Royal Exchange Prudential Life Plc

Annual Report
31 December 2017

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Corporate information

Registered office:	New Africa House 31, Marina Lagos Nigeria
Chairman:	Alhaji Auwalu Muktari
Managing Director/CEO:	Mr. Olawale Banmore
Executive Director:	Mr. Adekunle AbdulRafiu Kassim
Non-Executive Directors:	Dr. Pius Ofulue* Mr. Ben Azi Mr. Nelson Akerele Mr. Matthew Adefila**
Company secretary:	Ngozi Onyeme
Company registration number:	RC: 614276
Preparation supervised by:	Abimbola Ilesanmi Chief Financial Officer
Re-insurers:	African Reinsurance Corporation Continental Reinsurance Plc WAICA Reinsurance Ltd
Independent auditor:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos Nigeria
Bankers:	Access Bank Plc Ecobank Nigeria Plc First City Monument Bank Limited First Bank Limited Fidelity Bank Guaranty Trust Bank Plc Microcred Microfinance Bank New Prudential Mortgage Bank Royal Exchange Microfinance Bank Limited Skye Bank Plc Sterling Bank Plc Union Bank Plc United Bank for Africa Plc
Actuary:	EY Nigeria (Formerly HR Nigeria Limited) FRC/NAS/00000000738

* Resigned with effect from 1 April 2017
** Appointed with effect from 09 September 2017

Director's report

The Directors are pleased to present their report to the shareholders on the affairs of Royal Exchange Prudential Life Plc ("the Company") together with the financial statements and Auditor's report for the year ended 31 December 2017.

1 LEGAL FORM AND PRINCIPAL ACTIVITIES

Royal Exchange Prudential Life Plc ("the Company") formerly known as Royal Exchange Prudential Life Assurance Company Plc, was incorporated in Nigeria on 11 January 2005 as a limited liability company domiciled in Nigeria. The Company received an approval and license to transact life assurance business from the National Insurance Commission (NAICOM) on 28 February 2007. After the name change, the license was revalidated via a new certificate of registration dated 16 December 2009 issued to the Company in its new name, Royal Exchange Prudential Life Plc, to engage in the provision of financial services including long-term and short-term life assurance, investments, asset management, business acquisitions, underwriting and claims management. These financial services are rendered to individuals and corporate bodies primarily in Nigeria.

The registered office address of the Company is New Africa House, 31, Marina, Lagos, Nigeria.

2 OPERATING RESULTS FOR THE YEAR

The highlights of the Company's operating results for the year ended 31 December 2017 are as follows:

	31-Dec-2017	31-Dec-2016
	N'000	N'000
Loss before tax	(637,665)	(616,221)
Taxation	(46,654)	(14,149)
Loss for the year	(684,319)	(630,370)
Transfer to contingency reserve	(24,029)	(33,506)
Transfer to revenue reserve	(708,348)	(663,876)

3 DIRECTORS AND DIRECTORS' INTEREST AND SHAREHOLDING

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

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

Alhaji Auwalu Muktari	Chairman
Mr. Olawale Banmore	Managing Director/Chief Executive Officer
Mr. Adekunle Kassim	Executive Director
Mr. Nelson Akerele	Non-Executive Director
Dr. Pius Ofulue*	Non-Executive Director
Mr. Ben Azi	Non-Executive Director
Mr. Matthew Adefila**	Non-Executive Director

3.2 *Appointment, Resignation and Re-appointment of Directors*

During the period under review, one of the Director resigned his appointment and other person was appointed to the Board. The details of the resignation and appointment to the Board as Directors are stated below:

* Dr. Pius Ofulue resigned as a Director of the Company with effect from 1 April 2017.

** Mr. Matthew Adefila was appointed as Non-Executive Director on 09 September 2017 via a board resolution of 08 December 2017.

3.3 The Directors except, Mr. Nelson Akerele, Mr Ben Azi and Dr. Pius Ofulue, are representatives of the parent Company, Royal Exchange Plc, and have no direct or indirect share holding in the Company as required to be disclosed under Section 275 of the Companies and Allied Matters Act (CAMA) of Nigeria.

3.4 *Director's interest in contracts*

The directors do not have any interest to be disclosed under section 275 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 (2016: Nil). In accordance with section 277 of the Companies and Allied Matters Act, Cap C. 20 Laws of the Federation of Nigeria, 2004, none of the directors have notified the Company of any declarable interestsin contracts with the Company.

4 SHARE CAPITAL AND SHAREHOLDING

4.1 *Authorized share capital*

The authorized share capital of the Company is N4,000,000,000 made up of 4,000,000,000 ordinary shares of N1.00 each (2016: 3,000,000,000 ordinary shares at N1.00 each).

4.2 *Issued and fully paid share capital*

The issued and paid-up share capital of the Company currently is N3,461,339,466 made up of 3,461,339,466 ordinary shares of N1.00 each as at 31 December 2017.

	31-Dec-2017 No. of Ordinary Shares	31-Dec-2017 % Holding	31-Dec-2016 No. of Ordinary Shares	31-Dec-2016 % Holding
Royal Exchange Plc	3,461,339,465	100%	2,161,339,466	100%
Royal Exchange General Insurance Company Limited	1	0%	1	0%
Total	3,461,339,466	100%	2,161,339,467	100%

According to the register of members as at 31 December 2017, no shareholder held more than 5% of the issued share capital of the Company except as stated above.

5 PROPERTY AND EQUIPMENT

Information relating to changes in property and equipment during the year is shown in note 11 to the financial statements. In the opinion of the Directors, the market value of the Company's properties is not less than the carrying value shown in the financial statements.

6 DONATIONS

The Company made no contributions to charitable and non-political organisations during the year (2016:Nil)

7 EVENTS AFTER REPORTING DATE

There were no events after the reporting date which could have had a material effect on the financial statements for the year ended which have not been adequately provided for 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 EMPLOYER'S 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 2017, the Company had no disabled person in its employment (2016:Nil)

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 recognises that the acquisition of knowledge is constant. The Company recognises also that to foster commitment, its employees need to hone their awareness of factors; economic, financial or otherwise, that affect 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 AUDITOR

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

11 COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

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

BY ORDER OF THE BOARD

Ngozi Onyeme
FRC/2013/NBA/000000004371
Company Secretary
Lagos, Nigeria
03 April 2018

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2017

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

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

Mr. Wale Banmore (Managing Director/CEO)
FRC/2013/CIIN/00000003075
03 April 2018

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

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of **Royal Exchange Prudential Life Plc**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Royal Exchange Prudential Life Plc ("the Company"), which comprise the statements of financial position as at 31 December, 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 67.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 41 of the financial statements, which indicates that the Company incurred a net loss of ₦684 million during the year ended 31 December 2017 and, as of that date had a solvency margin of ₦776 million which was below the minimum requirement of ₦2 billion for life insurance business. These conditions, as set forth in Note 41, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The note also explains the Directors' remedial plans which formed the basis for preparing the financial statements using accounting policies applicable to a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

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

Valuation of Insurance contract liabilities

The risk

The Company had significant insurance contract liabilities amounting to N5.837 billion (2016: N4.615 billion). The valuation of insurance contract liabilities involves high estimation uncertainties and the Directors exercise significant assumptions and judgment over future outcomes, including the following:

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

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

How the matter was addressed in the audit

Our audit procedures included the following:

- We engaged our Actuarial Specialists to test and challenge the appropriateness of the methodologies used by the Company's external actuary for determining the insurance contract liabilities reported. This involved an assessment of the appropriateness of the methods used by Company's external actuary, taking into account available industry data and specific product features of the Company.

- We evaluated the reasonableness of the actuarial assumptions used by the Company's external actuary including assumptions on the projected cash flows, inflation rate and discount rate by comparing them to Company specific data and market trends.

- We engaged our Actuary to also assess the Company's valuation methodology and assumptions for consistency between reporting periods.

- We assessed the competence, independence and objectivity of the Company's external actuary.

The Company's accounting policies and critical accounting policies and critical accounting estimates and judgments and respective disclosure on insurance contract liabilities are included in note III (q), note IV (b (i)), note 14 and note 5 (b).

KPMG

Information Other than the Financial Statements and Audit Report

The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information (Director's report, statement of Director's responsibilities and other national disclosures) and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Penalties

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

Signed: Kabir

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1 373068

Statement of Company's Information and Significant Accounting Policies

I Reporting Entity

Royal Exchange Prudential Life Plc. (the "Company") formerly known as Royal Exchange Prudential Life Assurance Company Plc, was incorporated in Nigeria on 11 January 2005 as a limited liability Company domiciled in Nigeria. The Company received an approval and license to transact life assurance business from National Insurance Commission on 28 February 2007. After the name change, the license was revalidated via a new certificate of registration dated 16 December 2009 issued to the Company in its new name, Royal Exchange Prudential Life Plc, to engage in the provision of financial services including long-term and short-term life assurance, investments, asset management, business acquisitions, underwriting and claims management. These financial services which are supported by outstanding customer service are primarily undertaken in Nigeria.

The registered office address of the Company is New Africa House, 31, Marina, Lagos, Nigeria.
The Company, which is a wholly owned subsidiary of Royal Exchange Plc., has issued and fully paid share capital of 3,461,339,466 ordinary shares of N1 each.

II Statement of Compliance with IFRS and Basis of preparation

(a) Statement of compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting standards Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria, 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") guidelines and circulars.

The financial statements include the statement of financial position, statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the financial statements.

The financial statements were authorised for issue by the Board of Directors on 03 April 2018.

(b) Basis of preparation

The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The directors have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Company has adequate resources to continue as going concern for the foreseeable future. It has also been prepared under the historical cost basis except for the following:

(i) Measured at fair value:
- Available-for-sale financial assets,
- Held for trading financial assets
- Investment properties

(ii) Measured at amortised cost
- Loans and receivables;
- Financial liabilities at amortised cost.

(iii) Measured using different measurement basis
- Retirement benefit obligations are measured as the present value of the defined benefit obligation.
- Insurance contract liabilities are measured using a gross premium valuation approach for individual risk business while a combination of Unexpired premium risk (UPR), Incurred but not reported (IBNR) and Expense reserve valuation approach has been adopted for group life risk. Discounted cash flow approach are used for measuring annuity and the risk reserves.

The transactions on the financial statement have been recorded based on the accrual basis of accounting.

(c) Functional and presentation currency

The financial statement is presented in Nigeria's currency (Naira), which is the Company's functional currency. Financial information presented in Naira has been rounded to the nearest thousands, unless otherwise indicated.

(d) Reporting period

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

(e) The use of estimates and judgements

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 IV.

(f) Changes in accounting policies

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

Standards, amendments and interpretations effective during the reporting period

(i) Disclosure Initiative (Amendments to IAS 7)

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

(ii) Recognition of Deferred tax assets for unrealised losses (Amendments to IAS 12)

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

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. The amendment provides guidance where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

(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 2018, 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 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.

The standard is effective for annual periods beginning on or after 1 January 2018. This new standard will not have a significant impact on the Company as the Company is exempted from the adoption of this standard since it is an insurance company and would be adopting IFRS 4 in 2021. The adoption of the standard will bring a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

(ii) IFRS 9 Financial Instruments

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

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

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The Company will adopt the IFRS 9 together with IFRS 17 for the year ending 31 December 2021 as the major activities of the company relate to insurance, which is exempted from the adoption of IFRS 9 until 31 December 2021.

(iii) Transfer of investment property (Amendments to IAS 40)

The IASB has amended the requirements of IAS 40 Investment Property on when a Company should transfer a property to, or from, investment property.

The amendments state that a transfer is made when and only when there is a change in use – i.e. an asset ceases to meet the definition of Investment property and there is evidence of a change in use. A change in management intention alone does not support a transfer.

A company has a choice on transition to apply:

* The prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or

* The retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight.

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

(iv) Foreign currency transactions and advance considerations (IFRIC 22)

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

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

The interpretation applies when a Company:

- pays or receives consideration in a foreign currency; and
- recognises a non-monetary asset or liability e.g.. non-refundable advance consideration – before recognising the related item.

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

Standards effective for the financial years after 1 January 2018

(i) Leases (IFRS 16)

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

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

assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

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

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

(iI) Insurance contracts (IFRS 17)

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement

of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The Company is yet to carry out an assessment to determine the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements, however, the Company will adopt the standard for the year ending 31 December 2021.

III Summary of Significant accounting policies

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

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

a) Foreign currency

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined and recognised in statement of profit or loss and/or other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in the statement of profit or loss.

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

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

• available-for-sale debt instruments for the part that relates to the change in fair value.

• any other non monetary item that is measured based on a fair value basis and for which the changes in fair value are recorded in other comprehensive income.

b) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank and call deposits and other short-term highly liquid investments with original maturities of three months or less subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost (cost plus accrued interest) in the statement of financial position.

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 the statement of profit or loss as incurred, using the effective interest rate method except those that relate to qualifying assets.

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) Financial assets

The classification of financial assets depends on the purpose for which the investments were acquired or originated. The Company classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables; and
- Available-for-sale financial assets

The Company's financial assets include cash and short term deposits, trade and other receivables, reinsurance assets, staff and policy loans, government bonds and treasury bills and quoted and unquoted equity instruments.

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.

Available-for-sale Financial assets (AFS)

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

(a) loans and receivables;

(b) held-to-maturity investments; or

(c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Company that are traded in an active market are classified as AFS. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(ii) Financial liabilities

Financial liabilities are classified as at fair value through profit or loss or other financial liabilities.

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

The Company's financial liabilities are classified as other financial liabilities as the Company does not have liabilities classified as at fair value through profit or loss. They include trade, other payables, investment contract liabilities and borrowings.

(iii) Initial recognition and measurement

Financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

All financial assets or financial liabilities are measured initially at their fair value including transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss for which transaction costs are immediately recorded in the statement of profit or loss. Subsequent recognition of financial assets and liabilities is at amortised cost or fair value.

(iv) Subsequent measurement

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

Financial assets held at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading and other financial assets designated at fair value. Fair value assets classified as held for trading are acquired principally for the purpose of selling in the short term for profit. These investments are initially measured at fair value. Subsequent to initial recognition, they are re-measured at fair value, with gains and losses arising from changes in this value recognised in the income statement in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices. The fair values of unquoted equities, and quoted equities for which there is no active market, are established using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in investment income.

Available-for-sale (AFS)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein (with the exception of investments in equity instruments where fair value cannot be reliably determined, which are measured at cost), other than impairment losses and foreign currency differences on amortised cost portion of debt instruments are recognised in other comprehensive and accumulated in fair value reserves. When available for sale financial assets are derecognised, the gain or loss accumulated in other comprehensive income is reclassified to statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as fair value through profit or loss or available-for-sale.

Loans and receivables consist primarily of trade receivables, commercial loans, staff loans, and other debtors.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. 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.

Trade receivables on insurance contracts include amount due from agents, brokers, co-assurers and insurance contract holders with determinable payments that are not quoted in an active market and the company has no intention to sell. Trade receivables arising from insurance contracts are measured at amortised cost net of allowance made for debtors considered doubtful of recovery.

Other financial liabilities

Other financial liabilities are measured at amortised cost subsequent to initial recognition. These financial liabilities include investment contract liabilities, finance leases as well as trade and other payables. The Company has not classified any financial liabilities at fair value.

(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 maximize 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 on initial recognition is the transaction price, i.e. the fair value of the consideration paid 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, the difference in 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 a liability measured at fair value has a bid price and an ask price, the Company measures the assets and long positions at a bid price and liabilities and short positions at an ask price.

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

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

The fair value of government and corporate debt securities is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using market standard valuation methodologies which are determined primarily using observable market inputs, which include, but not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. The fair value of equity securities is determined using quoted prices in active markets for identical securities or similar securities, when available, or valuation methodologies and valuation inputs similar to those used for government and corporate debt securities. In limited instances, non-binding broker quotes are used where there is lack of observable data.

Staff mortgages and other staff loans are recorded at amortised cost. The fair value of these loans and other long term receivables is determined by discounting the expected future cash flows using a current market interest rates applicable to financial instruments with similar yield, credit quality and maturity characteristics.

Investment properties are recorded at fair value with changes in fair value recorded in profit or loss. The fair value of investment properties is generally determined using property valuation models that sums up the income streams or rentals which a property can attract in one year and this is then capitalized at an appropriate years purchase of factor rate after due allowance has been made for outgoings. Another valuation technique used to validate the discounted cash flow technique is known as the depreciated replacement cost (DRC) technique. This technique refers to the cost of putting up same or similar structure based on today's bill of quantities with percentage allowance(s) to reflect depreciation and obsolescence as may be applicable.

The methodologies and inputs used in these models are in accordance with real estate industry valuation standards. Valuations are prepared externally by professionally accredited real estate appraisers/valuers.

Due to their nature, the fair value of policy loans are assumed to be equal to their carrying values, which is the amount these assets are recorded at in the Statement of Financial Position.

(vi) Offsetting of financial instruments

Financial assets and liabilities are set off and net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS or from gains and losses arising from a similar group of transactions such as in the Company trading activities.

vii) De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when its rights to receive the contractual cash flows on the financial asset in a transaction that transfers substantially all the risks and rewards of ownership of the financial asset are transferred, or when it assumes an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income(.i.e. for available for sale financial asset) is recognised in statement of profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by extent to which it is exposed to changes in the value of the transferred asset.

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

vii) Impairment of financial assets

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. 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. The assessment include individually significant or collectively for financial assets that are not individually significant for indicators of impairment at the end of the reporting period. Objective evidence that a financial asset or group of financial assets is impairment could include:

- Significant financial difficulty of the issuer or debtor;
- 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; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company. The significant estimates and judgments applied in assessing the impairment on financial assets are as shown in the statement of accounting policies note iv(b) (ii) and (iii).

Loans and receivables

For loans and receivables measured at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flow for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated. 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 recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 9 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

Impairment losses on available for sale financial asset are recognised by reclassifying the losses accumulated in the fair value reserves to statement of profit or loss. The amount reclassified is the difference between the acquisition cost (net of principal repayment and amortisation) and the current fair value less any impairment loss previously recognised in statement of 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 shall be reversed either directly through profit or loss or by adjusting the allowance account.

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. The amount of the reversal shall be recognised in statement of profit or loss and through other comprehensive income for equity instruments classified as available for sale. For equity securities, impairment are not reversed and subsequent changes in fair values are recorded in other comprehensive income

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 recognised 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.

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 recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

e) Receivables related to insurance contracts and investment contracts

Trade receivables arising under insurance contracts and investment contracts with Discretionary Participation Feature (DPF) are recognised when due. These include amounts due from agents, brokers, co-assurers and insurance contract holders. Trade receivables are measured at amortised cost less impairment.

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

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.

f) 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 and Co-assurance Companies for ceded insurance and investment contracts. Amounts recoverable from reinsurers and co-assurers 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, the Company reduces the carrying amount accordingly and recognises the impairment loss in the income statement.

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

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The details of recognition and measurement of reinsurance contracts have been set out in the notes.

g) Deferred acquisition costs (DAC)

Acquisition costs comprise all direct and indirect costs arising from the writing of life assurance contracts.

Deferred acquisition costs represent a proportion of commission which are incurred during a financial period and are deferred to the extent that they are recoverable out of future premium.

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

h) Other receivables and prepayments

Other receivables and prepayments comprise staff upfront housing and furniture allowances, accrued rental income receivable and intercompany balances due from the Company's parent company, Royal Exchange Plc and other components within the Royal exchange group. Prepayments are essentially prepaid rents and staff upfront payments. Other receivables are carried at amortised cost less accumulated impairment losses.

The Company recognises intercompany receivables when they are originated. Intercompany receivables are measured at amortised cost less accumulated amortisation and impairment losses. The intercompany balances do not attract any interest charges and repayments are made upon request.

i) Investment in associates

Associates are those investees in which the Company has significant influence, but not control or joint 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, except they fully meet the exemption criteria stated in IAS 28 paragraph 17-19 and are then recognised at cost. The initial recognition is at fair value including transaction costs.

j) Investment properties

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

Recognition and measurement

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

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

De-recognition

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of profit or loss or in the period of de-recognition and surplus previously recorded in equity is transferred to retained earnings.

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.

k) 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 2(f) to the financial statements.

l) Non current assets held for sale

Non current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

When conditions for classification as held for sale are not longer met, assets classified as held for sale are reclassified to their initial class before classification as held for sale. The Company adopts the provision of IFRS 5 paragraph 27 in measuring the value of the assets. The provision of paragraph 27 of IFRS 5 requires that an entity shall measure a non-current asset (or disposal group) that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

The recoverable amount is represented by the higher of value-in-use or the fair value less cost to sell.

m) Intangible assets

Computer software

Acquired computer software

Recognition of software acquired is only allowed if it is probable that future economic benefits attributable to the asset will flow to the Company. Software acquired is initially measured at cost. The cost of acquired software comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. 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 amortisation and impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Internally developed software is capitalized when the Company has the intention and demonstrates the ability to complete the development and use of the software in a manner that will generate future economic benefits, adequate technical, financial and other resources to complete the development and to use or sell the software product are available and can reliably measure the costs to complete the development. The capitalized costs include all costs directly attributable to the development of the software. Internally developed software is stated at capitalized cost less accumulated amortisation and impairment. amortisation charge is recognised in profit or loss.

Subsequent measurement

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate

De-recognition

An intangible asset is derecognised when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the retirement of the intangible asset is recognised in profit or loss of the year that the asset is derecognised.

amortisation

Acquired computer software costs are amortised for a period of five (5) years using the straight line method.

The intangible assets residual values, useful lives and method of amortisation are reviewed and adjusted if appropriate at the end of each reporting period.

n) Property and equipment

Recognition and measurement

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred.

Subsequent costs on replacement parts on an item of property are recognised in the carrying amount of the asset and the carrying amount of the replaced or renewed component is derecognised.

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item 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-to-day servicing of property and equipment are recognised in the statement of profit or loss as incurred.

Depreciation

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

Depreciation on revalued buildings is recognised in statement of profit or loss. On the subsequent sale or retirement of a revalued property, the revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land and leasehold land are not depreciated.

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

Buildings	50 years
Furniture and office equipment	5 years
Motor vehicles	4 years
Computer hardware	4 years

De-recognition

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

(o) Leases

Leases are divided into finance leases and operating leases.

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

p) 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 Life Insurance Companies.

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

q) Insurance contract liabilities

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. This contracts are the primary business activity of the Company. These contracts insure events associated with human life (for example death or survival) duration.

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts where the insurer has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Insurance contract with discretionary participating features (DPF)

Some insurance contracts and investment contracts contain a discretionary participating feature (DPF), which is a contractual right to receive as, a supplement to guaranteed benefits, additional benefits:

- that are likely to be a significant portion of the total contractual benefits;
- that the amount or timing is contractually at the discretion of the insurer; and
- That are contractually based on:

i. the performance of a specified pool of contracts or a specified type of contract;
ii. realized and or unrealized investment returns on a specified pool of assets held by the issuer; or
iii. the profit or loss of the Company.

Recognition and measurement

Insurance contracts with DPF are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

Short-duration life insurance contracts (Group Life) protect the Company's clients from the consequences of events (such as death or disability) that would affect the ability of the client or his/her dependents to maintain their current level of income. These contracts have no maturity or surrender value and the premiums are recognised as earned premiums proportionally over the period of coverage.

The proportion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium liability. Premiums are shown before deductions of commissions and are gross of any taxes or duties levied on premiums.

Claims expenses are recognised in the statement of profit or loss as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs that arise from events that have occurred up to the end of the reporting period even if they have not been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid/outstanding claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported.

(ii) Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recognised as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is actuarially determined based on assumptions such as mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. The change in liabilities are recorded in gross premium on the statement of profit or loss.

(iii) Annuity

Annuity is an insurance product that features a predetermined periodic pay-out amount until the death of the annuitant in exchange for an immediate payment of a lump sum or a series of regular payments prior to the onset of the annuity. Annuity premium are recognised as income when received from policy holders, and payments to policy holders are recognised as an expense when due. Annuities are valued by actuaries using a discounted cash flow approach. The reserves are set equal to the present value of future annuity payments plus expenses, with allowance being made for any guaranteed periods as required by the terms of the contract. Annuities collected in a year are credited to the Gross Premium written and the portion that extends beyond one year is taken out via the unearned premium. The assets representing the annuities are invested in near-cash money market financial instruments with a tenor of 30 days on rolling basis and an interest spread using the interest rates available in the market.

The annuity is valued at year end by a professional consultant actuary registered with the National Insurance Commission (NAICOM) and the Financial Reporting Council of Nigerian (FRC). Also a liability adequacy test is required by law to be performed on annuity fund to determine its sufficiency in meeting the contractual liabilities. Some of the assumptions being considered in valuing the annuity fund at the year end are:
(a) a 10 year guaranteed minimum annuity payment
(b) a valuation interest determined by a long term FGN bond yield
(c) a maintenance expenses and the mortality rates.

The change in liability for annuity and other insurance contract liabilities are recorded in the statement of profit or loss as a movement in life fund.

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.

Provision for unearned premium

Unearned premiums are those proportions of premiums written in the year that relate to periods of risks after the reporting date. It is computed separately for each insurance contract using a time proportionate basis, or another suitable basis for uneven risk contracts. The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to the statement of profit or loss as recognition of revenue over the period of risk.

Reinsurance

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

Premiums ceded, claims recovered and commission received are presented in the statement of profit or loss and statement of financial position separately from the gross written premium, claims paid and commissions paid respectively.

Reinsurance recoverable are estimated in manner consistent with the outstanding claims provision and claims incurred associated with the reinsurer's polices and are in accordance with the related insurance contract. They are measured at their carrying amount less impairment charges. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. If there is objective evidence of impairment, the Company reduces the carrying amount of its insurance assets to its recoverable amount and recognises the impairment loss in profit or loss as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

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

Prepaid reinsurance

Prepaid reinsurance cost is determined on a time apportionment basis and is reported under reinsurance assets in the statement of financial position. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Reinsurance expense

Reinsurance expense represents outward reinsurance premiums and are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

Unearned reinsurance premiums

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Liability adequacy test

At each reporting date, an assessment is made of whether the recognised long-term business, short-term business and investment contract provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the statement of profit or loss as a movement in life fund by increasing the carrying amount of the related insurance liabilities in the statement of financial position.

r) Investment contract liabilities

The Company enters into investment contracts with guarantee returns and other businesses of savings nature. Those contracts are recognised as liabilities and are measured at amount payable at each reporting date.

The Company does not have contracts with discretionary participating features.

Finance cost on investment contract liabilities is recognised as an expense in the profit or loss using the Effective Interest Rate (EIR).

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. The investment contract comprises of the Royal Policy Product, (RPP), the Royal Insurance Savings Account (ISA) and the Deposit Administration (DA).

Amounts collected from investment linked contracts with no discretionary participating features are reported as deposits (i.e. as investment contract liabilities) in the statement of financial position. Interest, usually agreed with clients, is credited per annum to each account holder and the amount expensed to statement of profit or loss. Payment of benefits are treated as withdrawal (reduction) from the balance standing in the credit account of the client.

s) Trade payables

Trade payables are recognised when due. These include amounts due to agents, reinsurers, co-assurers and insurance contract holders. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date is less than one year, discounting is omitted.

t) Provisions and other payables

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. The fair value of a non-interest bearing liability is its discounted repayment amount. Short term non interest bearing liability is recognised at the nominal amount as the impact of discounting is not material.

u) Employee Benefits

(i) Short-term benefits

Staff benefits such as wages, salaries, paid annual leave allowance, and non-monetary benefits are recognised as employee benefit expenses. The expenses are accrued when the associated services are rendered by the employees of the Company. Short-term employee benefit obligations are measured on an undiscounted basis.

(ii) Defined contribution plans

The Company operates a defined contribution plan in accordance with the provisions of the Pension Reform Act 2014. The Company and employees contribute 10% and 8% respectively of the qualifying monthly emoluments in line with the Pension Reform Act. The Company's monthly contribution to the plan is recognised as an expense in the statement of profit or loss.

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

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises cost of restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iv) Defined benefit plan

The Company operates a funded staff gratuity plan for eligible confirmed staff. The normal retirement age is 60 years and 55 years for male staff and female staff respectively. Voluntary retirement can commence after a male staff attains 55 years of age and a female staff attains 45 years of age. 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 due to resignation, retirement or death.

The calculation of the Company's defined benefit obligation is performed annually by a qualified actuary using the projected credit unit method. When the calculation results in a potential asset to 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.

Measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling(if any, excluding interest) are recognised immediately in other comprehensive income (OCI). The Company determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the benefit obligation at the beginning of the annual period to 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 personnel expenses in statement of profit or loss.

When benefits of 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 statement of profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(v) Other long term employee benefits

The Company operates a long service award plan for eligible staff who have rendered unbroken 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.
The Company meets benefits on a pay-as-you-qualify basis as the plan is an unfunded scheme.

v) Income taxes

Current tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Company's statement of profit or loss because of items of income or expense that is 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 or subsequently 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% accounting profit.

Minimum tax

The Company pays minimum tax in accordance with the Company Income (Amendment) Act, 2007, where in any year of assessment, the ascertainment of total assessable profits from all sources of the Company results in a loss or where the Company's ascertained total profits results in no tax payable or tax payable is less than the minimum tax. Minimum tax charge is applicable to companies that have been in business for at least 4 (four) calendar years. Minimum tax is recorded as current tax expense.

Deferred tax

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

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

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

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

Deferred tax asset and liabilities are offset when the entity has a legally enforceable right to offset current tax liabilities against current tax assets, and the deferred tax asset and liabilities relate to income taxes levied by the same tax authority on the Company; or on different taxable entities but they intend to settle current tax liabilities and current tax assets on a net basis; or the tax assets and liabilities will be realized simultaneously.

w) Capital and reserves

Share capital

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

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

The Company classifies ordinary shares and share premium as equity when there is no obligation to transfer cash or other financial assets.

Incremental costs directly attributable to issue of shares are recognised as deductions from equity net of any tax effects.

Dividends on the Company's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

Share premium

This represents the excess amount paid by shareholders on the nominal value of the shares. This amount is distributable to the shareholders at their discretion. The share premium is classified as part of equity instrument in the statement of financial position.

Contingency reserve

The Company maintains Contingency reserves for the life 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 Life business, the Company maintains contingency reserve at the rate equal to the higher of 1% of gross premium or 10% of the net profit accumulated until it reaches the amount of the minimum paid up capital.

Retained earnings

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

Fair value reserves

Fair value reserves represent the cumulative net change in the fair value of available-for-sale financial assets as at the reporting date. These assets include listed and unlisted equities classified at available-for sale and instrument relating to annuity fund such as bonds and treasury bills. Increases in the value of these assets are recognised in other comprehensive income and accumulated in assets revaluation reserve until the assets are derecognised.

Other reserves - employee benefit actuarial surplus

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

x) Revenue recognition

i) Premium earned

Gross premium written comprises the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. It is recognised at the point of attachment of risk to a policy, gross of commission expense, and before deducting cost of reinsurance cover and unearned portion of the premium.

Premiums on reinsurance inward are included in gross written premiums and accounted for as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or reinsurance business assumed.

Gross written premium for insurance contract and investment contracts with discretionary participating features comprise premium 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. For single premium business, this is the date from which the policy is effective. For regular premium contracts, receivables are recognised at the date when payment is either received or credit note received from the broker.

Where policies lapse due to non-receipt of premium, then all the related premium income accrued but not received from the date they are deemed to have lapsed is fully provided for. Premiums are disclosed gross of commission paid to intermediaries but excludes VAT (Value Added Tax) and stamp duties that are payable to intermediaries and relevant regulatory bodies respectively. Premiums on facultative business assumed are included in the gross written premiums and accounted for as if the facultative was considered a direct business, taking into account the product classification of the facultative business assumed.

Unearned premiums represent the portion of premium written in the year that relate to the unexpired risk of policies in force at the balance sheet date.

Deposits collected from investment-linked contracts with non-discretionary participating features are reported as investment contract liabilities in the statement of financial position.

Outward facultative premiums and reinsurance premiums ceded are accounted for in the same accounting period as the premiums for the related direct insurance or facultative business assumed.

The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of indemnity received.

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

ii) Fees and commission income

Fee and commission income consists primarily of insurance agency and brokerage commission, investment contract fee income, reinsurance and profit commissions, policyholder administration fees and other contract fees. Front end fees on investment contracts with no discretionary participating features are recognised as income when investment management services are rendered over the estimated life of the contracts. Reinsurance commissions receivable are deferred in the same way as acquisition costs. All other fee and commission income is recognised as the services are provided.

Commissions are recognised on ceding business to the reinsurer and are credited to the profit or loss over the period the service is provided.

iii) Investment income

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

Interest income

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

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

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

Dividend income

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

The right to receive dividend is established when the dividend is duly declared and confirmed by the registrars.

Realized and unrealized gains or losses

Realized gains and losses on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

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

iv) Other operating income

Sundry and other operating income represents sundry incomes generated from other sources than premium income and investment income. All income is recognised on an accrual basis.

y) Expense recognition

i) Insurance benefits and claims expense

Claims and benefits relating to life insurance contracts are recognised as expense on notification. Maturities and annuities are recognised when due. Claims on life insurance contracts and annuity contracts consist of claims arising during the reporting period, together with the movement in the provision for outstanding claims. The cost of claims includes both the direct expenses incurred in settling claims and the indirect expenses incurred by the claims staff in processing claims. All outstanding claims on both short-term and long-term insurance contracts that have occurred at the reporting date, and which have been notified by the assured, are carried at the claim amount advised.

ii) Underwriting expenses

Underwriting expense includes 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 maintenance expenses are recognised in the statement of profit or loss as they are incurred.

The acquisition cost is expensed over the duration of the policy underwritten. Therefore at the end of a reporting period, the unamortised portion are capitalised as Deferred Acquisition Cost and amortised over the rest of the tenor of the policy.

iii) Management expenses

Management expenses are charged to the statement of 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, general selling and administration expenses and other operating expenses.

z) Segment reporting

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

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

- Long Term Business (Individual -Life assurance)
- Short Term Business (Group -Life assurance), and,
- Investment Linked Contracts.

The other segments include corporate shared services and other activities not related to the core business segment and which are not reportable segments due to their immateriality. Certain expenses, finance costs and taxes are not allocated across the segments.

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

aa) Contingent liabilities

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

IV 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 judgement are:

A Judgement

Management applies its judgement to determine whether to apply equity accounting or cost accounting for all it's associates. Criteria are set out in note to the accounts 7.

B Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

(i) Liabilities arising from insurance contracts

Claims arising from 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.

The liabilities for life insurance contracts are estimated using appropriate and acceptable base tables of standard mortality according to the type of insurance contract being written. Management make various assumptions such as expenses inflation, valuation interest rate, mortality and further mortality improved in estimating the required reserves for life contracts.

(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 II(b). 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 for more than 20% or that which has lasted for 9 months, industry and sector performance, changes in technology, and operational and financing cash flows etc.

(iii) Fair value of financial instruments

The directors use their judgment in selecting an appropriate valuation technique for some financial assets. Impairment for financial assets carried at amortised costs as well as the amount of impairment for trade receivables. The significant estimates applied in determination of fair value of financial assets are as shown in note 37(a).

(iv) Determination of fair value of investment property

Management employed the services of estate surveyors and valuers to value its investment properties. The estimated open market value is deemed to be the fair value based on the assumptions that there will be willing buyers and sellers. Recent market prices of neighbourhood properties were also considered in deriving the open market values. Other key assumptions are as disclosed in Note 8 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 12.

(vi) Income Taxes

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

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

Management is required to make judgement 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 judgement and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

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

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

Statement of financial position
as at

	Note	31-Dec-17 N'000	31-Dec-16 N'000
ASSETS			
Cash and cash equivalents	1	1,145,992	965,546
Financial assets:			
- Fair value through profit or loss	2(a)	1,716,730	1,657,341
- Available for sale	2(b)	1,231,477	1,116,096
- Loans and receivables	2(c)	58,870	45,925
Trade receivables	3	5,485	38,869
Reinsurance assets	4	581,937	470,591
Deferred acquisition cost	5	44,791	48,640
Other receivables and prepayments	6	1,471,758	502,853
Investment in associates	7	283,217	283,217
Investment properties	8	1,348,163	1,259,750
Non current asset held for sale	9	973,639	973,639
Intangible assets	10	757	1,579
Property and equipment	11	197,635	230,687
Statutory deposits	13	215,000	215,000
Total assets		9,275,451	7,809,733
LIABILITIES			
Insurance contract liabilities	14	5,709,261	4,615,352
Investment contract liabilities	15	293,555	339,456
Trade payables	16	94,671	41,879
Deposit for shares	17(d)	-	500,000
Other payables	17	798,786	748,210
Finance lease obligations	18	44,512	24,134
Employee benefit liability	12(a)	5,043	4,205
Income taxes	19	22,280	-
Deferred tax liabilities	20(a)	35,956	33,991
Total liabilities		7,004,064	6,307,227
EQUITY			
Share capital	21(b)	3,461,339	2,161,339
Share premium	22	404,494	404,494
Contingency reserve	23	180,092	156,063
Retained earnings	24	(1,754,095)	(1,045,747)
Fair value reserves	25(a)	(23,095)	(176,015)
Other reserves-employee benefit actuarial surplus	25(b)	2,652	2,372
Total equity		2,271,387	1,502,506
Total equity and liabilities		9,275,451	7,809,733

The financial statements and accompanying notes were approved by the Board of Directors on 03 April 2018 and signed on its behalf by:

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

Mr. Wale Banmore
Managing Director/CEO
(FRC/2013/CIIN/00000003075)

Additionally certified by:

Abimbola Ilesanmi
Chief Financial Officer
(FRC/2018/ICAN/00000018008)

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

Statement of profit or loss and other comprehensive income

for the year ended

	Note	31-Dec-17 N'000	31-Dec-16 N'000
Gross premium written	26	3,005,802	3,350,588
Unearned premium	26(e)	53,536	121,887
Gross premium income	26(b)	3,059,338	3,472,475
Reinsurance premium expenses	26(c)	(353,946)	(282,444)
Net premium income	26(a)	2,705,392	3,190,031
Fees and commission income	27	55,612	48,908
Net underwriting income		2,761,004	3,238,939
Insurance claims and benefits incurred	28	(2,322,441)	(1,940,748)
Insurance claims and benefits incurred - recovery from reinsurers	29	453,800	290,980
Changes in insurance contract liabilities	30	(523,792)	(670,393)
Underwriting expenses	31	(460,292)	(429,730)
Underwriting (loss) /profit		(91,721)	489,048
Profit on investment contracts	32(a)	(12,220)	47,050
Other investment income/ (loss)	32(b)	623,973	(5,216)
Fair value gains and losses on assets	33	60,223	(64,265)
Other operating income	34(a)	17,224	11,904
Depreciation on property and equipment	35(a)	(63,269)	(63,029)
Amortisation of intangible assets	35(b)	(822)	(922)
Impairment on assets	35(c)	(110,108)	2,309
Employee benefit expenses	35(d)	(158,754)	(147,238)
Management expenses	35(e)	(902,191)	(885,862)
Results from operating activities		(637,665)	(616,221)
Loss before taxation		(637,665)	(616,221)
Income tax charges	19(a)	(1,965)	(2,182)
Minimum tax	19(a)	(44,689)	(11,967)
Loss for the year		(684,319)	(630,370)
Other comprehensive income:			
Items that will not be classified in profit or loss			
Net actuarial gain	25(c)	280	2,758
Items that are or may be reclassified to profit or loss:			
Fair value gains/(losses) on available for sale instruments	25(a)	152,920	(171,805)
Total other comprehensive income net of tax		153,200	(169,047)
Total comprehensive income for the year		(531,119)	(799,417)

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

Statement of changes in equity

for the year ended 31 December 2017

	Share capital	Share premium	Contingency reserve	Retained earnings	Actuarial gain/(loss) reserve	Fair value reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
As at 1 January 2017	2,161,339	404,494	156,063	(1,045,747)	2,372	(176,015)	1,502,506
Other Comprehensive Income							
Profit for the year	-	-	-	(684,319)	-	-	(684,319)
Additional share capital	1,300,000	-	-	-	-		1,300,000
Net actuarial gains/losses on defined benefit obligations	-	-	-	-	280	-	280
Net amount reclassifed to profit or loss	-	-	-	-	-	-	-
Fair value gains/ (loss) on available for sale	-	-	-	-	-	152,920	152,920
Total comprehensive income for the year	3,461,339	404,494	156,063	(1,730,066)	2,652	(23,095)	2,271,387
Transactions within Equity:							
Transfer to contingency reserves	-	-	24,029	(24,029)	-	-	-
Transactions with Equity owners							
Dividend paid to equity owners	-	-	-	-	-	-	-
As at 31 December 2017	3,461,339	404,494	180,092	(1,754,095)	2,652	(23,095)	2,271,387

for the year ended 31 December 2016

	Share capital	Share premium	Contingency reserve	Retained earnings	Actuarial gain/(loss) reserve	Fair value reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
As at 1 January 2016	2,161,339	404,494	122,557	(381,871)	14,838	(4,210)	2,317,147
Profit for the year	-	-	-	(630,370)	-	- -	(630,370)
Net actuarial gains/losses on defined benefit obligations	-	-	-	-	2,758	-	2,758
Net amount reclassifed to profit or loss	-	-	-	-	(15,224)	-	(15,224)
Fair value gains/(losses) on available for sale of quoted equities	-	-	-	-	-	(171,805)	(171,805)
Total comprehensive income for the year	2,161,339	404,494	122,557	(1,012,241)	2,372	(176,015)	1,502,506
Transactions within Equity:							
Transfer to contingency reserves	-	-	33,506	(33,506)	-	-	-
Transactions with Equity owners							
Dividend paid to equity owners	-	-	-	-	-	-	-
As at 31 December 2016	2,161,339	404,494	156,063	(1,045,747)	2,372	(176,015)	1,502,506

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

Statement of cash flows
for the year ended

	Note	31-Dec-17	31-Dec-16
Cash flows from operating activities		N'000	N'000
Premium received	45(i)	3,039,186	3,328,497
Claims paid	45(ii)	(1,758,591)	(1,530,323)
Commission paid	5	(300,724)	(257,807)
Commission received	27	55,612	48,908
Reinsurance premium paid	45(iii)	(301,154)	(279,014)
Reinsurance claims recovered	4(c)	237,844	128,011
Payment to employees	35(d)(i)	(314,473)	(303,255)
Other operating cash payments	45(viii)	(1,762,887)	(775,641)
Other operating income received	34(a)(i)	17,207	10,083
Dividend received	45(iv)	18,244	18,504
Net outflow from deposit administration and saving products	45(v)	(72,271)	(22,338)
Income tax paid	19(b)	(20,147)	(16,019)
Net cash from/(used in) operating activities		(1,162,154)	349,606
Cash flows from investing activities			
Purchase of property and equipment	11	(30,713)	(68,249)
Proceed from disposal of property and equipment	45(vi)	3,365	5,134
Property redevelopment	45(x)	30,427	-
Deposit for investments	6(c)	(215,200)	-
Proceeds from disposal of investment property	32(b)i	-	1,900,000
Purchase of financial asset at fair value through profit or loss	2(d)	(1,842,259)	(1,382,750)
Purchase of financial asset at available for sale	2(d)	(299,645)	(1,198,263)
Loans and receivables granted during the year	2(d)	(48,569)	(19,777)
Investment income received	45(ix)	726,720	181,989
Rental income received from investment property	45(vii)	22,222	54,815
Receipts from loans and receivables	2(d)	35,624	25,136
Proceeds on disposal, sale or redemption of AFS investment	2(d)	337,184	-
Proceeds on disposal, sale or redemption of FVTPL investment	2(d)	1,823,444	210,996
Net cash (used in)/from investing activities		542,600	(290,969)
Cash flows from financing activities			
Deposit for shares	17(d)	-	500,000
Additional capital introduced		800,000	-
Net cash used in financing activities		**800,000**	**500,000**
Net increase/(decrease) in cash and cash equivalents		180,446	558,637
Cash and cash equivalents at the beginning of year		965,546	406,909
Cash and cash equivalents at end of year	1(a)	**1,145,992**	**965,546**

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

Notes to the financial statements

1 Cash and cash equivalents

1(a) Cash and cash equivalents comprise:

	31-Dec-17	31-Dec-16
	N'000	N'000
Cash at bank and in hand	188,885	8,242
Other short-term bank deposits (see note 1(b) below)	957,107	957,304
	1,145,992	965,546

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less at the acquisition date.

1(b) Other short term bank deposits

	31-Dec-17	31-Dec-16
	N'000	N'000
Short-term placements	957,107	946,701
Other short-term deposits	-	10,603
	957,107	957,304

The short term placements include commercial papers issued by the sister company, Royal Exchange General Insurance Company limited.

2 Financial assets

The financial assets are categorised by measurement as summarized below :

	31-Dec-17	31-Dec-16
	N'000	N'000
Fair value through profit or loss (FVTPL) - (see note 2(a) below)	1,716,730	1,657,341
Available for sale (see note 2(b) below)	1,231,477	1,116,096
Loans and receivables (see note 2(c)below)	58,870	45,925
	3,007,077	2,819,362

2(a) Financial assets at fair value through profit or loss

	31-Dec-17	31-Dec-16
	N'000	N'000
Equity securities: - listed	264,779	259,759
Treasury bills	1,416,076	1,362,935
Federal Government bonds	35,875	34,647
	1,716,730	1,657,341
Current	1,416,076	1,362,935
Non-current	300,654	294,406
	1,716,730	1,657,341

Equity securities classified in the category as fair value through profit or loss are designated upon initial recognition and as they are listed they are classified as non-current. There were no financial assets measured at fair value through the profit or loss that were either past due or impaired.

2(b) Available for sale financial assets.

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

	31-Dec-17	31-Dec-16
	N'000	N'000
Equity securities: - Unlisted	90,392	90,392
Equity securities: - Listed	9,434	9,434
Bonds and treasury bills: Annuity fund (see note 2(b(i)) below)	1,141,839	1,026,458
	1,241,665	1,126,284
Fair value adjustments in unlisted AFS equities (see note 2(e) below)	(10,188)	(10,188)
	1,231,477	1,116,096
Current	-	-
Non current	1,231,477	1,116,096
	1,231,477	1,116,096

Listed available for sale equities are measured at fair value using the quoted prices in active markets and fair value changes recognised in other comprehensive income. Unlisted available for sale equities are measured at cost less any identified impairment losses at the end of each reporting period because there is no active market to determine a possible fair value.

An analysis of available for sale equity securities as at year end is as shown below:-

Name of entity	31-Dec-17 value of equities N'000	31-Dec-17 % holding
Sterling assurance Nigeria Ltd	82,530	82.7%
Capital Bancorp Plc	1,716	1.7%
R.E.A Real Property Investment	1,449	1.5%
DPMS Nigeria Ltd	1,261	1.3%
Others	12,870	12.9%
	99,826	
Accumulated fair value changes (unlisted equities)	(10,188)	
	89,638	

Name of entity	31-Dec-16 value of equities N'000	31-Dec-16 % holding
Sterling assurance Nigeria Ltd	82,530	3.0%
Capital Bancorp Plc	1,716	1.0%
R.E.A Real Property Investment	1,449	5.1%
DPMS Nigeria Ltd	1,261	2%
Others	12,870	-
	99,826	
Accumulated fair value changes	(5,978)	
Changes in fair value (current year)	(4,210)	
	89,638	

b(i) The bonds and treasury bills represents the investment made with premium received from annuity policies. The Bonds and treasury bills are classified as Available-for-sale and subsequently measured at fair value. The bonds and treasury bills represents the assets backing the liabilities arising from the annuity policies.

2(c) Loans and receivables

	31-Dec-17 N'000	31-Dec-16 N'000
Staff housing loans	13,508	21,143
Staff personal loans	2,882	1,870
Other loans and receivables	2,781	2,539
Policyholders' loans	39,699	20,373
	58,870	45,925
Current	30,285	23,320
Non-current	28,585	22,605
	58,870	45,925

2(d) The movement in financial assets is summarised as follows:-

	Fair value through profit and loss N'000	Available for sale N'000	Loans and receivables N'000
As at 31 December 2015	549,853	89,638	51,284
Additions during the year	1,382,750	1,198,263	19,777
Disposal (sales & redemptions)	(210,996)	-	(25,136)
Fair value (losses)	(64,265)	(171,805)	-
As at 31 December 2016	1,657,342	1,116,096	45,925
Additions during the year	1,842,259	299,645	48,569
Disposal (sales & redemptions)	(1,823,444)	(337,184)	(35,624)
Fair value gains (see note 33 and 25(a))	40,573	152,920	-
As at 31 December 2017	1,716,730	1,231,477	58,870

2(e) Accumulated fair value changes (available for sale)

	31-Dec-17 N'000	31-Dec-16 N'000
Balance as at beginning of the year	10,188	5,978
Addition (see note 35 (c))	-	4,210
Balance as at year end	10,188	10,188

2(f) Hypothecation of assets

	31-Dec-17 N'000	31-Dec-16 N'000
Policyholders' assets (See note 46 for details)	6,063,998	5,245,062
Equity holders' assets (See note 46 for details)	3,211,453	2,564,671
	9,275,451	7,809,733

3 Trade receivables

Trade receivables include premium receivables from agents, brokers and other intermediaries via credit notes.

	31-Dec-17 N'000	31-Dec-16 N'000
Due from brokers (see note 3 (c))	5,485	38,869
Due from Insurance companies	-	-
	5,485	38,869
Allowance for impairment	-	-
	5,485	38,869

3(a) The trade receivables that were received subsequent to the year end amounted to N5.485 million (2016: N38.869million). Trade receivables are not accepted by NAICOM for solvency margin purposes. This is because it does not fall within the requirement of section 24 (13) and 25 of the Insurance Ac, 2003, Laws of the Federation of Nigeria.

3(b) Movement in Trade receivables

At 1 January	38,869	16,778
Additions during the year	5,485	38,869
Recoveries during the year	(38,869)	(16,778)
At 31 December	5,485	38,869
The ageing analysis of gross insurance receivables as at the end of the year are as follows:		
0 - 90 days	5,485	38,869
	5,485	38,869

3(c) Details of Brokers' individual indebtedness as at year end

	31-Dec-17	31-Dec-16
	N'000	N'000
Man-Mountain and Company	-	231
Mutual Alliance Insurance	-	554
Hogg Robinson	659	4,796
Boff and Company Insurance Brokers	-	17,972
Roe Insurance Brokers	1,424	-
Scib Insurance Brokers	359	-
Riskguard-Africa Insurance Brokers	96	-
Halton Insurance Brokers	750	-
Ideal Insurance Brokers	83	-
LIB Insurance Brokers	432	-
A. B. Alhassan	1,322	-
Afri Global Ins. Brokers	360	-
Glanville Insurance Brokers	-	6,776
First adequate benefits	-	192
Grace Insurance brokers	-	5
Gulf Insurance brokers	-	53
Jully& Partners Insurance brokers	-	572
Koguna Babura	-	216
Niger Insurance	-	7,502
	5,485	38,869

4 Reinsurance assets

This is the reinsurer's share of the Company's insurance liabilities.	31-Dec-17	31-Dec-16
	N'000	N'000
Reinsurance asset (actuarial valuation) (see note 4(a))	240,140	180,338
Reinsurer and facultative asset (see note 4(b))	446,407	290,253
	686,547	470,591
Impairment of reinsurance assets (see note 35 (e))	(104,610)	-
Total reinsurance assets	581,937	470,591
See analysis of movement of reinsurance assets in note 4c below		
Current	569,669	470,591
Non-current	12,268	-
	581,937	470,591

4(a) Reinsurance assets (actuarial valuation)

	31-Dec-17	31-Dec-16
	N'000	N'000
Short-term insurance contract	227,872	16,059
Long-term insurance contract	12,268	164,279
	240,140	180,338

4(b) Reinsurance assets

	31-Dec-17	31-Dec-16
	N'000	N'000
Treaty:		
African Reinsurance	60,263	53,014
Continental Reinsurance	71,815	67,223
WAICA Reinsurance	1,819	-
	133,897	**120,237**
Facultative Reinsurance:		
WAPIC Insurance Plc	20,774	21,599
Ensure Insurance Plc (Formerly Union Assurance Company Ltd)	1,057	1,997
FBN Insurance Ltd	126	1,953
Zenith Life Assurance Company Ltd	5,107	2,255
Mutual Benefit Assurance Plc	205,647	107,675
ARM Life Plc	21,492	10,254
UBA Metropolitan Life Insurance Ltd	7,754	8,310
Capital Express Assurance Ltd	15,007	5,748
Cornerstone Insurance Limited	1,617	-
Custodian Assurance Limited	2,300	-
AIICO Insurance Plc	14,394	-
African Alliance	3,196	1,238
	298,471	**161,029**

Co-Assurance recoverable		-
LASACO Assurance Plc	2,623	2,623
Mutual Benefits	480	-
Ensure Insurance Plc (Formerly Union Assurance Company Ltd)	369	369
Zenith Life Assurance Company Ltd	3,249	2,222
AIICO Insurance Plc	1,027	-
Standard Alliance Life Assurance Limited	2,053	-
Gold Link Insurance Plc	4,238	3,773
	14,039	**8,987**
Reinsurer and facultative asset	**446,407**	**290,253**

4(c) The movement in reinsurance assets is as shown below:

	31-Dec-17	31-Dec-16
	N'000	N'000
At 1 January	470,591	307,622
Additions in the year (see note 29)	453,800	290,980
Receipts during the year	(237,844)	(128,011)
Impairment of reinsurance assets	(104,610)	-
Balance as at year end	581,937	470,591

5 Deferred acquisition cost

	31-Dec-17	31-Dec-16
	N'000	N'000
At 1 January 2017	48,640	64,547
Additions in the year	300,724	257,807
Amortisation in the year (see note 31 (a))	(304,573)	(273,714)
At 31 December 2017	44,791	48,640
Current	44,791	48,640
	44,791	48,640

6 Other receivables and prepayments

	31-Dec-17	31-Dec-16
	N'000	N'000
Accrued income (see note 6(e) below)	46,518	41,294
Due from related parties (see note 6(a) below)	1,096,318	402,424
Prepayments (see note 6(d)below)	47,516	39,189
Other receivables (see note (c) below)	302,943	35,985
	1,493,295	518,892
Impairment allowance for accrued income and other receivables (see note 6 (b) below)	(21,537)	(16,039)
	1,471,758	502,853
Current	1,424,242	(24,677)
Non-current	47,516	527,530
	1,471,758	502,853

6(a) The analysis of receivable from related parties is as shown below:

	31-Dec-17	31-Dec-16
	N'000	N'000
Royal Exchange Plc	1,088,397	397,372
Royal Exchange Healthcare Limited	7,921	5,052
	1,096,318	402,424

The amount receivable from its parent company represents the intra-group funding advanced to the parent by the Company for its operational activities. Also included are the group cost allocated to the Company, expenses incurred on behalf of the Company, expenses the company incurred on behalf of its parent.

The Company and its sister company (Royal Exchange Healthcare Limited) occupy the same building and thus settle expenses such as electricity bills, generator diesel and repair cost and other sundry cost on behalf of each other. The amount is realised by cash settlement and offsetting against other payables. All intercompany transactions are approved by the Company's management and Board of directors where applicable in line with the Group policy. The intercompany balances do not attract any interest charges and there is no defined repayments terms. The amount is realised in cash and by offsetting with other payables to the Company.

6(b) Impairment allowance for accrued income and other receivables

At 1 January	16,039	23,995
Additions in the year	5,498	10,377
Recovery during the year (see note 35 (c))	-	(18,333)
At 31 December	21,537	16,039

6(c) The analysis of other receivable is shown below:

	31-Dec-17	31-Dec-16
	N'000	N'000
Prepaid staff benefit	-	8,226
Receivables from REFAM	23,758	11,039
Receivable from Royal Exchange Trustees Account (with REFIL)	2,167	2,167
Withholding tax credit note receivables	7,704	5,481
Staff advances	10,689	6,810
Income tax receivable (see note 19(b))	-	2,262
Deposit for investments (see note 6(f))	215,200	-
Withholding tax	8,743	-
Receivable from Royal Exchange Takaful Insurance	15,004	-
Claims prepaid fund (see note 6(g))	19,678	-
	302,943	35,985

6(d) The analysis of prepayment is as shown below:

	31-Dec-17	31-Dec-16
	N'000	N'000
Prepaid rent	32,046	22,525
Prepaid staff allowances	4,705	325
Prepaid- Group life insurance	6,571	7,819
Other prepayment	4,194	8,520
	47,516	39,189

6(e) The analysis of accrued income is shown below:

	31-Dec-17	31-Dec-16
	N'000	N'000
Dividend receivable	19,636	22,961
Accruals on rental income from investment properties	18,333	18,333
Income receivable on deposit for investments (see note 6 (f) below)	8,549	-
	46,518	41,294

6(f) This represents amounts paid for equity investments by the Company for which the shares has not been allotted. The shares purchase had not been confirmed by the registrars of the investee companies as at 31 December 2017. The details of the equity investments are as follows:

Name of investee company	Amount paid (N'000)
FBS Reinsurance Limited	168,000
Lafarge WAPCO Right issues	47,200
	215,200

Interest totalling N8.5 million was accrued on FBS reinsurance limited during the year as the company invested the fund obtained from prospective investors and allocate such returns on investments to the investors pending the allocation of shares.

6(g) Claims prepaid fund

This fund represents amount paid to the lead assurer (FBN Life Insurance Limited) on the Department for State Securities group life policy for the prompt settlement of claims.

7 Investment in associates

	31-Dec-17	31-Dec-16
	N'000	N'000
Investment in associates	283,217	283,217
	283,217	283,217
Non-current	283,217	283,217
	283,217	*283,217*

The analysis of investments in associates as at year end is as shown below:-

Name of entity	Value of equities N'000	% holding
Royal Exchange Healthcare Limited (REH Ltd) (See (a) below)	252,671	37.16%
Royal Exchange Microfinance Bank Limited (REMB Ltd) (see (b) below)	30,546	21.60%
	283,217	

(a) The Company's investment in Royal Exchange Healthcare Ltd (REH Ltd) and Royal Exchange Microfinance Bank Ltd exceeds 20% respectively which qualified them as associate companies to be equity accounted for. However, the investments were not accounted for using the equity method as they fully met the exemption criteria stated in IAS 28 paragraph 13 (b & c).

REH Ltd 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: therefore, Royal Exchange Plc indirectly owns 100% of REH Ltd. The ultimate parent (Royal Exchange Plc) produces financial statements in which it consolidates the results of both the Company and REH Ltd and the financial statements of Royal Exchange Plc are available for public use and complies with IFRSs.

(b) REMB Ltd is owned by four (4) entities namely; Royal Exchange Plc holds 53%, Royal Exchange General Insurance Ltd holds 14.60%, Royal Exchange Prudential Life Plc holds 21.60%,and Royal Exchange Finance and Asset Management Ltd holds 10.80%. Royal Exchange General Insurance Ltd, Royal Exchange Prudential life Plc and Royal Exchange Finance and Asset Management Ltd are wholly owned subsidiaries of Royal Exchange Plc, therefore, Royal Exchange Plc indirectly owns 100% of Royal Exchange Microfinance Bank Ltd.
The ultimate parent (Royal Exchange Plc) produces financial statements in which it consolidates the results of both the Company and REH LTD as well as REMB Ltd respectively; and the financial statements of Royal Exchange Plc are available for public use and complies with IFRS. The ultimate parent, Royal Exchange Plc, does not object to the Company not applying the equity method.

The financial results of Royal Exchange Healthcare Ltd and Royal Exchange Microfinance are summarized below:

Royal Exchange Healthcare Limited:

	31-Dec-17	31-Dec-16
	N'000	N'000
Percentage ownership	**37.16%**	**37.16%**
Non-current assets	671,339	297,870
Current assets	289,362	297,870
Total assets	960,701	595,740
Non-current liabilities	(191,205)	(219,382)
Current liabilities	(184,113)	(175,083)
Total liabilities	(375,318)	(394,465)
Net assets (100%)	585,383	201,275
Company's share of net asset/carrying amount of interest in associate	217,528	74,794
Revenue	558,621	403,500
Profit (loss) from continuing operations (100%)	4,869	(111,775)
Other comprehensive income (100%)	-	-
Total comprehensive income (100%)	4,869	(111,775)
Company's share of total comprehensive income (37.16%)	1,809	(41,536)

Royal Exchange Microfinance Bank Limited:

	31-Dec-17	31-Dec-16
	N'000	N'000
Percentage ownership	**21.60%**	**21.60%**
Non-current assets	213,912	162,435
Current assets	88,931	79,268
Total assets	302,843	241,703
Non-current liabilities	(26,860)	(26,357)
Current liabilities	(155,846)	(98,794)
Total liabilities	(182,706)	(125,151)
Net assets (100%)	120,137	116,552
Company's share of net asset/carrying amount of interest in associate	25,950	25,175
Revenue	80,623	74,435
Profit (loss) from continuing operations (100%)	3,925	(12,717)
Other comprehensive income (100%)	-	300
Total comprehensive income (100%)	3,925	(12,417)
Company's share of total comprehensive income (37.16%)	848	(2,682)

8 Investment properties

	31-Dec-17	31-Dec-16
	N'000	N'000
At 1 January	1,259,750	3,037,927
Disposal (see note 32(b) (i) for details)	-	(1,857,706)
Derecognised investment properties (see note 35 (c))	(75,000)	-
Additions and capital improvements	143,763	-
Fair value gains (see note 33)	19,650	79,529
	1,348,163	1,259,750

(a) Investment properties are stated at fair value as at 31 December 2017 and 2016 respectively. The fair value was supplied by market evidence and represents the price that would be received to sell the properties in an orderly transaction between willing market participants at the measurement date and determined by the Financial Reporting Council's accredited professional valuers named Uma Uma & Company, Saibu Makinde & Associates, and Emeka Orji Partnership.

The location of the properties valued and the Financial Reporting Council registration number of each of the independent estate valuers are as follows:

Location	Name of Valuer	FRC Numbers
15A Asa Rd, Aba	Uma Uma & Company	FRC/2013/NIESV/00000004050
Oshodi Express way	Saibu Makinde & Associates	FRC/2013/NIESV/00000000730
Garki 2 Commercial	Emeka Orji Partnership	FRC/2013/NIESV/00000000976

The Company's investment property located at 15A, Asa Road Aba was derecognized due to defect in title to the land upon which the building is situated. The Company is in negotiation with the rightful owner of the land in a bid to recover the costs of the building. The title to the properties located at Oshodi, Lagos and Garki, Abuja are in the name of Royal Exchange Prudential Life Plc (see note 47 for details of the fair value movement).

Summary of Investment Properties	31-Dec-17	31-Dec-16
15A Asa Rd, Aba, Abia State	-	69,000
36/38 Apapa-Oshodi Exp Royal Plaza, Lagos	944,513	800,750
29, Oroago Crescent Garki, Abuja	403,650	390,000
	1,348,163	1,259,750

Fair value analysis of investment properties

The fair value of the investment properties can be analysed as follow:

	Location of assets	Title status	As at 1 January 2017 ('000)	Additions ('000)	Disposal/ derecognition ('000)	Fair value gains ('000)	Carrying amount as at 31 December 2017 ('000)
1	15A Asa Rd, Aba, Abia State		69,000	-	(75,000)	6,000	-
2	36/38 Apapa-Oshodi Exp Royal Plaza, Lagos	Deed of Assignment	800,750	143,763	-	-	944,513
3	29, Oroago Crescent Garki, Abuja	Deed of Assignment	390,000	-	-	13,650	403,650
			1,259,750	**143,763**	**(75,000)**	**19,650**	**1,348,163**

The Company has executed deed of assignment on all the investment properties. The Company has applied to register the deed of assignment with the Lagos State Lands Registry and the Federal Capital Territory Land registry. The title to the Abia state property was revoked during the year by the Abia State Government thereforethe value of the property has been derecognised.

Measurement of fair value

Fair value hierarchy

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers valued the property on the basis of open market value as at 31 December 2017.

The fair value measurement for the investment properties of N1.348 billion has been categorised as a Level 3 fair value based on the inputs into the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The fair value of the investment properties located at 29, Oroago Crescent Garki 11, Abuja was determined by applying the investment method and also depreciated replacement cost (DRC) to derive the open market value. These techniques reflect the cost of putting up same or similar structure based on today's bill of quantities with percentage allowance(s) to reflect depreciation and obsolescence as may be applicable.	The unobservable input is the price of other similar properties in the area. The market value of the property located at 29,Oroago Abuja is N403.650 million	The estimated fair values would increase (decrease) if: - the rate of development in the area increases (decreases), - quality of the building increases (decreases), - influx of people and/or business to the area increases (decreases).
The fair value of the investment properties at 36/38, Apapa Oshodi Expressway Oshodi Lagos determined by applying the Investment Basis to derive the Open Market Capital value upon which prospective investor would likely make a bid. The technique reflects the discounted information of the benefits derivable from the property over its useful economic life or the cost of erecting a similar property.	The unobservable input is the price of other similar properties in the area. The market value of the property located at 36/38, Apapa Oshodi expressway Oshodi is N800.750 million.	The estimated fair values would increase (decrease) if: - the rate of development in the area increases (decreases), - quality of the building increases (decreases), - influx of people and/or business to the area increases (decreases).

9 Non-current asset held for sale

	31-Dec-17 N'000	31-Dec-16 N'000
Cost		
Balance, beginning of year	973,639	973,639
Transfer from investment properties	-	-
Reclassification to Investment properties	-	-
Balance, end of year	973,639	973,639

In December 2015, management was committed to a plan to sell one of its investment property located at Abuja Commercial. Accordingly, this property was presented as a non-current assets held for sale. At the point of classification, the non asset was stated at its carrying amount.

The fair value of the asset as at 31 December 2017 stood at N995 million. The determination of the fair value was conducted by a professional Estate Surveyor and Valuer; Emeka Orji Partnership, with FRC number FRC/2013/NIESV/00000000976.

However, in line with the measurement criteria stated in IFRS 5, the fair value gain was not recognised. Management is still committed to the selling of the property as all approvals relating to the sale have been obtained.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The fair value of the asset held for sale at Wuse II Abuja was determined by applying the investment method and also depreciated replacement cost (DRC) to derive the open market value. These techniques reflect the cost of putting up same or similar structure based on today's bill of quantities with percentage allowance(s) to reflect depreciation and obsolescence as may be applicable	The unobservable input is the price of other similar properties in the area. The market value of the property located at Wuse II Abuja is N995 million.	The estimated fair values would increase (decrease) if: - the rate of development in the area increases (decreases), - quality of the building increases (decreases), - influx of people and/or business to the area increases (decreases).

10 Intangible assets

	31-Dec-17	31-Dec-16
	N'000	N'000
Cost		
At 1 January	21,114	21,114
Additions	-	-
Balance at year end	21,114	21,114
Accumulated amortisation:		
Balance, beginning of year	19,535	18,613
Charge for the year	822	922
Balance at year end	20,357	19,535
Net book value:		
Balance end of year	757	1,579
Balance, beginning of year	1,579	2,502

The Intangible assets comprised computer software acquired by the Company for its operation. The computer software is accounted for using the cost model less accumulated amortisation and accumulated impairment. The amortisation is charged to the income statements in accordance with the Company's policy.

As at 31 December 2017, these assets were tested for impairment, and the Management has determined that no impairment is required of these intangible assets.

11 Property and equipment

In thousands of Naira	Leasehold land	Buildings	Computer equipment	Furniture, Fittings	Motor vehicles	Motor Vehicle Lease	Total
Cost							
Balance at 1 January 2016	50,000	73,614	28,051	51,744	196,122	-	399,531
Additions	-	-	3,853	10,831	25,585	27,980	68,249
Disposals	-	-	-	(1,911)	(12,806)	-	(14,717)
Reversals	(830)	-	-	(2,586)	-	-	(3,416)
Balance at 31 December 2016	49,170	73,614	31,904	58,078	208,901	27,980	449,647
Balance at 1 January 2017	49,170	73,614	31,904	58,078	208,901	27,980	449,647
Reclassification	-	-	-	-	-	-	-
Additions	-	-	2,313	-	-	28,400	30,713
Disposals	-	-	-	-	(6,450)	-	(6,450)
Balance at 31 December 2017	49,170	73,614	34,217	58,078	202,451	56,380	473,910

Depreciation *In thousands of Naira*	Leasehold land	Buildings	Computer equipment	Furniture, fittings	Motor vehicles	Motor Vehicle Lease	Total
Balance at 1 January 2016	830	14,030	14,772	34,217	102,085	-	165,934
Reclassification	(830)	-	-	-	-	-	(830)
Charge for the year	-	1,472	5,917	6,837	44,730	4,073	63,029
Disposals	-	-	-	(64)	(9,111)	-	(9,175)
Balance at 31 December 2016	-	15,502	20,689	40,990	137,704	4,073	218,959
Balance at 1 January 2017	-	15,502	20,689	40,990	137,704	4,073	218,959
Reclassification/(reversals)	-	-	-	-	-	-	-
Charge for the year	-	1,472	5,402	6,873	35,427	14,095	63,269
Disposals	-	-	-	-	(5,950)	-	(5,950)
Balance at 31 December 2017	-	16,974	26,091	47,863	167,181	18,168	276,278
Carrying amounts:							
Balance at 31 December 2017	49,170	56,641	8,127	10,215	35,270	38,212	197,635
Balance at 31 December 2016	49,170	58,111	11,214	17,088	71,197	23,907	230,687

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

(b) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2017 (2016 : nil).

(c) 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.

(d) There was no item of plant and equipment that has been pledged as security for borrowings as at year end (2016 : nil)

.(e) An impairment review was conducted and no impairment was required.

(f) The title to the building stated above is in joint ownership with Royal Exchange General Insurance Company Ltd, a sister company within the Royal Exchange group. The building is owned in a ratio of 2:3 by Royal Exchange Prudential Life Plc and Royal Exchange General insurance Company Ltd respectively.

(g) During the 2016 financial year, the Company reviewed the estimated useful life of its leasehold land as unlimited on the basis that it is reasonably certain that the Lagos State Governor will renew the lease upon expiration and that the substance of the lease is that the Company has ownership of the land, not a right to use the land for a predefined period.
Consequently, the Company has discontinued depreciation of leasehold land.

12 Employees retirement benefits

The Company operates a defined contribution pension plan based on the New Pension Reforms Act 2014, whereby the Company and staff make monthly contribution of 10% and 8% respectively and a defined benefit plan which is also based on the New Pension Act 2014. Prior to 2016, the Company operate a defined benefit gratuity plan based on employee's pensionable and other post-employment remuneration and length of service. At the end of 2015, the Company abolished the gratuity plan while retaining the Long service award. The gratuity provisions were paid to staff during the 2016 financial year. The details of the defined benefit plans are as below:

12(a) Employee benefit liability

	31-Dec-17	31-Dec-16
	N'000	N'000
Gratuity scheme (see 12(a) below)	-	-
Long service awards (see note 12 (b) below)	5,043	4,205
	5,043	4,205

12(a) Gratuity scheme

The movement in the Company's gratuity scheme over the years is as follows:

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	-	33,597
Payment during the year	-	(33,597)
As at year end	-	-

12(b) Other long-term employee benefits

The movement in the Company's long service scheme over the years is as follows:

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	4,205	5,341
Current service cost	757	1,242
Interest cost	608	627
Actuarial (gains)/losses	(280)	(2,758)
Benefits paid	(247)	(247)
As at year end	5,043	4,205
Non-current	5,043	4,205
	5,043	4,205

Other Long-term employee benefits

The principal actuarial assumptions used were as follows:

	31-Dec-17	31-Dec-16
Discount rate	14.0%	15.8%
Inflation rate	12%	13%
Future salary increase	13%	12%
Average liability duration	6.83 years	6.24 years

The valuation of the defined benefit gratuity scheme was independently carried out by EY Nigeria (formerly HR Nigeria Limited) with FRC number FRC/NAS/00000000738.

13 Statutory deposits

This represents the Company's deposit with the Central Bank of Nigeria in compliance with the Insurance Act, CAP 117, LNF 2004 for the Life Insurance companies.

	31-Dec-17	31-Dec-16
	N'000	N'000
Non Current	215,000	215,000
	215,000	215,000

14 Insurance contract liabilities

	31-Dec-17	31-Dec-16
	N'000	*N'000*
Outstanding claims - Group life (see note 14(a) below)	1,538,815	1,029,892
Outstanding claims - Individual life (see note 14(b) below)	71,763	16,836
Life insurance contract liabilities (see note 14(c)below)	4,098,683	3,568,624
	5,709,261	4,615,352

14(a) Outstanding claims - Group Life

The movement in the provision for outstanding claims during the year was as follows:

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	1,029,892	618,616
Increase during the year (see note 28)	508,923	411,276
As at year end	1,538,815	1,029,892

14(b) Outstanding claims - Individual Life

The movement in the provision for outstanding claims during the year was as follows:

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	16,836	17,687
Increase/(decrease) during the year (see note 28)	54,927	(851)
As at year end	71,763	16,836

Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring as at the reporting date.
The ageing analysis for claims reported and loss adjusted for life insurance contracts is as stated below:-

Outstanding claims - Group life	1,538,815	1,029,892
Outstanding claims - Individual life	71,763	16,836
	1,610,578	1,046,728

Days	31-Dec-17 N'000	31-Dec-16 N'000
0- 90	251,941	317,928
91- 180	386,633	123,297
181-270	209,632	192,070
271-360	221,649	172,891
Above 360	540,723	240,542
	1,610,578	1,046,728

Below are further breakdown of the outstanding claims and the reasons for their existence:

Outstanding claims (days)	Number of claimants	Amount	Remarks
0-90	132	93,916	*
0-90	40	86,226	**
0-90	96	71,799	***
91- 180	96	127,789	*
91- 180	83	126,654	**
91- 180	183	132,190	***
181-270	150	103,739	*
181-270	27	33,246	**
181-270	40	72,647	***
271-360	34	72,679	*
271-360	25	66,871	**
271-360	39	82,099	***
Above 360	430	291,515	*
Above 360	85	104,312	**
Above 360	186	144,896	***
Total	**1,646**	**1,610,578**	

Remark legend

* Awaiting support documents
** Awaiting settlement decision from lead assurer
*** Claims awaiting payment

14(c) Life insurance contract liabilities

The life insurance contract liabilities are analysed as follows:

Individual life policies	1,788,410	1,363,324
Group life policies- Unexpired Premium Reserve(UPR) (see note 14 (d) below)	412,580	466,116
Group Life policies - Additional Unexpired Premium Reserve	27,963	19,049
Group Life - Incurred But Not Reported (IBNR)	544,580	522,016
Additional reserve by Actuary	183,000	112,253
PRA annuity reserves (see 14 (c)(i) below)	1,142,150	1,085,866
	4,098,683	**3,568,624**

The movement on the Life funds account during the year was as follows:

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	3,568,624	3,020,118
Increase during the year (see note 30)	583,595	670,393
Unearned premium (see note 14(d))	(53,536)	(121,887)
As at year end	4,098,683	3,568,624

14c(i) Annuity

The annuities were reserved for by using a discounted cash flow approach by the Actuary. Here, reserves are set equal to the present value of future annuity payments plus expenses, with allowance being made for any guaranteed periods as required by the terms of the contract. The assets representing the annuities are invested in near-cash money market financial instruments with a tenor of 30 days on rolling basis and on government securities such as treasury bill and bonds. These government securities are regarded as low risk securities.

The movement in the annuity reserves can be analysed as follows:

	31-Dec-17	31-Dec-16
Balance, beginning of the year	1,085,866	675,308
Annuity premium written during the year	-	630,607
Payments to annuitants during the year	(163,595)	(151,418)
Accretion to /(release from) annuity fund through actuarial valuation	219,879	(68,631)
Balance, end of the year	1,142,150	1,085,866

The accretion to annuity fund resulted from the changes in interest rates and actuarially determined reserves.

The annuities fund has supporting assets and liabilities as follows:	31-Dec-17	31-Dec-16
Assets	1,144,537	1,085,866
Liabilities	1,142,150	1,085,866

14(d) Movement of unearned premium

	31-Dec-17	31-Dec-16
	N'000	N'000
Balance, beginning of the year	466,116	588,003
Increase/(decrease) during the year	(53,536)	(121,887)
Balance, as at year end	412,580	466,116

15 Investment contract liabilities

	31-Dec-17	31-Dec-16
	N'000	N'000
Deposit administered funds (see note 15(a) below)	129,755	126,808
Investment managed funds (see note 15(b) below)	163,800	212,648
	293,555	339,456

15(a) Deposit administered funds

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	126,808	113,911
Deposits received in the year	2,372	20,410
Interest paid	3,941	3,092
Withdrawals	(3,366)	(10,605)
As at year end	129,755	126,808
Current	35,782	33,496
Non-current	93,973	93,312
	129,755	126,808

The Company has a total sum of N129.8 million (2016: N126.8million) in deposit administered funds with guaranteed interest which has been in existence since 2010. The outstanding balance in the account is attributable to clients who are yet to terminate their investment.

15(b) Investment managed funds

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	212,648	222,360
Deposits	150,807	238,658
Interest accrued thereon	22,429	22,431
Withdrawals	(222,084)	(270,801)
As at year end	163,800	212,648
Current	165,985	165,985
Non-current	(2,185)	46,663
	163,800	212,648

16 Trade payables

	31-Dec-17	31-Dec-16
	N'000	N'000
Reinsurance payables	37,819	35,868
Premium payables to Co-insurers	56,852	6,011
	94,671	41,879
Treaty:		
African Reinsurance	9,761	9,631
Continental Reinsurance	26,756	26,237
WAICA Reinsurance	1,302	-
	37,819	**35,868**

Premium payables to co-insurers		
Ensure Insurance Plc (Formerly Union Assurance Company Ltd)	77	77
Zenith Life Assurance Company Ltd	3,319	404
Great Nigeria Insurance Plc	77	77
Mutual Benefit Assurance Plc	5,127	510
UBA Metropolitan Life Insurance Ltd	-	77
Old Mutual Nigeria Life Assurance Company	677	77
African Alliance Limited	2,860	1,238
Custodian Life Assurance Limited	5,299	484
AIICO Insurance Plc	407	407
Cornerstone Assurance Limited	478	77
Standard Alliance Ltd	41	272
AXA Mansard Ltd	4,370	-
LASACO Insurance Company Ltd	2,235	-
Wapic Insurance Ltd	15,522	-
FBN Insurance Ltd	2,472	-
Capital Express Assurance Ltd	3,029	-
Leadway assurance Ltd	960	-
NSIA Insurance Limited	574	-
Others	9,328	2,311
	56,852	6,011

The carrying amount disclosed above approximate fair value at the reporting date as all amounts are payable within one year.

17 Other payables

(a) Other payables comprise the following:

	31-Dec-17	31-Dec-16
	N'000	N'000
Deferred income	155,844	626
Accruals	52,466	53,924
Staff payables	15,107	24,181
Other payables (see note 17 (b) below)	275,258	363,866
Payable to related parties (see note 17 (c) below)	300,111	305,613
	798,786	748,210
Current	671,795	621,219
Non-current	126,991	126,991
	798,786	748,210

(b) The analysis of other payables for year 2016 is as follows:

	31-Dec-17	31-Dec-16
	N'000	N'000
Sales deposit and other creditors	87,863	271,270
Accrued commissions payable	140,074	84,838
Withholding tax	-	7,280
Oshodi plaza redevelopment	43,927	-
Co-operative/thrift savings	1,094	-
Pay As You Earn (PAYE) tax	2,179	429
Union dues	75	3
VAT payable	46	46
	275,258	363,866

(c) The analysis of payable to related parties is as shown below:

	31-Dec-17	31-Dec-16
	N'000	N'000
Royal Exchange General Insurance Company Limited	291,047	303,076
Royal Exchange Finance and Investment Limited	9,064	2,537
	300,111	305,613

The amount payable to related parties is as a result of group operational expenses settled on behalf of the sister companies within the group which are in line with the Group policy. The amount payable to Royal Exchange General Insurance Company Limited and Royal Exchange Finance and Investment Limited represents the net amount of the expenses incurred on behalf of the company and the expenses settled on behalf of the sister companies. Intercompany transactions are approved by the Company's Management and Board of directors where necessary. The amount do not attract interest chargesand are realised in cash and by offsetting with other receivables to the Company.

(d) **Deposit for shares**	31-Dec-17	31-Dec-16
	N'000	N'000
Cash	-	500,000
	-	500,000
Movement in deposit for shares during the year is shown as follows:		
Opening balance	500,000	-
Cash deposit	-	500,000
Shares allotted during the year (see note 21(b) below)	(500,000)	-
Closing balance	-	**500,000**

Deposit for shares represents cash deposit for additional shares by Royal Exchange Plc, the Company's parent company, during the year ended 31 December 2016. The amount has been allotted as share capital during the 2017 financial year.

18 Finance lease obligations

	31-Dec-17	31-Dec-16
	N'000	N'000
Royal Exchange finance and Asset Management Ltd	52,183	31,835
Interest suspense account	(7,671)	(7,701)
	44,512	24,134

During the year, Royal Exchange Prudential Life plc took a N29 million finance lease for the purchase of a car for its operational use. The operational car has been recognised as additions to the Company's property, plant and equipment.

19 Taxation

19(a) Charge for the year

	31-Dec-17	31-Dec-16
	N'000	N'000
Education tax	-	-
Technology Tax	-	-
Deferred taxation (see note 20 below)	1,965	2,182
	1,965	2,182
Minimum tax	44,689	11,967
	46,654	14,149

19(b) Income tax liability/ (asset)

	31-Dec-17	31-Dec-16
	N'000	N'000
At 1 January	(2,262)	1,790
Education tax	-	-
Technology Tax	-	-
Minimum tax	44,689	11,967
Paid during the year	(20,147)	(16,019)
At 31 December	22,280	(2,262)

19(c) Reconciliation of effective tax rate

		31-Dec-17		31-Dec-16
		N'000		N'000
Loss before income tax		(637,665)		(616,221)
Income tax using the domestic corporation tax rate	30%	(191,300)	30%	(184,866)
Non-deductible expenses	-101%	643,286	-20%	123,313
Tax exempt income	85%	(541,632)	11%	(68,111)
Unrecognised deferred tax	-14%	89,645	-21%	129,664
Education tax	0%	-	0%	-
Technology tax	0%	-	0%	-
Capital gains tax	0%	1,965	0%	2,182
Minimum tax	-7%	44,689	-2%	11,967
	-7%	**46,654**	-2%	**14,149**

20 Deferred tax

20(a) Deferred tax liabilities

Movement in the deferred tax liabilities during the year:

	31-Dec-17	31-Dec-16
	N'000	N'000
Balance, beginning of year	33,991	31,809
Credit for the year	1,965	2,182
Balance, end of year	35,956	33,991

Deferred tax liability during the year arose mainly from the fair value gain on investment property which was computed at the rate of 10% applicable to capital gains tax.

20(b) Unrecognised deferred tax assets

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company's unrecognised deferred tax assets relates primarily to timing difference in the recognition of depreciation and capital allowances on property and equipment, employee benefit liabilities and unrelieved tax losses. The related amount are not recognised due to the uncertainty in the availability of future taxable profits against which deferred tax assets can be utilised.

The unrecognised deferred tax asset during the year is attributable to the following:

Gross amount	31-Dec-17	31-Dec-16
	N'000	N'000
Property and equipment	102,602	83,402
Employee benefit liabilities	1,559	1,346
Doubtful provisions	90,433	-
Unrelieved tax losses	104,224	347,466
	298,818	432,214

Tax effect	31-Dec-17	31-Dec-16
	N'000	N'000
Property and equipment	30,781	25,021
Employee benefit liabilities	468	404
Doubtful provisions	27,130	-
Unrelieved tax losses	31,267	104,240
	89,645	129,664

Expiry date	31-Dec-17	31-Dec-16
	N'000	N'000
Unrelieved tax losses	2018-2022	2017-2021

The movement in the unrecognised deferred tax asset during the year was as follows:	31-Dec-17	31-Dec-16
	N'000	N'000
Balance, beginning of year	432,214	619,472
(Credit)/charge for the year	(133,396)	(187,258)
Balance, end of year	298,818	432,214

21 Share capital

Share capital comprises

	31-Dec-17	31-Dec-16
	N'000	N'000
(a) Authorized share capital		
4,000,000,000 ordinary share of N1 each	4,000,000	3,000,000
(b) Issued and fully paid		
3,461,339,467 (2016: 2,161,339,467) ordinary shares of N1 each	3,461,339	2,161,339

The movement in the issued and fully paid share capital account is analysed as follows:

	31-Dec-17	31-Dec-16
At the beginning of the year	2,161,339	2,161,339
Deposit for shares converted to ordinary shares	500,000	-
Additional capital injected by parent Company	800,000	-
At the end of the year	**3,461,339**	**2,161,339**

The Parent company via board resolutions dated 30 December 2016 and 30 December 2017, approved that the sum of N300 million and N500 million be injected into the Company in order to meet the Company's capital requirement. This is in addition to the N500 million approved in 2016 which was paid for and classified as deposit for shares in 2016. The N500 million deposit for shares in the previous year and the additional capital contributions during the year was allotted and converted to share capital after obtaining approval of the Corporate Affairs Commission. No amount from the Company's share premium account was involved in the share increase exercise. The increase in the authorised share capital from ₦3 billion to ₦4 billion and the allotment of 1.3 billion ordinary shares at ₦1 per share to Royal Exchange Plc was registered with the Corporate Affairs Commission.

22 Share premium

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	404,494	404,494
Additions during the year	-	-
As at year end	404,494	404,494

23 Contingency reserve

The statutory contingency reserve is prescribed under section 21(1 &2) of the Insurance act 2003, laws of the Federation of Nigeria. The company is mandated to maintain a statutory contingency reserve to cover for fluctuations in securities and variations in statistical estimates. In compliance with Section 21(1) of Insurance Act 2003, laws of the Federation of Nigeria, the contingency reserve for life business is credited with an amount of not less than 1% of gross premium or 10% of net profit (whichever is greater) and accumulated until it reaches the amount of the minimum paid-up capital.

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	156,063	122,557
Transfer from profit or loss account	24,029	33,506
As at year end	180,092	156,063

24 Retained earnings

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	(1,045,747)	(381,871)
Loss for the year	(684,319)	(630,370)
Transfer to contingency reserve (see note 23 above)	(24,029)	(33,506)
As at year end	(1,754,095)	(1,045,747)

25 Other reserves

Other reserves comprises of actuarial gains or losses on employee benefit liabilities and the cumulative net change in the fair value of available-for-sale financial assets until assets are derecognised.

25(a) Fair value reserves

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	(176,015)	(4,210)
Fair value gain/ (losses) on annuity fund	152,920	(171,805)
As at year end	(23,095)	(176,015)

25(b) Employee benefit actuarial (deficit)/surplus

	31-Dec-17	31-Dec-16
	N'000	N'000
Gratuity scheme (see note 25(b)i below)	-	-
Long service awards (See note 25(b)ii below)	2,652	2,372
	2,652	2,372

25(b)(i) Gratuity scheme

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	-	15,224
Realised gain/loss	-	(15,224)
As at year end	-	-

25(b)(ii) Long service awards

	31-Dec-17	31-Dec-16
	N'000	N'000
Beginning of the year	2,372	(386)
Actuarial gains	280	2,758
As at year end	2,652	2,372

25(c) Net actuarial gains

	31-Dec-17	31-Dec-16
	N'000	N'000
Long service awards	280	2,758
As at year end	280	2,758

26 Gross premium written:

	31-Dec-17	31-Dec-16
	N'000	N'000
Gross premium written	3,005,802	3,350,588

26(a) Net insurance premium earned

	31-Dec-17	31-Dec-16
	N'000	N'000
Gross Premium Income (see note 26(b))	3,059,338	3,472,475
Reinsurance Expenses (see note 26(c))	(353,946)	(282,444)
	2,705,392	3,190,031

26(b) Gross Premium Income

	31-Dec-17	31-Dec-16
	N'000	N'000
Long-term insurance contract	861,320	1,355,014
Short-term insurance contract	2,198,018	2,117,461
	3,059,338	3,472,475

26(c) Reinsurance premium expenses

	31-Dec-17	31-Dec-16
	N'000	N'000
Insurance Premium ceded to reinsurers	353,946	282,444
Net Reinsurance expenses	353,946	282,444

26(d) Unearned premium

	31-Dec-17	31-Dec-16
	N'000	N'000
Short-term insurance contract	-	466,116
	-	466,116

26(e) Movement in unearned premium

	31-Dec-17	31-Dec-16
	N'000	N'000
At 1 January	466,116	588,003
Increase/ (decrease) during the year	(53,536)	(121,887)
As at 31 December	412,580	466,116

27 Fees and commission income

	31-Dec-17	31-Dec-16
	N'000	N'000
Fee income on insurance contracts	55,612	48,908
	55,612	48,908

28 Insurance claims and benefits incurred

	31-Dec-17	31-Dec-16
	N'000	N'000
Short term insurance contracts (see note 28 (a))	1,122,223	1,101,758
Long term insurance contracts (see note 28 (b))	636,368	428,565
	1,758,591	1,530,323
Increase in outstanding claims - short term liabilities (see note 14 (a))	508,923	411,276
Increase/(decrease) in outstanding claims - long term liabilities (see note 14 (b))	54,927	(851)
	563,850	410,425
	2,322,441	1,940,748

28(a) Analysis of claims paid with respect to short term Insurance contracts comprises the following:

	31-Dec-17	31-Dec-16
	N'000	N'000
Death claims /benefits paid	1,122,223	1,101,758

28(b) Analysis of claims paid with respect to long term Insurance contracts comprises the following:

	31-Dec-17	31-Dec-16
	N'000	N'000
Maturities	588,834	384,385
Surrenders	40,421	35,291
Deaths	7,113	8,889
	636,368	428,565

28(c) Movement in outstanding claims

	31-Dec-17	31-Dec-16
	N'000	N'000
Increase in outstanding claims - short term Liabilities	508,923	411,276
(Decrease)/Increase in outstanding claims - long term Liabilities	54,927	(851)
	563,850	410,425

28(d) Claims paid

	31-Dec-17	31-Dec-16
	N'000	N'000
Short term insurance contracts	1,122,223	1,101,758
Long term insurance contracts	636,368	428,565
	1,758,591	1,530,323

29 Insurance claims and benefits incurred - recovery from reinsurers

	31-Dec-17	31-Dec-16
	N'000	N'000
Claims recoverable from short term insurance contracts ceded to reinsurers (see note 4(c))	453,800	290,980
	453,800	290,980

30 Changes in insurance contracts liabilities

	31-Dec-17	31-Dec-16
	N'000	N'000
Increase in long term insurance contract liabilities	425,086	481,526
Increase in short term insurance contract liabilities	158,509	188,867
	583,595	670,393
Increase in reinsurance assets (actuarial valuation)	(59,802)	-
Closing Balance	523,792	670,393

31 Underwriting expenses (maintenance and acquisition costs)

	31-Dec-17	31-Dec-16
	N'000	N'000
Maintenance cost (see note 31 (b) below)	155,719	156,017
Acquisition cost (see note 31 (a) below)	304,573	273,714
	460,292	429,730

31(a) Acquisition cost:
Direct cost incurred on the acquisition of the various products include:

	31-Dec-17	31-Dec-16
	N'000	N'000
Commission on Individual Life Account	4,472	3,765
Commission on Group Life Account	232,106	190,844
Commission on Royal Products (RPP and ISA)	2,158	6,348
Commission on Deposit Admin	-	184
Commission on Royal Investment Plan	13,978	14,891
Commission on Royal Annuity Plan	227	18,071
Commission on Royal Heritage Plan	51,539	39,515
Commission on Royal Family Plan	-	2
Commission on Royal Funeral Plan	93	94
	304,573	273,714

31(b) Maintenance cost:

	31-Dec-17	31-Dec-16
Salaries and allowances - underwriting employees (Note 35(d)(i))	155,719	156,017
	155,719	156,017

32(a) Profit on investment contracts

	31-Dec-17	31-Dec-16
	N'000	N'000
Income from investment contracts (See note 32(a)(i) for details)	37,141	85,032
Guaranteed interest on Deposit Admin and Royal Products(RPP and ISA)	(27,530)	(25,524)
Investment management expenses	(21,831)	(12,458)
	(12,220)	47,050

32(a) (i) Income from investment contracts

	31-Dec-17	31-Dec-16
	N'000	N'000
Rental income from investment	22,222	54,815
Dividend income from FVTPL	14,919	30,218
	37,141	85,032

32(b) Other investment income/(loss)

	31-Dec-17	31-Dec-16
	N'000	N'000
Gain disposal of equities (FVTPL & AFS)	11,953	20,309
(Loss) on disposal of investment properties (see note (i) below)	(75,000)	(187,206)
Interest income on treasury bills - FVTPL	289,013	26,672
Loans and receivables interest income (Bonds)	5,284	5,439
Statutory deposit interest	32,431	21,954
Staff housing loan interest	1,839	2,581
Interest income on deposits	201,095	4,090
Income on annuity	157,358	100,944
	623,973	(5,216)

(i) Loss on disposal of investment properties on Bayo Kuku investment property

	31-Dec-17	31-Dec-16
	N'000	N'000
Proceeds on disposal	-	1,900,000
Selling expenses	-	(229,500)
Net realised value	-	1,670,500
Fair value as at beginning of the year (see note 8 for details)	-	(1,857,706)
Derecognised investment properties (see note 8)	(75,000)	-
Loss on disposal of property	(75,000)	(187,206)
Total investment income	**661,114**	**79,816**

32(c) Share of investment income

The Investment income attributable to policyholders and shareholders for year 2017 and 2016 respectively are as follows:

31 December 2017	Policy Holder N'000	Share holder N'000	Total N'000
Rental income from investment properties	3,784	18,438	22,222
Interest income (from FVTP designated upon initial recognition)	11,953	-	11,953
Interest income on treasury bills - FVTPL	20,230	268,783	289,013
Dividend income (from FVTP designated upon initial recognition)	14,919	-	14,919
derecognised properties	(75,000)	-	(75,000)
Loans and receivables interest income	-	5,284	5,284
Cash and cash equivalents interest income	305,215	87,508	392,723
	281,101	380,013	661,114

31 December 2016	Policy Holder N'000	Share holder N'000	Total N'000
Rental income from investment properties	9,333	45,482	54,815
Interest income (from FVTP designated upon initial recognition)	20,309	-	20,309
Interest income on treasury bills - FVTPL	1,867	24,805	26,672
Dividend income (from FVTP designated upon initial recognition)	30,218	-	30,218
Dividend income (from AFS)	-	-	-
Loans and receivables interest income	-	5,439	5,439
Cash and cash equivalents interest income	100,698	28,871	129,569
Loss on disposal of investment properties	(187,206)	-	(187,206)
	(24,781)	104,597	79,816

33 Fair value gains and losses on assets

	31-Dec-17	31-Dec-16
	N'000	N'000
Net fair value gains on investment properties	19,650	79,529
Financial assets at fair value through profit or loss	40,573	(118,633)
Fair value gain or loss on financial assets: FVTPL	-	(25,161)
	60,223	(64,265)

34(a) Other operating income

	31-Dec-17	31-Dec-16
	N'000	N'000
Unrealised foreign exchange gain	17	1,821
Sundry income	17,207	10,083
	17,224	11,904

34(a)(i) Sundry income

	31-Dec-17	31-Dec-16
	N'000	N'000
Sundry Income	13,772	7,779
Interest on personal loan	3,435	2,304
	17,207	10,083

35(a) Depreciation on property and equipment

	31-Dec-17	31-Dec-16
	N'000	N'000
Depreciation on property and equipment (see note 11)	63,269	63,029

35(b) Amortisation of intangible assets

	31-Dec-17	31-Dec-16
	N'000	N'000
Amortisation of intangible assets (see note 10)	822	922

35(c) Impairment on financial assets

	31-Dec-17	31-Dec-16
	N'000	N'000
Impairment on reinsurance assets (see note 4 (d))	(104,610)	-
Impairment on other receivables	(3,276)	(10,543)
Impairment on other receivables (recovered) (see note 6 (b))	-	18,333
Impairment on WHT credit notes receivables on rental income	(2,222)	(5,481)
	(110,108)	2,309

35(d) Employee benefits expenses

	31-Dec-17	31-Dec-16
	N'000	N'000
Salaries and wages	119,446	103,538
Medical	13,507	16,762
Staff training	11,673	10,966
Post-employments benefit - defined contribution plan (see note (35 (d)(i))	14,128	15,972
	158,754	147,238

35(d)(i) The average number of persons employed (excluding Directors) in the Company during the year was:

	31-Dec-17	31-Dec-16
Average number of persons employed (excluding Directors)	74	78

The staff costs for the above persons was:

	31-Dec-17	31-Dec-16
	N'000	N'000
Salaries and allowances of other employees (see note 35 (d))	158,754	147,238
Salaries and allowances - Underwriting employees (see note 31 (b))	155,719	156,017
	314,473	303,255
Pension scheme		
At January	-	-
Provision in the year (see note 35 (d))	14,128	15,972
Remitted to Pension Fund Administrators	(14,128)	(15,972)
At 31 December	-	-

35(d)(ii) Employees other than directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments excluding pension contributions and other benefits/allowances in the following ranges:

	31-Dec-17	31-Dec-16
Below N1,000,000	1	1
N1,000,001 - N2,000,000	33	34
N2,000,001 - N3,000,000	26	28
N3,000,001 and above	14	15
	74	78

35(e) Management expenses

Management expenses are made up of the following items:

Management expenses (see note 35 e(i) below)	47,670	11,373
Other operating expenses (see note 35 e (ii) below)	854,521	874,489
	902,191	885,862

	31-Dec-17	31-Dec-16
	N'000	N'000
(i) Retirement benefit obligation - long service award	1,518	1,622
Retirement benefit obligation-gratuity	-	(15,224)
Directors expenses	33,594	15,315
Auditors remuneration	12,558	9,660
	47,670	11,373

	31-Dec-17	31-Dec-16
	N'000	N'000
(ii) Advertising	772	11,724
Office equipment & motor vehicles repairs & maintenance	77,936	99,021
Entertainment and representation	3,250	20,844
Foreign and local transport	43,043	51,456
Accounting consultancy fees, legal fees and actuaries fees	72,021	31,670
Insurance levy	28,271	29,094
Board meeting expenses	1,061	10,522
General marketing and administrative expenses	460,673	466,405
Printing and communication cost	22,986	31,990
Value added tax scheme account	4,838	3,908
Investment expenses	129,660	104,272
Loss/ (gain) on disposal of fixed asset	(2,865)	408
Lease rental expenses	12,875	13,175
	854,521	874,489

36 Valuation of insurance contract liabilities, investment contract liabilities and post employment benefit obligation

36(a) Long-term insurance contracts

The liability for life insurance contracts and investment contracts is based on certain assumptions including mortality, persistency, longevity, interest rate, morbidity, expense (including inflation) variations, lapses and investment returns.

All contracts are subject to liability adequacy test which is carried out periodically by a Financial Reporting Council's accredited Consultant Actuaries. The Company's mortality valuation is based on the industry standard rate of the UK 's Mortality of Assured Lives 1967-70 (A6770). The annuities were valued using the UK's PA90 Annuitants table.

36(b) Valuation Assumptions

The assumptions used for the insurance contracts disclosed in this note include:

(i) The rate of interest used in the valuation is 13.75% (2016:14.65%), with the exception of annuity business for which a valuation interest of 13.5% (2016:14.60%) was used;

(ii) Expenses for individual life business were reserved for explicitly at N20,400 (2016: N18,300) p.a. increasing with inflation at 11% p.a. for both years; the expenses for annuity business is reserved at 10.80% (2016:10.80%) of the annuity payment.

(iii) Reversionary bonuses are allotted in respect of each full year's premium paid; reversionary bonuses vest on the policy anniversary;

(iv) The solvency level of the Company at the valuation date was 100%.

(v) The investment yields (including capital appreciation and depreciation) allocated into the Life Insurance (with participation in profit) and deposit administration funds during the inter-valuation period are illustrated below:

Year	Rate
2015	5.4
2016	3.0
2017	5.6
Mean	4.7

36(c) Valuation methods

The Company uses the UK 's Mortality of Assured Lives 1967-70 (A6770) without adjustment measures determined by the Actuary according to the type of contract written.

(i) Individual Business

A gross premium method is used for individual risk business. This is a monthly cash flow projection approach taking into account the incidence of all expected future cash flows including office premiums, expenses and benefit payments satisfying the liability adequacy test. Individual risk business comprises whole life insurance, endowments of various descriptions and term assurances including mortgage protection.

Reserves were calculated via a cash flow projection approach, taking into account future office premiums, expenses and benefit payments including an allowance for rider benefits. Future cash flows were discounted back to the valuation date at the valuation rate of interest. Where policies are entitled to surrender, reserves have been calculated such that they are at least as high as the surrender value.

The reserve for the individual deposit based policies has been taken as the amount standing to the credit of the policyholder at the valuation date. Where policies have active insurance cover (and the corresponding risk premiums where applicable), reserves have been calculated using a cash flow projection approach similar to other individual risk business.

Under the deposit-based products a variable rate of return is allocated to policyholder accounts in accordance with the terms and conditions of each product.

(ii) Group life business

The valuation of the life insurance contract liability as well as the investment contract liabilities was done by HR Nigeria Limited (Consultant Actuaries) using the gross premium method of valuation for the former and the amount standing to the credit of the policyholder at the valuation date for the latter.

An unexpired premium reserve was included for group life business, after allowing for acquisition expenses at a ratio of 20% premium (2016: 20%). The UPR was tested against Additional Unexpired Risk Reserve (AURR), using pooled industry claims data for the underlying assumption wherein an additional AURR was also held to allow for any inadequacies in the unexpired premium for meeting claims in respect of the unexpired period.

An allowance was made for IBNR (Incurred But Not Reported) claims in group life to take care of the delay in reporting claims. This was based on an Ultimate Loss Ratio approach which uses historical claims experience to estimate the ultimate claim rates from which IBNR portion is determined.

The gross carrying amount for long term life insurance contract liabilities at the reporting date is N1,788.4 million (2016: N2,561.5million) and of investment contract liabilities is N293.5million (2016: N339.5million).

Short-term insurance contract

The liability adequacy test (LAT), was also carried out by EY Nigeria (formerly HR Nigeria Ltd). The Gross carrying amount at the reporting date for short-term contract liabilities is N1,205.3 million (2016: N1,007.2 million).

(iii) Annuities

Annuities were reserved for by using a discounted cash flow approach. Here reserves are set equal to the present value of future annuity payments plus expenses, with allowance being made for any guaranteed periods as required by the terms of the contract.

36(d) Valuation of investment contracts liabilities without Discretionary Participating Features

The liability for non-participating investment contracts is measured either at fair value. Most non-participating contracts measured at fair value are unit linked and the fair value liability is determined by reference to the assets backing the liabilities. A deferred acquisition cost asset and deferred income liability are recognised in respect of transaction costs and front end fees respectively, that relate to the provision of investment management services, and are amortised over the contract term.

36(e) Valuation of post-employment benefit obligation

The valuation for the long service awards scheme was carried out by EY Nigeria (formerly HR Nigeria Limited) for each period reported in the financial statement, using the Projected Unit Credit (PUC) method to establish the value of the accrued liabilities.

The principal actuarial assumptions used were as follows:

Long Service Award

	31-Dec-17	31-Dec-16
Discount rate	14%	16%
Inflation rate	12%	12%
Future salary increase	13%	13%
Average Liability duration	6.83years	6.24years

The mortality rates assumed for the employees are the rates published in the A67/70 Ultimate Tables published jointly by the Institute and Faculty of Actuaries in the UK.

The carrying value at the reporting date of the employee benefits obligation is N5.3 million (2016: N4.205 million).

37 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.

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

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

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

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

a) Financial asset valuation bases

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market. Fair values are determined at prices quoted in active markets. In our environment, such price information is typically not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimates other than observable market inputs within the valuation model. There is no standard model and different assumptions would 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. These inputs and outputs are reviewed and approved by a valuation committee. The Company has minimal exposure to financial assets which are valued at other than quoted prices in an active market.

Fair value hierarchy

IFRS 13 - Fair value measurement 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- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3- Inputs for the asset or liability that are not based on observable market data (unobservable inputs), This level includes equity investments and debt instruments with significant unobservable components.

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

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

31 December 2017	Note	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets:					
Fair value through profit or loss:-					
Equity shares	2a	264,779	-	-	264,779
Treasury bills	2a	1,416,076	-	-	1,416,076
Federal Government Bonds	2a	35,875	-	-	35,875
		1,716,730	-	-	1,716,730
Available for sale financial assets:-					
Federal Government Bond: annuity bond	2b	1,141,839	-	-	1,141,839
Equity- shares (net of fair value gains)	2b	89,638	-	-	89,638
Total Financial Assets		2,948,207	-	-	2,948,207
Financial Liabilities:		-	-	-	-
Total financial liabilities		-	-	-	-

31 December 2016	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets:				
Fair value through profit or loss:-				
Equity shares	465,258	-	-	465,258
Treasury bills	45,243	-	-	45,243
Federal Government Bonds	39,352	-	-	39,352
	549,853	-	-	549,853
Available for sale financial assets:-				
Equity- shares (net of fair value gains)	89,638	-	-	89,638
Total	639,492	-	-	639,492
Financial liabilities:	-	-	-	-
Total financial liabilities	-	-	-	-

For the assets and liabilities not carried at fair values, their carrying amounts approximate fair values.

Financial risks

The Company is exposed to the following categories of risk arising from the provision of different products and services which include the following:

b) ***Market risk***

The Company is exposed to the risk that the income from, and value of assets held to back insurance liabilities do not perform in line with investment and product pricing assumptions leading to a mismatch with contractual cash flows.

(i) ***Credit risk***

Exposure to loss arising from another party's failure to perform some financial obligations to the Company.

(ii) ***Liquidity risk***

The risk that the Company, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure required funds only at excessive cost.

(iii) ***Interest rate risk***

This is the risk of exposures to the volatility of interest rates. It is the risk of the value or future cash flows of financial instruments being affected by changes in interest rates.

(iv) ***Currency risk***

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

(v) 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 recognised assets and liabilities denominated in other currencies.
The carrying amounts of the Company's foreign currency denominated assets and liabilities are as follows:

31 December 2017

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Assets (Cash & cash equivalents)	-	-	4,645	4,645
Liabilities	-	-	-	-
	-	-	4,645	4,645

31 December 2016

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Assets (Cash & cash equivalents)	-	-	4,328	4,328
Liabilities	-	-	-	-
	-	-	4,328	4,328

Foreign currency sensitivity analysis

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

The following tables show the effect on the profit as at 31st December 2017 at N360/$ closing rate and as at 31st December 2016 at N305/$ closing rate respectively.

31 December 2017

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
10% increase	-	-	465	465
10% decrease	-	-	(465)	(465)
Amount after increase				
Pre-tax loss	-	-	(637,201)	(637,201)
Shareholders' equity	-	-	2,271,852	2,271,852
Amount after decrease				
Pre-tax loss	-	-	(638,130)	(638,130)
Shareholders' equity	-	-	2,270,923	2,270,923

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 FX results for tax purposes

31 December 2016

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
10% increase	-	-	433	433
10% decrease	-	-	(433)	(433)
Impact of increase on:				
Pre-tax profit	-	-	(615,788)	(615,788)
Shareholders' equity	-	-	1,502,939	1,502,939
Impact of decrease on:				
Pre-tax profit	-	-	(616,654)	(616,654)
Shareholders' equity	-	-	1,502,073	1,502,073

Interest rates risk

Our 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.

The assets that subject us to interest rate risk primarily are fixed maturity securities and fixed-interest policy loans. Interest rate risk also exists in some products sold by the Company such as policyholder account balances relating to interest-sensitive life assurance and investment-type contracts.

Changes in interest rates result to reduction in income 'spread' or the difference between the amounts that we are required to pay under the contracts and the rate of return we are 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.

Our 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, we use sensitivity analytics to measure the impact of interest rate changes and movements on the value of our financial assets scenarios.

The Company has no significant concentration of interest rate risk.

Interest rate profile

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

Financial instruments	Notes	31-Dec-17 N'000	31-Dec-16 N'000
Fixed Interest rate Instruments:			
Federal government bonds	2(a)	35,875	34,647
Treasury bills	2(a)	1,416,076	1,362,935
Loans and advances	2(c)	58,870	45,925
		1,513,603	1,446,046
Others:			
Cash and cash equivalents	1(b)	957,107	957,304
Statutory deposits	13	215,000	215,000
		1,172,107	1,172,304

Interest rate sensitivity analysis

The table below shows the impact on the Company's profit before tax if interest rates on financial instruments had increased or decreased by 100 basis points, with all other variables held constant.

	Fixed Interest rate analysis		*Variable Interest rate analysis*	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
Increase in interest rate by 100 basis points (+1%)	15,136	14,460	11,721	11,723
Decrease in interest rate by 100 basis point (-1%)	(15,136)	(14,460)	(11,721)	(11,723)
Impact of increase on:				
Pre-tax (loss)/profit	(622,529)	(601,761)	(625,944)	(604,498)
Shareholders' equity	2,286,523	1,516,966	2,283,108	1,514,229
Impact of decrease on:				
Pre-tax (loss)/profit	(703,082)	(630,681)	(649,386)	(627,944)
Shareholders' equity	2,256,251	1,488,046	2,259,666	1,490,783

The tax impact of interest income is in the basis 30% of the result, with tax exemptions for investments in government bonds. This 30% tax impact is not included in the impact on shareholders' equity as the final impact will depend on exact mix of interest income; tax exempt versus taxable income.

Other price risk management

The Company is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed and unlisted 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:

	31-Dec-17 N'000	31-Dec-16 N'000
Equity securities; - listed	264,779	465,258
Equity securities; - unlisted	80,204	80,204
	344,983	545,462

Equity price sensitivity analysis

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

	31-Dec-17 N'000	31-Dec-16 N'000
10% increase	34,498	54,546
10% decrease	(34,498)	(54,546)
Impact of increase on:		
Pre-tax (loss)/profit	(603,167)	(561,675)
Shareholders' equity	2,305,885	1,557,052
Impact of decrease on:		
Pre-tax (loss)/profit	(672,163)	(670,767)
Shareholders' equity	2,236,889	1,447,960

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 amounts due from policyholders' policy loans and receivables from Co-assurers, 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.

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

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

Reinsurance assets are reinsurers' share of outstanding claims, Life fund 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. Unit-linked assets are excluded from this analysis.

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

31 December 2017

	AAA N'000	AA N'000	A N'000	BBB N'000	Not rated N'000	Carrying amount N'000
Debt securities:-						
- Federal Govt bonds and treasury bills	-	-	-	2,593,790	-	2,593,790
Loans and receivables:						
- Policy loans	-	-	-	-	39,699	39,699
- Personal loans	-	-	-	-	2,882	2,882
- Mortgage loans	-	-	-	-	13,508	13,508
- Other loans and receivables	-	-	-	-	2,781	2,781
Reinsurance Assets	-	-	-	-	686,547	686,547
Insurance receivables	-	-	-	-	5,485	5,485
Statutory deposits with CBN	-	-	-	-	215,000	215,000
Tenor Deposits	-	-	-	957,107	-	957,107
Cash and cash equivalents	-	-	-	187,978	-	187,978
Other receivables	-	-	-	-	1,471,758	1,471,758
	-	-	-	3,738,875	2,437,660	6,176,535

31 December 2016

	AAA N'000	AA N'000	A N'000	BBB N'000	Not rated N'000	Carrying amount N'000
Debt securities:-						
- Federal Govt bonds and treasury bills	-	-	-	2,424,040	-	2,424,040
Loans and receivables:						-
- Policy Loans	-	-	-	-	20,373	20,373
- Personal Loans	-	-	-	-	1,870	1,870
- Mortgage Loans	-	-	-	-	21,143	21,143
- Other loans and receivables	-	-	-	-	2,539	2,539
Reinsurance Assets	-	-	-	-	470,591	470,591
Insurance receivables	-	-	-	-	38,869	38,869
Statutory deposits with CBN	-	-	-	-	215,000	215,000
Tenor Deposits	-	-	-	957,304	-	957,304
Cash and cash equivalents	-	-	-	8,187	-	8,187
Other receivables	-	-	-	-	502,853	502,853
	-	-	-	3,389,531	1,273,238	4,662,769

RATING SYMBOLS

AAA	These are investments with the highest investment quality or grade.
AA	These are investments with strong financial characteristics but slightly lower than AAA.
A	These are investments with moderate quality which are likely to be affected by adverse business conditions.
BBB	These are good quality investments but are likely to be affected by adverse business conditions

Analysis of financial assets based on past due status

The following table shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. Unit linked investment assets are excluded from this analysis.

31 December 2017

	Neither past due nor impaired N'000	Past due less 30 days N'000	Past due 31-90 days N'000	Past due more than 90 days N'000	Past due and impaired N'000	Carrying amount N'000
Debt securities:-						
- Federal Govt. bonds and treasury bills	2,593,790	-	-	-	-	2,593,790
Loans and receivables:						
- Policy loans	11,629	-	-	8,744	-	20,373
- Personal loans	2,882	-	-	-	-	2,882
- Mortgage loans	13,508	-	-	-	-	13,508
Reinsurance assets	686,547	-	-	-	-	686,547
Insurance receivables	-	5,485	-	-	-	5,485
Other receivable less prepayment	1,377,724	-	-	-	-	1,377,724
Tenor Deposits	957,107	-	-	-	-	957,107
Cash and cash equivalents	187,978	-	-	-	-	187,978
	5,831,165	5,485	-	8,744	-	5,845,394

31 December 2016

	Neither past due nor impaired N'000	Past due less 30 days N'000	Past due 31-90 days N'000	Past due more than 90 days N'000	Past due and impaired N'000	Carrying amount N'000
Debt securities:-						
- Federal Govt. bonds and treasury bills	2,424,040	-	-	-	-	2,424,040
Loans and receivables:						
- Policy loans	11,629			8,744		20,373
- Personal loans	1,870	-	-	-	-	1,870
- Mortgage loans	21,143	-	-	-	-	21,143
Reinsurance Assets	470,591	-	-	-	-	470,591
Insurance receivables	-	38,869	-	-	-	38,869
Tenor Deposits	957,304	-	-	-	-	957,304
Cash and cash equivalents	8,187	-	-	-	-	8,187
Other receivable less prepayment	414,144	-	-	-	-	414,144
	4,308,908	38,869	-	8,744	-	4,356,521

Liquidity risk

The Company's principal objective in managing it's liquidity and it's capital resources is to maximize the returns on capital to shareholders, while enabling us to pay claims, pay dividends, pay staff and fulfil 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 Prudential Life Plc 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 maturities, and;

- Investment contract deposits.

- **Application of funds**
- The principal uses of our liquidity include:

Payment of claims, maturities, surrenders, and bonuses to policyholders;

Staff benefits;

Payment to other contract holders in connection with withdrawals and net policy loans;

- Purchase of investments' and;
- Payment in connection with financing activities.
- In practice, most of the Company's assets are marketable securities which could be converted into cash when required.
-

Maturity profile

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

It also shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. It includes both interest and principal cash flows. It should be noted that unit-linked assets & liabilities, outstanding claims and reinsurers' share of unearned premiums are excluded from this analysis.

31 December 2017	< 1 month N'000	1 - 3 months N'000	3 - 12 months N'000	1 - 5 years N'000	> 5 years N'000	Total N'000
Debt securities						
- Federal Govt. bonds	-	-	-	1,177,714	-	1,177,714
- Federal Govt. treasury bills	-	150,592	1,265,484	-	-	1,416,076
Loans and receivables						
- Policy Loans	-	-	14,373	6,000	-	20,373
- Personal Loans	-	-	2,882	-	-	2,882
- Mortgage Loans	-	-	-	-	13,508	13,508
Reinsurance Receivables						
Reinsurance Assets	-	121,144	123,973	225,474	-	470,591
Insurance receivables	5,485	-	-	-	-	5,485
Tenor Deposits	-	-	957,107	-	-	957,107
Cash and cash equivalents	187,978	-	-	-	-	187,978
	193,463	271,736	2,363,819	1,409,188	13,508	4,251,714
Insurance contract liabilities						
- Life		128,018	156,884	1,324,955	2,616,915	4,226,772
Investment contract liabilities						
- With DPF			(19,143)	129,754	182,945	293,556
- Without DPF	-	-	-	-	-	-
Unallocated divisible surplus						
Borrowings	-	-	-	-	-	-
Trade and other liabilities	94,671	52,466	155,844	300,111	266,514	869,606
Deposit for shares	-	-	-	-	-	-
Finance Lease	-	-	-	44,512	-	44,512
	94,671	180,484	293,585	1,799,332	3,066,374	5,434,446

31 December 2016	< 1 month N'000	1 - 3 months N'000	3 - 12 months N'000	1 - 5 years N'000	> 5 years N'000	Total N'000
Debt securities						
- Federal Govt. bonds	-	-	-	39,352	-	39,352
- Federal Govt. treasury bills	-	150,592	(150,592)	-	-	-
- State Govt.	-	-	-	-	-	-
- Corporate	-	-	-	-	-	
Loans and receivables						
- Policy Loans	-	-	14,373	6,000	-	20,373
- Personal Loans	-	-	4,755	-	-	4,755
- Mortgage Loans	-	-	-	23,484	-	23,484
Reinsurance Receivables						
Reinsurance Assets	-	121,144	123,973	225,474	-	470,591
Insurance receivables	16,778	-	-	-	-	16,778
Tenor Deposits	-	-	44,085	-	-	44,085
Cash and cash equivalents	362,830	-	-	-	-	362,830
	379,607	271,736	36,594	294,310	-	982,247
Insurance contract liabilities						
- Life		1,929	27,384	1,110,955	2,428,356	3,568,624
Investment contract liabilities						
- With DPF			14,299	126,808	198,348	339,455
- Without DPF	-	-	-	-	-	-
Unallocated divisible surplus						
Borrowings	-	-	-	-	-	-
Trade and other liabilities	33,991	8,338	772,392	149,406	206,702	1,170,829
Deposit for shares	-	-	500,000	-	-	500,000
Finance Lease	-	-	-	24,133	-	24,133
	33,991	10,267	1,314,075	1,411,302	2,833,406	5,603,041

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.

Liquidity Gap Analysis

31 December 2017	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Financial & insurance assets	82,456	412,957	2,534,753	1,673,379	81,737	4,785,282
Financial & insurance liabilities	61,234	102,564	1,213,457	1,736,177	3,034,567	6,147,999
	21,222	310,393	1,321,296	(62,798)	(2,952,830)	(1,362,717)

31 December 2016	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Financial & insurance assets	47,056	271,736	2,309,863	1,292,579	21,143	3,942,377
Financial & insurance liabilities	41,878	61,682	872,103	1,411,302	2,833,407	5,220,372
	5,178	210,054	1,437,760	(118,723)	(2,812,264)	(1,277,995)

Insurance risk management

The Company is exposed to insurance risk through its insurance contracts and certain investments contracts, where it assumes the risk of loss from persons or organizations that are directly subject to the underlying loss. The Company is exposed to mortality and morbidity risks as well as the uncertainty surrounding the timing, persistency levels, frequency and severity of claims and administrative expenses under these contracts.

The Company manages longevity risk, mortality and morbidity risks by use of disciplined underwriting process and reinsurance strategy which is purchased to mitigate the effect of potential loss to the Company. Pricing is based on assumptions which have regard to trends and past experience. Reinsurance of risks also enables the Company to manage specialist risks as well as assist us in managing capital. Generally, persistency risk arises when customers lapse their policies earlier than has been assumed. The Company implements specific initiatives to improve retention of policies which may otherwise lapse.

Underwriting Expense risk is primarily managed by the Company through the assessment of business unit profitability and frequent monitoring of expense levels.

Life insurance and investment contracts with discretionary participating features (DPF)

The Company writes life, annuities, and investment-linked contracts with or without discretionary participating features (DPF). The most significant risks arise from mortality, persistency, longevity, morbidity, expense variations and investment returns.

Concentration of insurance risk

Concentration of risk may arise from geographic regions, epidemics, accumulation of risks and market risk. The concentration of life insurance and investment contracts with DPF by location of the underlying risk is summarized below by reference to liabilities.

	Gross		Reinsurance		Net	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	N'000	N'000	N'000	N'000	N'000	N'000
Life insurance:						
- Within Nigeria	5,746,583	4,615,353	598,553	470,591	5,148,030	4,144,762
- Outside Nigeria	-	-	-	-	-	-
	5,746,583	4,615,353	598,553	470,591	5,148,030	4,144,762
Inv. contracts with DPF:						
- Within Nigeria	293,555	339,456	-	-	293,555	339,456
- Outside Nigeria	-	-	-	-	-	-
	293,555	339,456	-	-	293,555	339,456

The concentration of life insurance and investment contracts with DPF by type of contract is summarized below by reference to liabilities.

Life insurance	Gross		Reinsurance		Net	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	N'000	N'000	N'000	N'000	N'000	N'000
Protection	3,084,622	3,529,487	240,140	185,262	2,844,482	3,344,225
Pensions	-	-	-	-	-	-
Annuities	1,142,150	1,085,865	-	-	1,142,150	1,085,865
Others	-	-	-	-	-	-
	4,226,772	4,615,352	240,140	185,262	3,986,632	4,430,090
Investment contracts with DPF	293,555	339,456	-	-	293,555	339,456

Assumptions and sensitivities

The risks associated with the life insurance and investment contracts with DPF are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The key assumptions in quantifying these liabilities include mortality, persistency, longevity, morbidity, expense variations, investment return and discount rates.

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

In thousands of Naira	Pre-tax profit 31-Dec-17	Pre-tax profit 31-Dec-16	Shareholders' equity 31-Dec-17	Shareholders' equity 31-Dec-16
5% increase in mortality/morbidity				
Gross (2017: Nil; 2016: Nil)	-	-	-	-
Net (2017: N4,132; 2016:N3,737)	(641,797)	(619,958)	2,267,255	1,485,171
5% increase in longevity				
- Gross	-	-	-	-
- Net	-	-	-	-
10% increase in expenses				
Gross (2017: Nil; 2016: Nil)	-	-		
Net (2017: N4,163; 2015:N3,762)	(641,828)	(619,983)	2,267,224	1,485,146
1% increase in interest rates				
Gross (2017: Nil; 2016: Nil)			-	-
Net (2017: N4,008; 2016:N3,631)	(641,673)	(619,852)	2,267,379	1,448,277

Claims development table for Group Life Scheme

Claims on life insurance contracts are payable on a claims-occurrence basis and the Company is liable for all insured events that occurred during the term of the contract. There is however, uncertainty in the estimation of future benefits payments arising from the unpredictability of long term changes in overall levels of mortality and the variability in policy holder behaviour.

Changes may occur in the amount of the Company's obligations at the end of a contract period. In setting claims provisions, the Company gives consideration to the probability and magnitude of future claims experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty.

The Company has taken advantage of the transitional rules of IFRS 4 that permit only five years of information to be disclosed upon adoption of IFRS.

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive year at each reporting date, together with cumulative payments to date with respect to short-term insurance contract.

Claims Development Pattern: Group Life

Incremental Chain ladder-Yearly Projections (₦)
Development Year

Accident year	0	1	2	3	4
2007	122,699,831	34,905,315	577,411	3,633,646	1,261,552
2008	45,485,729	45,342,474	29,838,034	1,256,080	2,378,881
2009	25,378,136	54,497,734	31,967,515	18,098,940	2,696,593
2010	51,890,840	93,022,128	27,853,605	11,737,731	15,333,254
2011	76,113,193	70,611,981	52,699,284	43,992,708	10,753,872
2012	84,733,218	171,188,065	47,663,841	46,107,408	47,212,922
2013	228,474,642	243,203,033	52,791,562	26,113,786	26,714,227
2014	313,679,483	431,805,952	176,710,390	119,420,642	
2015	625,062,541	334,756,334	246,958,455		
2016	481,741,639	319,491,260			
2017	388,001,855				

(b) 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 comply with the regulators' capital requirements while maximizing the return to stakeholders through the optimization of 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 minimum regulatory capital (as required under section 24 of the Insurance Act 2003 and NAICOM Guidelines), which is N2 billion for Life Assurers, has been maintained and preserved over prior reporting periods. At the end of the 2017 financial year, the capital had a balance of N2.2 billion which is above the minimum regulatory capital of N2 billion.

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.

There was no change made to the capital base or to the objectives, policies and processes for managing capital. Under our capital management policy approved by the Board of Directors, the Managing Director and the Chief Financial Officer are authorized to approve capital actions on behalf of the Company and to further delegate authority with respect to capital actions to appropriate officers. Any capital commitment that exceeds the authority granted to senior management is separately authorized by the Board.

The asset cover of the Company on the valuation date of 31 December, 2017 was 101%. That is, the admissible assets representing the Life Fund (including outstanding claims) and deposit administration funds, amounting to N6,063,357,000 were 101% of the actuarially determined gross liabilities of N6,022,816,000.

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

In thousands of Naira	31-Dec-17	31-Dec-16
Shareholders' funds	2,271,387	1,502,506
Less: Intangible assets	(757)	(1,579)
Deposit for shares (see note 17 (d))	-	500,000
Shareholders' funds upon approval for deposit for shares	2,270,630	2,000,927

The details of the Company's capital structure are shown in the statement of financial position section of the financial statements.

(c) Solvency margin

The Company's solvency margin of N846 million (2016: 741 million) is below the minimum capital of N2 billion prescribed by the Insurance Act of Nigeria. In order to overcome the deficit, the Directors of the Company are planning to inject more capital and funds into the business via both capital raising and sale of some of the Company's investment properties.

The Company's solvency position as at 31 December 2017 is as follows:

	31-Dec-17			31-Dec-16		
Admissible Assets	N'000 **Total**	N'000 **Inadmissible**	N'000 **Admissible**	N'000 **Total**	N'000 **Inadmissible**	N'000 **Admissible**
Cash and cash equivalents	1,145,992	326,263	819,729	965,546	330,944	634,602
Other financial assets:						
- Fair value through profit or loss	1,716,730	-	1,716,730	1,657,341	-	1,657,341
- Available for sale	1,231,477	-	1,231,477	1,116,096	-	1,116,096
- Loans and receivables	58,870	-	58,870	45,925	-	45,925
Trade receivables	5,485	-	5,485	38,869	-	38,869
Reinsurance assets	581,937	-	581,937	470,591	-	470,591
Deferred acquisition cost	44,791	-	44,791	48,640	-	48,640
Other receivables and prepayments	1,471,758	1,134,806	336,952	502,853	464,531	38,322.00
Investment in associate	283,217	-	283,217	283,217	-	283,217
Investment properties	1,348,163	-	1,348,163	1,259,750	-	1,259,750
Non current asset held for sale	973,639	-	973,639	973,639	-	973,639
Intangible assets	757	-	757	1,579	-	1,579
Property and equipment	197,635	-	197,635	230,687	-	230,687
Employees retirement benefits	-	-	-	-	-	-
Statutory deposits	215,000	-	215,000	215,000	-	215,000
Total assets (A)	**9,275,451**	**1,461,069**	**7,814,382**	**7,809,733**	**795,475**	**7,014,258**
Less: Admissible liabilities						
Insurance contract liabilities	5,709,261	-	5,709,261	4,615,352	-	4,615,352
Investment contract liabilities	293,555	-	293,555	339,456	-	339,456
Trade payables	94,671	-	94,671	41,879	-	41,879
Deposit for shares	-	-	-	500,000	-	500,000
Other payables	798,786	-	798,786	748,210	-	748,210
Finance lease payable	44,512	-	44,512	24,134	-	24,134
Employee benefit liability	5,043	-	5,043	4,205	-	4,205
Income taxes	22,280.00	-	22,280	-	-	-
Deferred tax liabilities	35,956	35,956	-	33,991	33,991	-
Total liabilities (B)	**7,004,064**	**35,956**	**6,968,108**	**6,307,227**	**33,991**	**6,273,236**
Solvency margin *(A-B)*			**846,274**			**741,022**
subject to higher of:						
15% of Net premium	405,809			478,505		
or						
Minimum paid up capital	2,000,000		**2,000,000**	2,000,000		**2,000,000**
Solvency margin status: deficit			**(1,153,726)**			**(1,258,978)**

38 Financial assets and liabilities

Accounting classification, measurement basis

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

31 December 2017

	Held to maturity	Loans and receivables	Designated at fair value through profit or loss	Available-for-sale	Other Financial Liabilities cost	Total carrying amount
	N'000	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	-	1,145,992	-	-	-	1,145,992
Financial assets	-	58,870	1,716,730	1,231,477	-	3,007,077
Trade receivables	-	5,485	-	-	-	5,485
Other receivables	-	1,445,779	-	-	-	1,445,779
Reinsurance assets	-	581,937	-	-	-	581,937
	-	3,238,063	1,716,730	1,231,477	-	6,186,270
Trade payables	-	-	-	-	94,671	94,671
Deposit for shares	-	-	-	-	-	-
Other payables	-	-	-	-	746,320	746,320
Investment contract liabilities	-	-	-	-	293,555	293,555
Finance lease	-	-	-	-	44,512	44,512
	-	-	-	-	1,179,058	1,179,058

31 December 2016

	Held to maturity	Loans and receivables	Designated at fair value through profit or loss	Available-for-sale	Other Financial Liabilities cost	Total carrying amount
	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	-	965,546	-	-	-	965,546
Financial Assets	-	45,925	1,657,341	1,116,096	-	2,819,362
Trade Receivables	-	38,869	-	-	-	38,869
Other Receivables	-	479,703	-	-	-	479,703
Reinsurance Assets	-	470,591	-	-	-	470,591
	-	2,000,634	1,657,341	1,116,096	-	4,774,071
Trade Payables	-	-	-	-	41,879	41,879
Deposit for shares	-	-	-	-	500,000	500,000
Other Payables	-	-	-	-	694,286	694,286
Investment Contract Liabilities	-	-	-	-	339,456	339,456
Finance lease	-	-	-	-	24,134	24,134
	-	-	-	-	1,599,755	1,599,755

The table below sets out the level of the fair values for assets measured at fair value for financial assets and liabilities.

31 December 2017

	Level I	Level II	Level III	Total
	N'000	N'000	N'000	N'000
Cash and cash equivalents	-	-	-	-
Financial assets	2,868,003	90,392	-	2,958,395
Trade receivables	-	-	-	-
Other receivables	-	-	-	-
Reinsurance assets	-	-	-	-
	2,868,003	90,392	-	2,958,395
Trade payables	-	-	-	-
Deposit for shares	-	-	-	-
Other payables	-	-	-	-
Investment contract liabilities	-	-	-	-
Finance lease	-	-	-	-
	-	-	-	-

31 December 2016

	Level I	Level II	Level III	Total
	N'000	N'000	N'000	N'000
Cash and Cash Equivalents	-	-	-	-
Financial Assets	2,693,233	90,392	-	2,783,625
Trade Receivables	-	-	-	-
Other Receivables	-	-	-	-
Reinsurance Assets	-	-	-	-
	2,693,233	90,392	-	2,783,625
Trade Payables	-	-	-	-
Deposit for shares	-	-	-	-
Other Payables	-	-	-	-
Investment Contract Liabilities	-	-	-	-
Finance lease	-	-	-	-
	-	-	-	-

39 Related party transactions:

The Company is a wholly 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 Plc ("the Group).

All the transactions with the related parties were conducted at arm's length. Related parties and related party transactions during the period include:-

Name of related party/(relationship)	Nature of transaction	31-Dec-17	31-Dec-16
		N'000	N'000
Royal Exchange Plc (Parent Company)	Other receivables	1,088,397	-
Royal Exchange Finance and Investment Ltd (Sister Company)	Other receivables	25,925	25,930
Royal Exchange Healthcare Plc (Sister Company)	Other receivables	7,921	5,052
Royal Exchange General Insurance Company Limited (Sister Company)	Other payables	291,047	303,076
Royal Exchange Finance and Investment Ltd (Sister Company)	Other payables	9,064	2,537
Royal Exchange Finance and Investment Ltd (Sister Company)	Gross premium	-	729
Royal Exchange General Insurance Company Limited (Sister Company)	Gross premium	85,564	14,992
Royal Exchange Healthcare Plc (Sister Company)	Gross premium	536	1,475
Royal Exchange Microfinance Bank Ltd (Sister Company)	Gross premium	782	748
Royal Exchange Finance and Investment Ltd (Sister Company) (see details in (ii) below)	Interest income	19,377	13,724
Royal Exchange Healthcare Plc (Sister Company)- Employee health insurance	Management expenses	14,338	16,737
Royal Exchange General Insurance Company Limited (Sister Company)	Management expenses	11,649	10,783
Royal Exchange Microfinance Bank Ltd (Sister Company)- bank balance (see details below in (i))	Cash and Cash equivalent	1,773	(1,669)

(i) This amount represents the net balance of cash and cash equivalent balance between the company and Royal Exchange Microfinance Bank.

(ii) The amount also includes short term placement of carrying amount of N14.435 million at 12.5% and various commercial paper issued with carrying amount of N269. 334 million as at 31 December 2017.

40 Contingencies and Commitments

40(a) Commitments for expenditure

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

40(b) Contingent liabilities and contingent assets

Contingent liabilities

	31-Dec-17	31-Dec-16
	N'000	N'000
Legal proceedings and regulation (see note (i) below)	-	-
Tax PAYEE for 2014 tax audit (See note (ii) below)	25,200	25,200
	25,200	25,200

(i) There are certain litigations pending in some courts of law in Nigeria involving the Company either as plaintiff or defendant. The directors believe, based on legal advice, that the action can be successfully defended and therefore there are no significant grounds to warrant any provision in respect of such cases.

(ii) The Company is in discussion with the Lagos Internal Revenue Service on the outcome of the 2014 PAYEE tax audit carried out. At the moment, the revenue authority has billed the Company a liability of N25.2 million. The Company has objected to this position and has held series of discussion with the Revenue authority. The Company's tax consultant is however of the position that the liability has little to no chance of crystallising.

Contingent assets

The Company had no contingent assets at the reporting date.

41 Going concern

The Company incurred a loss of N684,319,000 (2016: N630,370,000) for the year ended 31 December 2017 and as of that date, the Company had a shareholders' fund of N2,271,387,000 (2015: N1,502,506,000), which is above the minimum regulatory capital requirements of N2,000,000,000 for life business operations by N271,387,000. The operating losses mainly resulted from increased provision for insurance contract liabilities during the year. Despite the losses made, the Company was able to generate revenue and cash flows to settle its current liabilities in the normal course of business.

The Company also had a shortfall in solvency margin of ₦1.223 billion as at 31 December 2017 (2016: ₦1.259 billion) for the life business. In order to overcome the deficit, the Directors of the Company are planning to inject more capital and funds into the business via both capital raising and sale of some of the Company's investment properties.

Based on the foregoing, the directors confirm the Company to continue as a going concern, realise its assets and discharge its liabilities in the normal course of business. Accordingly, the financial statements are prepared on the going concern basis.

42 Events after the reporting period

There were no events after the end of the reporting period which could have a material effect on the financial position of the Company as at 31 December 2017 and profit attributable to equity holders on that date which have not been adequately provided for or disclosed.

43 Compensation of key management personnel

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

Chairman and directors' emoluments	31-Dec-17	31-Dec-16
	N'000	N'000
Emoluments		
Chairman	900	900
Other Directors	32,694	14,415
	33,594	15,315
Directors' fees	540	149
Emoluments as Executives	33,054	15,166
	33,594	15,315
The highest paid director	14,291	12,825

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

	31-Dec-17	31-Dec-16
N500,000 - N2,000,000	4	6
N2,000,001 - and above	2	2

44 Contraventions

During the year, the Company did not contravene any section of the Insurance Act Cap I17 LFN 2004 and the NAICOM Insurance Guideline 2015. Thus no penalties were paid during the period.

	-	-

45 Statement of cash flow workings

(i) Premium received

	31-Dec-17 N'000	31-Dec-16 N'000
Gross premium written (See note 26)	3,005,802	3,350,588
Trade receivables, opening balance (see note 3)	38,869	16,778
Trade receivables, closing balance (see note 3)	(5,485)	(38,869)
Premium received from policy holders	3,039,186	3,328,497

(ii) Claims paid

	31-Dec-17 N'000	31-Dec-16 N'000
Death claims /benefits paid: short term insurance contract (see note 28(a))	(1,122,223)	(1,101,758)
Claims paid: long term insurance contracts (see note 28(b))	(636,368)	(428,565)
Balance at the end of the year/period (see note 28 (d))	(1,758,591)	(1,530,323)

(iii) Reinsurance premium paid

	31-Dec-17 N'000	31-Dec-16 N'000
Reinsurance premium expenses (see note 26 (c))	(353,946)	(282,444)
Reinsurance payable, opening balance (see note 16)	(41,879)	(38,449)
Reinsurance payable, closing balance (see note 16)	94,671	41,879
Reinsurance premium paid	(301,154)	(279,014)

(iv) Dividend received

	31-Dec-17 N'000	31-Dec-16 N'000
Dividend receivable, opening balance (see note 6 (e))	22,961	11,247
Dividend income for the year (see note 32 (a) (i)	14,919	30,218
Dividend receivable, closing balance (see note 6 (e))	(19,636)	(22,961)
Total cash dividend received for the period	18,244	18,504

(v) Net outflow from Deposits administration and savings products

	31-Dec-17 N'000	31-Dec-16 N'000
Deposits administration fund		
Deposits made during the year (see note 15 (a))	2,372	20,410
Withdrawal made during the year (see note 15 (a))	(3,366)	(10,605)
Net deposit administration fund	(994)	9,805
Investment managed fund		
Deposits made during the year (see note 15 (b))	150,807	238,658
Withdrawal made during the year (see note 15 (b))	(222,084)	(270,801)
Net deposit administration fund	(71,277)	(32,143)
Cash outflow at the end of the year	(72,271)	(22,338)

(vi) Proceeds from disposal of PPE

	31-Dec-17 N'000	31-Dec-16 N'000
Loss/(gain) on disposal (see note 35.e (ii))	2,865	(408)
Cost (see note 11)	6,450	14,717
Accumulated depreciation (see note 11)	(5,950)	(9,175)
Proceeds on disposal of assets	3,365	5,134

		31-Dec-17	31-Dec-16
(vii)	**Rental income from investment property**	**N'000**	**N'000**
	Rental income for the year (see note 32 (a) (i)	22,222	54,815
	Rental income accruals opening balance (see note 6 (e))	18,333	18,333
	Rental income accruals closing balance (see note 6 (e))	(18,333)	(18,333)
	Rental income for the year	22,222	54,815

		31-Dec-17	31-Dec-16
(viii)	**Other operating cash payments**	**N'000**	**N'000**
	Selling expenses incurred on sales of investment property	-	199,500
	Other management expenses	1,762,887	576,141
	Balance at the end of the year/period	1,762,887	775,641

		31-Dec-17	31-Dec-16
(ix)	**Investment income received**	**N'000**	**N'000**
	Gain disposal of equities (FVTPL & AFS)	103,829	20,309
	Interest income on treasury bills - FVTPL	258,550	26,672
	Interest income on Bonds - FVTPL	5,439	-
	Loans and receivables interest income	4,804	5,439
	Statutory Deposit Interest	32,432	21,954
	Staff Housing Loan Interest	1,510	2,581
	Interest income on Deposits	163,340	4,090
	Income on annuity	156,816	100,944
		726,720	181,989

		31-Dec-17	31-Dec-16
(x)	**Oshodi property redevelopment**	**N'000**	**N'000**
	Company's contribution	100,000	-
	Developer's contribution	43,927	-
	Amount already spent	(113,500)	-
	Net cash flow	**30,427**	-

46 Hypothecation of assets as at 31 December 2017

In thousands of Naira

	Shareholder's fund	Policyholder's fund	Annuity fund	Deposit Administration	Others	Total
INVESTMENTS:						
Property and equipment	197,635	-	-	-	-	197,635
Intangible asset	757	-	-	-	-	757
Mortgage loans	13,508	-	-	-	-	13,508
Statutory deposits	215,000	-	-	-	-	215,000
Government bonds	-	-	1,141,839	47,875	-	1,189,714
Treasury bills	-	1,404,076	-	-		1,404,076
Loans and advances	5,663	-	-	-	-	5,663
Quoted securities	-	204,346		60,433	-	264,779
Unquoted securities	-	-	-	89,638	-	89,638
Bank placements	-	957,107	-	-	-	957,107
Cash and cash equivalents	-	91,885	1,000	96,000	-	188,885
Reinsurance assets	-	581,937	-	-	-	581,937
Policy loan	-	39,699	-	-	-	39,699
Investment in associate	283,217	-	-	-	-	283,217
Other receivables and prepayment (See note 6 for details)	1,471,758	-	-	-	-	1,471,758
Non current asset held for sale	973,639					973,639
Deferred acquisition cost	44,791	-	-	-	-	44,791
Trade receivable	5,485	-	-	-	-	5,485
Investment properties	-	1,348,163	-	-	-	1,348,163
TOTAL	**3,211,453**	**4,627,213**	**1,142,839**	**293,946**	**-**	**9,275,451**

Hypothecation of assets as at 31 December 2016

In thousands of Naira

	Shareholder's fund	Policyholder's fund	Annuity fund	Deposit Administration	Others	Total
INVESTMENTS:						
Property and equipment	230,687	-	-	-	-	230,687
Intangible asset	1,579	-	-	-	-	1,579
Mortgage loans	21,143	-	-	-	-	21,143
Statutory deposits	215,000	-	-	-	-	215,000
Government bonds	-	-	1,026,458	-	34,647	1,061,105
Treasury bills	-	1,356,635	-	-	6,300	1,362,935
Loans and advances	4,409	-	-	-	-	4,409
Quoted securities	-	144,478	59,408	55,873	-	259,759
Unquoted securities	-	64,991	-	12,681	11,966	89,638
Bank placements	244,635	613,490	-	13,871	85,308	957,304
Cash and cash equivalents	-	8,242	-	-	-	8,242
Reinsurance assets	-	470,591	-	-	-	470,591
Policy loan	-	20,373	-	-	-	20,373
Investment in associate	283,217	-	-	-	-	283,217
Other receivables and prepayment (See note 6 for details)	502,853	-	-	-	-	502,853
Non current asset held for sale	973,639					973,639
Deferred acquisition cost	48,640	-	-	-	-	48,640
Trade receivable	38,869	-	-	-	-	38,869
Investment properties	-	1,140,940	-	44,383	74,427	1,259,750
TOTAL	**2,564,671**	**3,819,740**	**1,085,866**	**126,808**	**212,648**	**7,809,733**

Others: represents investment managed funds (see note 15(b) for details)

Other national disclosures

Other national disclosures

Value added statement

for the year ended

	31-Dec-17 N'000	%	31-Dec-16 N'000	%
Net premium earned	3,059,338		3,472,475	
Reinsurance, claims, commission and others	(3,467,427)		(3,073,187)	
	(408,089)	(141)	399,288	88
Investment income	623,973	216	(5,216)	(1)
Fees and commission income	55,612	19	48,908	11
Other operating income	17,224	6	11,904	3
Value added	288,720	100	454,884	100
Applied as follows:				
In payment of employees:				
- Salaries, wages and other benefits	314,473	109	303,255	67
In payment to government:				
- Taxation	46,654	16	14,149	3
For future replacement of assets:				
and expansion of business:				
Depreciation and amortisation	64,091	22	63,951	14
Transfer to contingency reserve	24,029	8	33,506	7
Transfer to life fund	523,792	181	670,393	147
Transfer to revenue reserve	(684,319)	(237)	(630,370)	(139)
	288,720	100	454,884	100

Other national disclosures

Financial summary

for the year ended 31 December 2016

	31 DEC 2017 N'000	31 DEC 2016 N'000	31 DEC 2015 N'000	31 DEC 2014 N'000	31 DEC 2013 N'000
Assets					
Cash and cash equivalents	1,145,992	965,546	406,915	391,988	757,517
Other financial assets:					
Fair value through profit or loss	1,716,730	1,657,341	549,853	447,441	562,314
Available for sale	1,231,477	1,116,096	89,638	91,612	91,612
Loans and Receivables	58,870	45,925	51,284	152,300	186,146
Trade receivables	5,485	38,869	16,778	78,633	137,169
Reinsurance assets	581,937	470,591	307,622	170,687	147,856
Deferred acquisition cost	44,791	48,640	64,547	34,606	75,215
Other receivables and prepayments	1,471,758	502,853	847,020	162,650	120,857
Investment in associates	283,217	283,217	283,217	283,217	252,671
Investment properties	1,348,163	1,259,750	3,037,927	3,874,649	3,647,624
Non current asset held for sale	973,639	973,639	973,639	-	-
Intangible assets	757	1,579	2,502	2,748	3,387
Property and equipment	197,635	230,687	233,595	172,826	149,279
Employees retirement benefits	-	-	4,296	11,350	-
Statutory deposits	215,000	215,000	215,000	215,000	215,000
Total assets	9,275,451	7,809,733	7,083,833	6,089,707	6,346,647
Liabilities					
Insurance contract liabilities	5,709,261	4,615,352	3,656,421	2,222,552	2,055,869
Investment contract liabilities	293,555	339,456	336,271	257,963	599,106
Trade payables	94,671	41,879	38,449	29,947	97,146
Deposit for shares	-	500,000	-	-	-
Other payables	798,786	748,210	696,599	378,423	368,026
Finance lease	44,512	-	-	-	-
Borrowing	-	-	5	2,949	10
Employee benefit liability	5,043	4,205	5,341	2,935	28,679
Income taxes	22,280	-	1,790	11,108	19,488
Deferred tax liabilities	35,956	33,991	31,809	18,117	19,863
Total liabilities	7,004,064	6,283,092	4,766,685	2,923,994	3,188,187
EQUITY					
Share capital	3,461,339	2,161,339	2,161,339	2,161,339	2,161,339
Share premium	404,494	404,494	404,494	404,494	404,494
Contingency reserve	180,092	156,063	122,557	86,848	63,182
Retained earnings	(1,754,095)	(1,045,747)	(381,871)	501,168	535,698
Fair value reserves	(23,095)	(176,015)	(4,210)	(4,210)	(4,210)
Other reserves-employee benefit actuarial surplus/(deficit)	2,652	2,372	14,838	16,074	(2,043)
Total equity	2,271,387	1,502,506	2,317,147	3,165,713	3,158,460
Total equity and liabilities	9,275,451	7,785,600	7,083,834	6,089,707	6,346,647

Statement of Profit or Loss and Other Comprehensive Income

Financial summary	31 DEC 2017 N'000	31 DEC 2016 N'000	31 DEC 2015 N'000	31 DEC 2014 N'000	31 DEC 2013 N'000
Insurance premium revenue	3,005,802	3,350,588	3,570,916	2,366,568	2,142,457
Net insurance premium revenue	2,705,392	3,190,031	3,083,194	2,302,898	1,155,072
(Loss)/profit before tax	(637,665)	(616,221)	(818,526)	162,909	130,482
Income tax expense	(46,654)	(14,149)	(28,804)	(22,479)	(52,455)
(Loss)/profit after tax	(684,319)	(630,370)	(847,330)	140,430	78,027
Transfer to contingency reserve	24,029	33,506	35,709	23,666	21,425

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

Performance analysis by product type

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

The Company's reportable segments, for management purpose, are organized into business units based on the products and services offered as follows:
- Long term business (Individual - life assurance)
- Short term business (Group - life assurance), and,
- Investment linked contracts.

The other segments include corporate shared services and other activities not related to the core business segment and which are not reportable segments due to their immateriality. Certain expenses, finance costs and taxes are not allocated across the segments. This is the measure used by the Company's Chief Executive for the purposes of resource allocation and assessment of segment performance.

Nigeria is the Company's primary geographical segment as all the Company's income is derived in Nigeria. Accordingly, no further geographical segment information is presented.

The segment information provided by Management for the reporting segments for the year ended 31 December 2017 and 2016 respectively are as follows:

31 December 2017	Long Term N'000	Short Term N'000	Investment Linked N'000	Total N'000
Gross Premium Income	861,320	2,180,002	18,016	3,059,338
Reinsurance Expenses	(99,649)	(254,297)	-	(353,946)
Net premium income	761,671	1,925,705	18,016	2,705,392
Fees and Commission income	15,657	39,955	-	55,612
Net underwriting income	777,328	1,965,660	18,016	2,761,004
Gross benefits and claims paid	(691,295)	(1,631,146)		(2,322,441)
Insurance claims and benefits paid - recoverable from reinsurers	-	453,800	-	453,800
Changes in insurance contract liabilities	(425,086.00)	(98,706.00)	-	(523,792)
Underwriting Expenses	(356,682.00)	(101,452.00)	(2,158.00)	(460,292)
Underwriting profit	(695,735)	588,156	15,858	(91,721)
Profit from Investment contracts			(12,220)	(12,220)
Other Investment income	93,650.00	499,107.00	31,217.00	623,974
Fair value gains/(losses)	9,034.00	48,178.00	3,011.00	60,223
Other operating income	2,584	13,779	860	17,223
Depreciation on Property and Equipment	(9,490)	(50,615)	(3,163)	(63,269)
amortisation of intangible assets	(123)	(658)	(41)	(822)
Write-back/(charge) of impairment	(16,516)	(88,086)	(5,505)	(110,108)
Employee expenses	(23,813.00)	(127,003.00)	(7,938.00)	(158,754)
Management expenses	(135,329)	(721,753)	(45,110)	(902,191)
Results from operating activities	(775,739)	161,105	(23,031)	(637,665)

31 December 2016	Long Term N'000	Short Term N'000	Investment Linked N'000	Total N'000
Gross Premium Income	1,355,014	2,117,461	-	3,472,475
Insurance premium ceded to reinsurers	(4,220)	(278,224)	-	(282,444)
Net insurance premium revenue	1,350,794	1,839,237	-	3,190,031
Fee Income	1,110	47,798	-	48,908
Net underwriting income	1,351,904	1,887,035	-	3,238,939
Insurance benefits and claims	(1,513,034)	(427,714)		(1,940,748)
Insurance claims recovered from reinsurers	-	290,980	-	290,980
Changes in insurance contract liabilities	(481,526)	(188,867)	-	(670,393)
Underwriting Expenses	(107,541)	(315,658)	(6,532)	(429,731)
Underwriting profit	(750,197)	1,245,776	(6,532)	489,047
Profit from Investment contracts			47,051	47,051
Other Investment income	(783)	(4,173)	(261)	(5,217)
Fair value gains/(losses)	(9,640)	(51,412)	(3,213)	(64,265)
Other operating income	1,786	9,523	595	11,904
Depreciation on Property and Equipment	(9,454)	(50,423)	(3,151)	(63,029)
amortisation of intangible assets	(138)	(738)	(46)	(922)
Write-back/(charge) of impairment	346	1,847	115	2,309
Employee expenses	(22,086)	(117,790)	(7,362)	(147,238)
Management expenses	(132,879)	(708,689)	(44,293)	(885,861)
Results from operating activities	(923,046)	323,922	(17,097)	(616,221)