic Chain Ladder method forms the basics to the reserving methods explained below. Historical incremental claims paid were grouped into 8 years cohorts by class of business – representing when they were paid after their accident year e.g. a year after 2008 etc. These cohorts are called loss development triangles.

The incremental paid claims (2007-2014) are cumulated to the valuation date and projected to their expected ultimate claim estimate. The gross claim reserve are then derived from the difference between the cumulated paid claims and the estimated ultimate claim.

ii **The Inflation Adjusted Chain Ladder Method (IACL):** Under this method, the historical paid losses are inflated using the corresponding inflation index in each of the accident years to the year of valuation and accumulated to their ultimate values for each accident year to obtain the projected outstanding claims. These projected outstanding claims are further multiplied by the future inflation index from the year of valuation to the future year of payment of the outstanding claims. We have adopted the following official inflation index below;

2007	6.60%
2008	15.10%
2009	13.90%
2010	11.80%
2011	10.30%
2012	12.00%
2013	8.00%
2014	8.30%
2015+	11.00%

The calculation are on two bases;

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

Assumptions

☐ Our methods assume the future claims follow a regression pattern from the historical data.
Hence payment patterns will be broadly similar in each accident year. Thus the proportionate increases in the known cumulative payments from one development year to the next used to calculate the expected cumulative payments for the future development periods.
☐ The run off period is six (6) years
☐ An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged in to the future.

☐ We assume gross claim amount includes all related claim expenses. If this is not the case, we will hold a separate reserve to cover claim expenses.
☐ BCL method adopted assumes past experience is not fully representative of the future
☐ Stochastic approach samples the loss development factors with replacement

Summary of Gross Outstanding Claims reserves

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

Notes to the financial statements

31 December 2014

Table 40(c)(i): Basic Chain Ladder Method (Undiscounted)

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

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

Applying discounting, the gross claims reserve will reduce from ₦2,546 billion above to ₦2,288billion leading to a net position of ₦1.502 billion as detailed in Table 40(c)(ii) below

31 December 2014

Table 40(c)(ii): Basic Chain Ladder Method (discounted)

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

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

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

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

Applying inflation, the gross claims reserve will increase from ₦2.289 billion above to ₦2.669 billion leading to a net position of ₦1.773 billion as detailed in Table 40(c)(iii) below

31 December 2014

Table 40(c)(iii): Inflation Adjusted Basic Chain Ladder Method

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

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

Should there be discounting, the gross claims reserve will reduce from ₦2.669 billion above to ₦2.430 billion leading to a net position of ₦1.598 billion as detailed in Table 40(c)(iv) below:

Notes to the financial statements

31 December 2014

Table 40(c)(iv): Discounted Inflation Adjusted Basic Chain Ladder Method

Class of Business	Gross Outstanding Claims ₦'000	Estimated Reinsurance Recoveries ₦'000	Net Outstanding Claims ₦'000
Accident	428,889,600	(67,384,895)	361,504,705
Engineering	57,415,231	(36,723,240)	20,691,991
Fire	661,191,362	(421,197,808)	239,993,554
Marine	158,887,223	(55,423,766)	103,463,457
Motor	324,866,441	(67,714,368)	257,152,073
Bond	34,079,764	(21,424,853)	12,654,911
Oil and gas	765,075,443	(162,859,301)	602,216,142
TOTAL	**2,430,405,064**	**(832,728,231)**	**1,597,676,833**

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

The discounted inflation adjusted basic chain ladder method resulted in a gross outstanding claims reserve of ₦2.430 billion leading to a net outstanding claims of ₦1.598 billion.

40(d) 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 2014, are summarized in Table 37.1.2.1 below.

31 December 2014

Table 40(d)(i)

Incremental Chain Ladder:

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

Table 40(d)(ii) Cumulative Claims Development Pattern: Motor

Incremental Chain Ladder- Yearly Projections (₦)								
Accident year	1	2	3	4	5	6	7	8
2007	13,391	8,411	4,318	4,083	1,604	325	1,686	255
2008	30,101	10,914	934	1,504	1,750	-	439	
2009	88,639	30,546	99,832	8,761	-	60		
2010	219,570	156,838	6,546	1,268	2,906			
2011	183,238	161,510	11,635	4,034				
2012	236,986	190,408	16,572					
2013	344,468	110,466						
2014	372,604							

Notes to the financial statements

Table 40(d)(iii) Cumulative Claims Development Pattern: Marine

Accident year	Incremental Chain Ladder- Yearly Projections (₦) 1	2	3	4	5	6	7	8
2007	235	116	798	32	1	123		
2008	5,094	13,421	902	2	2,993	-		
2009	15,955	7,849	12,960	169	60	135		
2010	11,390	13,740	4,545	1,674	13			
2011	52,361	31,987	5,208	656				
2012	25,040	28,365	1,420					
2013	22,666	15,206						
2014	30,022							

Table 40(d)(iv) Cumulative Claims Development Pattern: General Accident

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

Table 40(d)(v) Cumulative Claims Development Pattern: Fire

Accident year	Incremental Chain Ladder- Yearly Projections (₦) 1	2	3	4	5	6	7	8
2007	54,175	62,508	4,435	4,602	3,840	1,039	-	1,350
2008	116,006	3,304	1,505	678	405	11	38	
2009	31,420	3,701	9,303	332	1,635	644		
2010	70,296	88,760	1,013	2,668	7,384			
2011	86,312	134,821	52,933	2,234				
2012	29,082	170,000	52,421					
2013	156,771	171,249						
2014	117,750							

Table 40(d)(vi) Cumulative Claims Development Pattern: Engineering

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

The actuarial valuation was done by:

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

Notes to the financial statements

41 Related party transactions:

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

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

Name of related party/(relationship)

Other receivables	2015	2014
	₦'000	₦'000
Royal Exchange Plc (Parent Company)	464,025	206,584
Royal Exchange Prudential Life Assurance Plc (Sister Company)	273,403	81,876
Royal Exchange Finance and Investment Ltd (Sister Company)	5,541	11,425
Royal Exchange Healthcare Plc (Sister Company)	74,905	46,792
	817,874	346,677

Other payables	2015	2014
	₦'000	₦'000
Royal Exchange Microfinance Bank Ltd (Sister Company)	-	89
Royal Exchange Finance and Investment Ltd (Sister Company)	60,505	-
Royal Exchange Plc (Parent Company)	11,060	12,290
Royal Exchange Trustee Fund	133,949	18,590
	205,514	30,969

Gross premium written	2015	2014
	₦'000	₦'000
Royal Exchange Finance and Investment Ltd (Sister Company)	1,345	7,383
Royal Exchange Prudential Life Assurance Plc (Sister Company)	23,208	689
Royal Exchange Healthcare Plc (Sister Company)	2,198	859
Royal Exchange Microfinance Bank Ltd (Sister Company)	632	602
	27,383	9,532

Finance lease obligations	2015	2014
	₦'000	₦'000
Royal Exchange Finance and Investment Ltd (Sister Company)	5,001	12,331

Trade receivables- Premium outstanding	2015	2014
	₦'000	₦'000
Royal Exchange Finance and Investment Ltd (Sister Company)	623	1,656
Royal Exchange Prudential Life Assurance Plc (Sister Company)	23,605	689
Royal Exchange Healthcare Plc (Sister Company)	2,941	859
Royal Exchange Microfinance Bank Ltd (Sister Company)	238	103
	27,407	3,307

Interest Income	2015	2014
	₦'000	₦'000
Royal Exchange Finance and Investment Ltd (Sister Company)- short term deposits	3,639	12,527
Royal Exchange Prudential Life Assurance Plc (Sister Company)- borrowings	13,524	471
	17,163	**12,998**

Interest expenses	2015	2014
	₦'000	₦'000
Royal Exchange Finance and Investment Ltd (Sister Company)	1,087	1,381

Notes to the financial statements

Management expenses	**2015**	**2014**
	₦'000	**₦'000**
Royal Exchange Healthcare Plc (Sister Company)- Employee health insurance	45,986	27,316
Royal Exchange Prudential Life Assurance Plc (Sister Company)- Employee group life cover	13,555	11,849
	59,541	39,165

Cash and cash equivalents	**2015**	**2014**
	₦'000	**₦'000**
Royal Exchange Microfinance Bank Ltd (Sister Company)- (bank overdraft)/bank balance	(55,968)	34,406
Royal Exchange Finance and Investment Ltd (Sister Company)- short term deposits	-	53,319
	(55,968)	87,725

42 Contingencies and Commitments

a Commitments for expenditure

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

b Contingencies and commitments

Contingent liabilities

	2015	**2014**
	₦'000	**₦'000**
Legal proceedings and litigations	2,024,793	2,156,793

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

Contingent assets

The company has no contingent assets at the reporting date.

43 Events after the reporting period

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

44 Compensation of key management personnel

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

	2015	**2014**
	₦'000	**₦'000**
Chairman	444	444
Other Directors	33,588	33,588
	34,032	34,032
Directors' fees	165	165
Emoluments as Executives	33,588	33,588
	33,753	33,753
The highest paid director	**21,838**	**21,838**

Notes to the financial statements

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

	2015	2014
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:

	2015	2014
800,001 - 900,000	3	3
900,001 - 1,000,000	6	6
1,000,001 - 2,000,000	10	10
2,000,001 - 3,000,000	112	124
3,000,001 - 4,000,000	16	17
4,000,001 - 5,000,000	38	38
5,000,001 - 6,000,000	13	15
6,000,001 - 7,000,000	12	12
7,000,001 - 8,000,000	8	8
8,000,001 - 9,000,000	3	3
9,000,001 - 10,000,000	4	2
10,000,001 - 12,000,000	6	6
12,000,001 - 18,000,000	3	4
18,000,001 - 22,000,001	1	1
	235	**249**

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

	2015	2014
Managerial	18	18
Senior staff	202	213
Junior staff	15	18
	235	**249**

The staff costs for the above persons was:

	2015	2014
	₦'000	**₦'000**
Salaries , wages and other allowances	1,257,288	1,284,197
Pension cost	70,031	40,476
	1,327,318	1,324,673
Pension Scheme		
At January	-	-
Provision in the year	70,031	40,476
Remitted to Pension Fund Administrators	(70,031)	(40,476)
At 31 December	-	-

Notes to the financial statements

45 Contraventions

During the year, the Company did not contravene any sections of the Insurance Act Cap I17 LFN 2004 and the NAICOM Insurance guideline 2009 and paid no penalties.

	2015	2014
Description	**₦'000**	**₦'000**
NAICOM Guideline Re-statement of 2013 financial statements	-	100
Penalty for contravention on 2014 reinsurance treaty arrangement	-	500
Fine for non submission of 2013 quarter returns	-	2,000
	-	2,600

46 Solvency Margin requirements

The Company's solvency margin as at 31 December 2015 was ₦3.85 billion. This is ₦0.85 billion above the Company's required minimum solvency margin of ₦3 billion.

OTHER NATIONAL DISCLOSURES

ROYAL EXCHANGE GENERAL INSURANCE COMPANY LIMITED
OTHER NATIONAL DISCLOSURES
FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
ASSETS					
Cash and cash equivalents	5,534,750	5,617,944	835,809	796,973	984,074
Financial assets	2,676,939	3,193,407	2,542,277	2,082,693	2,042,301
Investment in associate	500,669	518,580	437,024	444,064	188,003
Deferred acquisition cost	301,965	327,004	390,154	208,448	166,984
Trade receivables	170,138	32,832	140,284	156,949	220,506
Other receivables and prepayment	1,530,051	1,133,203	1,040,217	1,112,204	1,245,974
Reinsurance assets	1,582,128	1,745,574	1,896,185	1,540,448	1,557,327
Statutory deposits	340,000	340,000	340,000	340,000	340,000
Intangible assets	12,597	21,078	32,887	26,054	21,731
Investment properties	3,265,716	3,341,640	3,014,763	2,457,858	2,343,403
Property and equipment	1,912,242	1,435,078	1,498,849	1,200,105	1,218,726
Employees retirement benefits	154,016	170,198	166,963	49,370	26,839
Deferred tax assets	401,915	671,643	699,334	523,150	378,652
Total assets	**18,383,126**	**18,548,181**	**13,034,746**	**10,938,316**	**10,734,520**
EQUITY & LIABILITIES					
Share Capital & Reserves:					
Ordinary share capital	4,366,666	4,366,666	3,716,667	3,716,667	3,716,667
Share premium	802,737	802,737	412,737	412,737	412,737
Statutory contingency reserve	1,288,611	1,081,952	880,373	678,366	492,259
General reserve	255,889	797,208	1,090,345	978,107	639,504
Other component of equity	72,454	131,162	130,421	18,716	69,730
Total equity	**6,786,357**	**7,179,725**	**6,230,543**	**5,804,593**	**5,330,897**
Borrowings	56,149	15,552	5,723	17,953	33,370
Deferred income	122,169	102,234	84,797	92,674	139,492
Trade payables	5,376,586	5,121,897	431,363	340,760	585,337
Provision and other payables	704,396	464,182	599,188	151,253	329,767
Finance lease obligations	5,001	12,331	41,820	69,169	98,636
Insurance contract liabilities	4,434,285	4,733,745	4,802,573	3,764,306	3,625,853
Current income tax liabilities	217,737	222,666	211,432	213,041	185,943
Deferred tax liabilities	186,916	180,756	148,068	88,378	77,332
Employees retirement benefits	493,530	515,093	479,239	396,189	327,893
Total liabilities	**11,596,769**	**11,368,456**	**6,804,203**	**5,133,723**	**5,403,623**
Total equity & liabilities	**18,383,126**	**18,548,181**	**13,034,746**	**10,938,316**	**10,734,520**
TURNOVER AND PROFIT					
Gross premium written	6,888,637	6,719,311	6,733,550	6,197,230	5,887,383
Net premium earned	4,657,133	4,757,033	3,916,907	4,391,831	3,681,487
Profit/(loss) before taxation	140,798	159,413	539,520	729,625	(190,424)
(Loss)/profit after taxation	(203,660)	57,109	611,578	673,377	(340,636)

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

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

	2015						
	Motor and Accident	Marine	Engineering	Fire & IAR	Bond	Oil & Gas	Total
Income:	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Gross written premiums	2,611,773	662,120	219,910	1,442,667	20,285	1,931,881	6,888,637
Net change in unearned premiums	52,585	7,153	22,816	(24,882)	5,198	17,186	80,056
	2,664,358	669,273	242,726	1,417,785	25,483	1,949,067	6,968,693
Insurance premium ceded to reinsurers	227,925	301,662	103,638	537,225	8,643	1,078,317	2,257,409
Net change in unearned premiums	11,610	3,330	(4,561)	(4,022)	503	47,290	54,150
	239,535	304,992	99,077	533,203	9,146	1,125,607	2,311,560
Net insurance premium income	2,424,823	364,281	143,649	884,582	16,337	823,460	4,657,133
Fee and commission income	74,258	81,608	27,373	90,825	5,508	414	279,985
Segment income	2,499,081	445,889	171,022	975,406	21,846	823,874	4,937,118
Expenses:							
Claims and benefits	834,966	438,174	141,495	844,806	7,255	(164,782)	2,101,914
Reinsurers' share - Change in insurance liabilities	(231,808)	(114,549)	(63,747)	(281,298)	1,072	64,173	(626,158)
Fees and commission expense	267,029	111,974	33,645	225,623	4,413	125,947	768,631
Business Acquisition cost	15,565	3,946	1,311	8,598	121	11,513	41,054
Salaries & Allowances - Underwriting personnel	274,130	69,496	23,082	151,421	2,129	202,769	723,026
Other Underwriting Expenses	231,174	58,606	19,465	127,693	1,795	170,995	609,728
	1,391,055	567,646	155,250	1,076,843	16,785	410,615	3,618,195
Segment underwriting profit	1,108,026	(121,757)	15,772	(101,437)	5,060	413,259	1,318,923
Net investment return	151,586	38,429	12,763	83,730	1,177	112,125	399,811
Other income	18,531	4,698	1,560	10,236	144	13,707	48,875
Management expenses	(616,793)	(156,365)	(51,934)	(340,697)	(4,791)	(456,230)	(1,626,810)
Profit before tax	661,349	(234,995)	(21,838)	(348,168)	1,591	82,860	140,799
Income tax expense							(300,722)
Minimum tax							(43,736)
Loss after tax							(203,659)
Other comprehensive income, net of tax							(58,708)
Total comprehensive income							**(262,366)**

	2014						
	Motor and Accident	Marine	Engineering	Fire & IAR	Bond	Oil & Gas	Total
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Income:							
Gross written premiums	2,857,821	614,999	230,850	1,463,899	29,290	1,522,452	6,719,311
Net change in unearned premiums	(88,269)	(519)	(3,371)	(9,802)	10,042	294,667	202,749
	2,769,552	614,480	227,479	1,454,097	39,332	1,817,119	6,922,060
Insurance premium ceded to reinsurers	344,495	250,630	90,254	529,490	9,868	822,884	2,047,619
Net change in unearned premiums	(5,013)	(11,932)	(8,455)	1,194	3,537	138,077	117,408
	339,482	238,698	81,799	530,684	13,404	960,961	2,165,027
Net insurance premium income	2,430,070	375,782	145,681	923,413	25,928	856,158	4,757,033
Fee and commission income	98,846	73,134	14,982	150,677	3,882	35,394	376,915
Segment income	2,528,916	448,916	160,662	1,074,091	29,810	891,552	5,133,947
Expenses:							
Claims and benefits	639,615	212,212	67,837	522,275	21,532	512,603	1,976,074
Reinsurers' share - Change in insurance liabilities	(214,211)	(49,449)	(107,710)	(242,850)	(15,818)	156,916	(473,122)
Fees and commission expense	335,780	102,711	34,904	245,057	7,443	117,770	843,664
Business Acquisition cost	19,173	4,126	1,549	9,821	197	10,214	45,081
Salaries & Allowances - Underwriting personnel	349,890	75,296	28,264	179,229	3,586	186,398	822,663
Other Underwriting Expenses	227,735	49,008	18,396	116,656	2,334	121,322	535,451
	1,357,982	393,904	43,240	830,189	19,274	1,105,222	3,749,810
Segment underwriting profit	1,170,934	55,012	117,423	243,902	10,536	(213,670)	1,384,137
Net investment return	132,913	28,603	10,736	68,084	1,362	70,807	312,505
Other income	14,223	3,061	1,149	7,285	146	7,577	33,440
Management expenses	(668,028)	(143,759)	(53,962)	(342,193)	(6,847)	(355,880)	(1,570,669)
Profit before tax	650,041	(57,083)	75,346	(22,922)	5,198	(491,166)	159,413
Income tax expense							(57,116)
Minimum tax							(45,188)
Profit after tax							57,109
Net actuarial gains/(losses) on employee benefits							(44,538)
Fair value changes on available for sale financial assets							57,332
Tax effects on other comprehensive income							(12,054)
Total comprehensive income							**57,849**

OTHER NATIONAL DISCLOSURES
VALUE ADDED STATEMENT
for the year ended 31 December

	2015 ₦'000	%	2014 ₦'000	%
Net premium income	6,968,693		6,922,060	
Reinsurance, claims, commission and others	(4,715,618)		(5,599,145)	
	2,253,075		1,322,915	
Investment income	313,784		330,165	
Fees and commission income	279,985		376,915	
Other income	121,229		156,199	
Bought in goods and services	(1,451,301)		(594,707)	
Value added	1,516,772	100	1,591,487	100
Applied as follows:				
In payment of employees:				
- Salaries, wages and other benefits	1,265,876	83	1,201,549	75
In payment to government:				
- Taxation	73,292	5	51,012	3
For future replacement of assets and expansion of business:				
Depreciation	174,605	12	194,456	12
Contingency reserve	206,659	14	201,579	13
General reserve	(203,660)	(13)	(57,109)	(4)
	1,516,772	100	1,591,487	100