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Royal Exchange Prudential Life Plc

Annual Report & Financial Statements
31 December 2018

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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 Mr. Benjamin Agili Hewett Benson**
Non-Executive Directors:	Mr. Ben Azi Mr. Nelson Akerele Mr. Matthew Adefila
Company secretary:	Ngozi Onyeme
Company registration number:	RC: 614276
Preparation supervised by:	Oloyede Oyewale Chief Financial Officer
Re-insurers:	African Reinsurance Corporation Continental Reinsurance Plc WAICA Reinsurance Ltd
Independent auditor:	Deloitte & Touche Civic Towers Plot GA 1, Ozumba Mbadiwe Avenue Victoria Island Lagos Nigeria www.deloitte.com.ng

Bankers:	Access Bank Plc Ecobank Nigeria Limited First City Monument Bank Limited First Bank Limited Fidelity Bank Plc Guaranty Trust Bank Plc Microcred Microfinance Bank Limited Royal Exchange Microfinance Bank Limited Skye Bank Plc Sterling Bank Plc Union Bank of Nigeria Plc United Bank for Africa Plc FSDH Merchant Bank Limited
Actuary:	EY Nigeria FRC/NAS/00000000738

* Resigned with effect from 19 October, 2018.
** Appointed chairman, pending approval

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 2018.

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 2018 are as follows:

	31-Dec-2018	31-Dec-2017
	N'000	N'000
Profit/(Loss) before tax	11,184	(637,665)
Taxation	(47,390)	(46,654)
Loss for the year	(36,206)	(684,319)
Transfer to contingency reserve	(38,362)	(24,029)
Transfer to revenue reserve	(74,568)	(708,348)

3 DIRECTORS AND DIRECTORS' INTEREST AND SHAREHOLDING

A Board of 8 (Eight) 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 Benjamin Agili **	Executive Director (Technical)
Mr. Nelson Akerele	Non-Executive Director
Mr Hewett Benson **	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:

* Alhaji auwalu Muktari resigned as a Director of the Company with effect from 18 October 2018.

** Mr Benjamin Agili was appointed as a Director of the Company with effect from 1 February, 2018 via a board resolution of 30 April 2018. Mr Hewett Benson was the sitting Chairman present at the board meeting held on 16 October 2018.

3.3 The Directors except, Mr. Nelson Akerele, Mr Ben Azi and Dr. Mr. Matthew Adefila, are representatives of the parent Company, Royal Exchange Plc, and have no direct or indirect shareholding 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 (2017: 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 interests in 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 (2017:4,000,000,000 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 2018.

	31-Dec-2018	31-Dec-2018	31-Dec-2017	31-Dec-2017
Royal Exchange Plc	3,461,339,465	100.0%	3,461,339,465	100%
Royal Exchange General Insurance Company Limited	1	0.0%	1	0%
Total	3,461,339,466	100%	3,461,339,466	100%

According to the register of members as at 31 December 2018, 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 (2017: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 2018, the Company had no disabled person in its employment (2017: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

The Auditor, Messer Deloitte & Touche (Chartered Accountants), appointed during the year 2018, have indicated their willingness to continue in office as auditors accordance with section 357 (2) of the Companies and Allied Matters Act, Cap C. 20 Laws of the Federation of Nigeria, 2004.

11 COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

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

BY ORDER OF THE BOARD

NOnyeme.

Ngozi Onyeme
FRC/2013/NBA/000000004371
Company Secretary
Lagos, Nigeria
20 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the preparation and approval of the Financial statements

The Directors of Royal Exchange Prudential Life Plc accept responsibility for the preparation of the Financial Statements that gives a true and fair view of the financial position of the company as at 31 December 2018 and the result of its operation, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in manner required by the Companies and allied Matters Act of Nigeria, Insurance Act of Nigeria, relevant guidelines and circulars issued by the National Insurance Commission (NAICOM) and Financial Reporting Council Act of Nigeria. The responsibilities include ensuring that the Company:

(a) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act and the Insurance Act;
(b) Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities;
(c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, which are all consistently applied.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates,
in conformity with;

- International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- the requirements of the Insurance Act;
- relevant guidelines and circulars issued by the National Insurance Commission (NAICOM);
- the requirements of the Companies and Allied Matters Act; and
- Financial Reporting Council Act of Nigeria

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made assessment of the company's ability to continue as a going concern and have no reason to believe that the company will not remain a going concern for at least twelve months from the date of this financial statement.

By order of the Board

Mr. Benjamin Agili	**Mr. Wale Banmore**
(Director)	**(Managing Director/CEO)**
FRC/2016/CIIN/00000014211	FRC/2013/CIIN/00000003075
20 June 2019	20 June 2019

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Institute of Chartered Accountants of Nigeria (ICAN) Professional Code of Conduct and Guide for Accountants and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 49 of the financial statements. As of 31 December, 2018, the company had a solvency margin of ₦1.264 billion (2017:₦864 million) which was below the minimum requirement of N2billion for life business by ₦736 million (2017: ₦1.154 billion).
These conditions as set forth in Note 49, 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 going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

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

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Key Audit Matter	How the matter was addressed in the audit
Valuation of Insurance and Investment Contracts	
Under IFRS 4, the Company is required to perform liability adequacy test on its insurance contract liabilities and investment contract liabilities to ensure the carrying value of the liabilities is adequate. As disclosed in note 14 & 15 to the financial statements, the insurance contract liabilities of the Company amounted to N5.79 billion [2017: N6.00 billion]. This represents about 76% of the Company total liabilities as at 31 December 2018. Determination of the fair value of the contracts is an area that involves exercise of significant judgements and use of key inputs and assumptions. Some of these include operating assumptions in relation to uncertain future outcomes like mortality, morbidity, lapse and surrender, etc., and also economic assumptions relating to interest rates, inflation rates, expenses, return on investments, discount rates, future growth rates etc. are the key inputs used to estimate these long-term liabilities. At the end of each financial year, management employ the services of an external actuary in the determination of its insurance and investment liability after considering the accuracy and integrity of data used in the valuation. Necessary adjustments are made in the financial statements to reflect the liabilities determined by the actuary.	Our procedures included the following among others: We reviewed the methodology and process adopted by management for making reserves in the books of the company. • Tested entity's control around reserving process and maintenance of data for valuation of insurance contract liabilities. We considered the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. Our work on the liability adequacy test includes assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience data and specific product features. • We validated the data used in the valuation of the insurance contract liabilities • We involved Deloitte's Actuary in the review of the assumptions and estimates used by management and the assessment of the adequacy of the insurance liabilities in line with Liability Adequacy Test ("LAT") based on the requirement of IFRS 4. • We ensured the appropriateness of the journals posted, footed and agreed the figures disclosed in the financial statements to the figures stated in the actuarial valuation after thorough review of the basis and assumptions. We found that the assumptions used by management were comparable with the market, accord with best practices, the key input data used in estimating the fair value of the insurance and investment contracts liabilities were appropriate in the circumstances. We consider the disclosure of the liabilities to be adequate, relevant and useful.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Insurance Act CAP I17 LFN 2004 and Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matter communicated with the audit committee and/or the directors, we determine the matter that was of most significance in the audit of the financial statements of the current year and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

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

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii) The Company has kept proper books of account, so far as appears from our examination of those books.
iii) The Company's statement of financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account.

No evidence of non-compliance with laws and regulations came to our attention during the audit of the financial statements for the year ended 31 December, 2018.

Contraventions

No contravention of the requirement of the relevant circulars and guidelines issued by National Insurance Commission ("NAICOM") was brought to our attention during the audit of the financial statements.

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

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0846734

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

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, CAP I17 LFN 2004 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 20 June 2019.

(b) Basis of preparation and Measurement

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:

- Fair value through profit or loss
- Fair value through other comprehensive income
- Investment properties

(ii) Measured at amortised cost

- Financial asset at amortised cost

- 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 statements 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 2018.

(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 2018 except for changes/amendments highlighted below:

Standards, amendments and interpretations effective during the reporting period

(i) IFRS 9 Transition

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

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The company does not apply hedge accounting.

Consequently, for notes disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

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

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

Classification and measurement of financial instruments
The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
Financial Assets	**Measurement category**	**carrying amount N'000**	**Measurement category**	**carrying amount N'000**
Cash and cash equivalents	Amortised cost (Loans and receivables)	1,145,992	Amortised cost	1,138,417
Statutory deposits	Amortised cost (Loans and receivables)	215,000	Amortised cost	215,000
Loans and receivables	Amortised cost (Loans and receivables)	58,870	Amortised cost	57,205
Trade receivables	Amortised cost (Loans and receivables)	5,485	Amortised cost	5,401
Due from related parties	Amortised cost (Loans and receivables)	1,096,318	Amortised cost	1,073,270
Other receivables	Amortised cost (Loans and receivables)	291,799	Amortised cost	291,799
Investment securities: Debt investments	FVPL (Designated)	1,451,951	FVOCI	-
Investment securities: Equity investments	FVPL (Designated)	264,779	FVPL	264,779
Investment securities: Debt investments	FVOCI (Available for sale)	1,141,839	FVOCI	2,588,599
Investment securities: Equity investments	FVOCI (Available for sale)	89,638	FVOCI (Designated)	89,638

There were no changes to the classification and measurement of financial liabilities. The company has no financial liabilities measured at fair value through profit or loss.

(ii) Disclosure Initiative (Amendments to IAS 7)

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

(iii) 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.

(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) 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 2019.

(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 2019.

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

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

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

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

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

The amendment is not expected to have any impact on the Company as the company recognises it investment in associates using the Cost method.

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

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

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

(vi) IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

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

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

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

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

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

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

(viii) Amendments to IAS 28 (Oct 2017)

Long-term Interests in Associates and Joint Ventures
The amendments in Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) are:

- Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

The amendments are accompanied by an illustrative example.
The amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted.

The entity does not have any subsidiary or associate and not also involved in any form of joint venture agreement.

Hence, this amendment is not applicable to the entity

(viv) Annual Improvements to IFRS Standards 2015–2017 Cycle (Dec 2017),IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that the requirements in the former paragraph 52B (to In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(ix) Amendments to IAS 19) (February 2018) Plan Amendment, Curtailment or Settlement

On 7 February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019

(x) Amendments to References to the Conceptual Framework in IFRS Standards

The Conceptual Framework for Financial Reporting (Conceptual Framework) describes the objective of and concepts for general purpose financial reporting. It is a practical tool that helps the IASB to develop requirements in IFRS Standards based on consistent concepts. Consideration of these concepts, in turn, should result in the IASB developing IFRS Standards that require entities to provide financial information that is useful to investors, lenders and other creditors.

The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

(xi) Amendments to IFRS 9 (Oct 2017)

Prepayment Features with Negative Compensation

The amendments in Prepayment Features with Negative Compensation (Amendments to IFRS 9) are:

1. Changes regarding symmetric prepayment options

Under the current IFRS 9 requirements, the SPPI condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain).

Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

2. Clarification regarding the modification of financial liabilities

The final amendments also contain (in the Basis for Conclusions) a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the de-recognition of the financial liability. The IASB clarifies that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortised cost amount.

3. 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.

Translation differences related to changes in amortised cost are recognised in profit or loss; other changes in carrying amount are recognised in equity. Translation differences on financial assets and liabilities held at fair value through profit and loss are reported as part of the fair value gain or loss. Translation differences on any other non-monetary item that is measured based on a fair value basis and for which changes in the 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 instruments depends on the nature and purpose of the instruments and are determined at the time of initial recognition.

i) Financial assets and liabilities

Measurement methods

The Company measures its financial assets and liabilities at Amortised cost and effective interest rate.

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

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

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

Interest income

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

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

Initial recognition and measurement

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

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

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

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(ii) Financial assets

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

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

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

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government treasury bills.
Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

1) **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note V. Interest income from these financial assets is included in 'other investment income' using the effective interest rate method.

2) **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'other investment income' using the effective interest rate method.

3) **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net fair value gain/(loss) on financial assets' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Investment and other income'. Interest income from these financial assets is included in 'Investment and other income' using the effective interest rate method. As at the reporting date, the company has no debt instruments within this category.

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

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start

of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(iii) Equity instruments

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

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

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

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

(iv) Impairment

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instruments carried at amortised cost and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

(v) Financial instrument policy applicable before 1 January 2018

(v)(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.

(v)(ii) 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.

(v)(iii) 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.

(v)(iv) Loans and receivables

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

(v)(v) 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.

(v)(vi) 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.

(v)(vii) 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.

(v)(viii) 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.

(v)(ix) 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.

(v)(x) 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)(xi) 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).

(v)(xii) 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.

(v)(xiii) 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

(v)(xiv) 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.

(vi) 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.

(vii) 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.

(viii) 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.

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.

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:

Leasehold land	Nil
Buildings	50 years
Computer equipment	4 years
Furniture and fittings	5 years
Motor vehicles	4 years
Motor vehicles lease	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.

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 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.

V IFRS 9 TRANSITION REPORT

IFRS 9 IMPACT ANALYSIS AND RECONCILIATION
Impact on Financial Statements
The effect of adopting IFRS 9 on the statement of financial position and the statement of profit or loss and other comprehensive income is, as follows:

STATEMENT OF FINANCIAL POSITION AS AT

Measurement category	Ref Note	(i) IAS 39 Carrying Amount 31/12/2017 N'000	(ii) Re-classifications N'000	(iii) Expected credit losses N'000	(iv) Tax impact N'000	(v) =(i)+(ii)+(iii)+(iv) IFRS 9 Carrying amount 1/1/2018 N'000
Assets						
Cash and cash equivalents:						
Other short-term bank deposits	v(a)	957,107	-	(7,575)	-	949,532
Cash at bank and in hand	v(a)	188,885	-	-	-	188,885
Financial assets:						
-Fair value through profit/loss						
FGN BOND		35,875	(35,875)	-	-	-
Treasury bills		1,416,076	(1,416,076)			-
Listed Equities		264,779	-			264,779
-Available for sales						
BOND (Annuity)		849,865	(849,865)			-
Treasury bills(Annuity)		291,974	(291,974)		-	-
Unlisted equities		89,638	(89,638)			-
-Fair value through other comprehensive income	v(b)		2,683,428	(5,191)		2,678,237
-Loans and receivable		58,870	(58,870)	-	-	-
-Amortised cost		-	58,870	(1,666)		57,205
Trade receivables		5,485	-	(84)	-	5,401
Intercompany receivables		1,096,318	-	(23,047)	-	1,073,270
Other receivables and prepayments		375,440	-	-	-	375,440
Reinsurance assets		581,937	-	-	-	581,937
Deferred acquisition cost		44,791	-	-	-	44,791
Investment in associates		283,217	-	-	-	283,217
Investment properties		1,348,163	-	-	-	1,348,163
Non current asset held for sale		973,639	-	-	-	973,639
Intangible assets		757	-	-	-	757
Property and equipment		197,635	-	-	-	197,635
Statutory deposits		215,000	-	-	-	215,000
Total Assets		**9,275,451**	**-**	**(37,563)**	**-**	**9,237,888**

Measurement Category	N'000		Expected Credit loss N'000		IFRS 9 N'000
Liabilities and equity					
Insurance contract liabilities	5,709,261	-	-	-	5,709,261
Investment contract liabilities	293,555	-	-	-	293,555
Trade payables	94,671	-	-	-	94,671
Deposit for shares	-	-	-	-	-
Other payables	798,786	-	-	-	798,786
Borrowings	-	-	-	-	-
Finance lease obligations	44,512	-	-	-	44,512
Employee benefit liability	5,043	-	-	-	5,043
Income taxes	22,280	-	-	-	22,280
Deferred tax liabilities	35,956	-	-	-	35,956
Total Liabilities	**7,004,064**	**-**	**-**	**-**	**7,004,064**
Equity					
Share capital	3,461,339	-	-	-	3,461,339
Share premium	404,494	-	-	-	404,494
Contingency reserve	180,092	-	-	-	180,092
Retained earnings	(1,754,095)	-	(32,372)	-	(1,786,467)
Fair value OCI reserve	(23,095)	-	(5,191)	-	(28,286)
Other reserves-employee benefit actuarial surplus	2,652	-			
Total liabilities	**2,271,387**	**-**	**(37,563)**	**-**	**2,233,824**
Total equities and liabilities	**9,275,451**	**-**	**(37,563)**	-	**9,237,888**

		IAS 39 as at 31 Dec., 2017 N'000	IFRS 9 as at 1 Jan, 2018 N'000
	Assets		
a	**Cash and cash equivalent**		
	Balance as at Dec. 2017 (IAS 39)- Cash at bank and in hand	188,885	188,885
	Balance as at Dec. 2017 (IAS 39)- Other short term bank deposit	957,107	957,107
	Impairment (ECL Model)- short term bank deposit	-	(7,575)
	Balance as at Jan. 1, 2018 (IFRS 9)	1,145,992	1,138,417
	Financial assets:		
b	**Fair value through OCI (FVOCI)**		
	Balance as at Dec. 2017 (IAS 39)- Bond	849,865	
	Balance as at Dec. 2017 (IAS 39)- Treasury bills	291,974	
	Balance as at Dec. 2017 (IAS 39)- Unlisted equities	89,638	
	Reclassified from AFS to FVOCI	(1,231,477)	1,231,477
	Balance as at Dec. 2017 (IAS 39)- Bond	35,875	
	Balance as at Dec. 2017 (IAS 39)- Treasury bills	1,416,076	
	Reclassified from FVTPL to FVOCI	(1,451,951)	1,451,951
	Impairment (ECL Model)	-	(5,191)
	Balance as at Jan. 1, 2018 (IFRS 9)	-	2,678,237
c	**Amortised cost (AC)**		
	Balance as at Dec. 2017 (IAS 39)	58,870	
	Reclassified from Loans and receivable to amortised cost	(58,870)	58,870
	Impairment (ECL Model)		(1,665)
	Balance as at Jan. 1, 2018 (IFRS 9)	-	57,205
d	**Fair value through profit or loss (FVTPL)**		
	Balance as at Dec. 2017 (IAS 39)- Bond	35,875	
	Reclassified from FVTPL to FVOCI	(35,875)	-
	Balance as at Dec. 2017 (IAS 39)- Treasury bills	1,416,076	
	Reclassified from FVTPL to FVOCI	(1,416,076)	-
	Balance as at Dec. 2017 (IAS 39)- Listed Equities	264,779	264,779
	Balance as at Jan. 1, 2018 (IFRS 9)	264,779	264,779
e	**Available for sales**		
	Balance as at Dec. 2017 (IAS 39)	849,865	-
	Reclassified from AFS to FVOCI	291,974	-
	Balance as at Dec. 2017 (IAS 39)- Unlisted equities	89,638	-
	Reclassified to FVQCI	(1,231,477)	-
	Balance as at Jan. 1, 2018 (IFRS 9)	-	-

		IAS 39 as at 31 Dec., 2017 N'000	IFRS 9 as at 1 Jan, 2018 N'000
f	**Loans and Receivables**		
	Balance as at Dec. 2017 (IAS 39)	58,870	-
	Reclassified to amortised cost	(58,870)	-
	Balance as at Jan. 1, 2018 (IFRS 9)	-	-
g	**Trade receivables**		
	Balance as at Dec. 2017 (IAS 39)	5,485	5,485
	Impairment (ECL Model)	-	(84)
	Balance as at Jan. 1, 2018 (IFRS 9)	5,485	5,401
h	**Other receivable and prepayment**		
	Balance as at Dec. 2017 (IAS 39)	1,471,759	1,471,759
	Impairment (ECL Model)	-	(23,049)
	Balance as at Jan. 1, 2018 (IFRS 9)	1,471,759	1,448,710
i	**Retained earnings**		
	Balance as at Dec. 2017 (IAS 39)	(1,754,095)	(1,754,095)
	Impairment (ECL Model)-Cash and cash equivalents	-	(7,575)
	Impairment (ECL Model)- Amortised cost		(1,665)
	Impairment (ECL Model)- Trade receivables		(84)
	Impairment (ECL Model)- Other receivables and prepayments		(23,048)
	Balance as at Jan. 1, 2018 (IFRS 9)	(1,754,095)	(1,786,467)
j	**FVOCI Reserve**		
	Balance as at Dec. 2017 (IAS 39)	(23,095)	(23,095)
	Impairment (ECL Model)	-	(5,191)
	Balance as at Jan. 1, 2018 (IFRS 9)	(23,095)	(28,286)

The total remeasurement loss of N37.564 million was recognised in opening reserves at 1 January 2018.

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

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

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

Financial Assets previously designated at FVPL now measured at FVOCI

The company held debt securities amounting to N1.5 billion which had previously been measured at fair value through profit or loss. After performing a detailed analysis, the company concluded that these debt securities are required to be measured at fair value through other comprehensive income as the debt securities are held for the dual objective of collecting contractual cashflows and selling. The sales are driven by liquidity needs to settle insurance claims. In addition, the contractual cashflows consist solely of payments of principal and interest.

For financial assets that have been reclassified to the fair value through other comprehensive income category, the following table shows their fair value as at 31 December 2018 and the fair value gain or loss that would have been recognised if these financial assets and liabilities had not been reclassified as part of the transition to IFRS 9:

Reclassification to fair value through other comprehensive income	**2018 (N'000)**
From FVPL (IAS 39 classification) — Item (B) above	
Fair value at 31 December 2018	37,136
Fair value loss that would have been recognised during the year if the financial asset had not been reclassified	(1,739)
Interest income	83,469
Financial assets derecognised during the year	1,416,076

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9
The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	**Loan loss allowance under IAS 39 / Provision under IAS 37 N'000**	**Reclassification**	**Remeasurement**	**Loan loss allowance - IFRS 9 N'000**
Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Cash and cash equivalents	-			7,575
Statutory deposits	-			-
Loans and receivables	-			1,665
Trade receivables	-			84
Due from related parties	-			23,048
Other receivables	21,537			21,537
Total	21,537		-	53,909
Available for sale financial instruments (IAS 39) / Financial assets at FVOCI (IFRS 9)				
Investment securities: debt investments			-	5,191
Total			-	59,100

Impact of IFRS 9 Adoption on solvency Margin
The impact of IFRS 9 on the company's solvency position is two-fold. As the standard covers classification and measurement of both financial assets and liabilities:

Changes in the measurement of financial assets in scope for IFRS 9 and defined as admissible under the risk based capital as detailed in the prudential guidelines set by the NAICOM may result in a decline in the asset value.

Changes in the impairment of financial instruments in scope for IFRS 9 and defined as admissible liabilities under the NAICOM prudential guidelines have resulted in an increase in allowance provisions and consequently admissible liabilities/ decrease in admissible assets.

The changes in measurement of financial instruments have also affected the amount of capital available to meet the regulator's minimum capital requirement. This will probably have an adverse effect on the insurer's solvency position.

Admissible Assets	IAS 39 Admissible assets N'000	IFRS 9 Impact N'000	Adjusted IFRS 9 Admissible asset N'000
Cash and cash equivalents	819,729	(7,575)	812,154
Other financial assets:			
- Fair value through profit or loss	1,716,730	(1,451,951)	264,779
- Available for sale	1,231,477	(1,231,477)	-
- Fair value through other comprehensive income	-	2,678,237	2,678,237
- Loans and receivables	58,870	(58,870)	-
- Amortised cost	-	57,204	57,204
Trade receivables	5,485	(84)	5,401
Reinsurance assets	581,937		581,937
Deferred acquisition cost	44,791		44,791
Other receivables and prepayments	336,952	(23,047)	313,905
Investment in associate	283,217		283,217
Investment properties	1,348,163		1,348,163
Non current asset held for sale	973,639		973,639
Intangible assets	757		757
Property and equipment	197,635		197,635
Statutory deposits	215,000		215,000
Total assets (A)	7,814,382	37,563	7,776,819
Less: Admissible liabilities			
Insurance contract liabilities	5,709,261		5,709,261
Investment contract liabilities	293,555		293,555
Trade payables	94,671		94,671
Deposit for shares	-		-
Other payables	798,786		798,786
Finance lease payable	44,512		44,512
Employee benefit liability	5,043		5,043
Income taxes	22,280		22,280
Deferred tax liabilities	-		-
Total liabilities (B)	6,968,108	-	6,968,108
Solvency margin *(A-B)*	**846,274**		**808,711**
Subject to higher of:			
15% of Net premium	405,809		405,809
or			
Minimum paid up capital	2,000,000		2,000,000
Higher of A and B	2,000,000		2,000,000
Solvency margin status: deficit	(1,153,726)		(1,191,289)

IV Significant 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 2018 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) 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 45(a).

(iii) 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.

(iv) 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)

(v) 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.

(vi) 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 31 December, 2018

	Note	31-Dec-18 N'000	31-Dec-17 N'000
ASSETS			
Cash and cash equivalents	1	3,817,172	1,145,992
Financial assets:			
- Fair value through profit or loss	2(a)	181,005	1,716,730
- Fair value through other comprehensive income	2(b)	1,874,576	-
- Available for sale	2	-	1,231,477
- Loans and receivables	2	-	58,870
- Amortised cost	2(c)	72,016	-
Trade receivables	3	15,690	5,485
Reinsurance assets	4	464,841	581,937
Deferred acquisition cost	5	41,855	44,791
Other receivables and prepayments	6	336,347	1,471,758
Investment in associates	7	283,217	283,217
Investment properties	8	1,348,152	1,348,163
Non current asset held for sale	9	973,639	973,639
Intangible assets	10	407	757
Property and equipment	11	190,302	197,635
Statutory deposits	13	215,000	215,000
Total assets		**9,814,219**	**9,275,451**
LIABILITIES			
Insurance contract liabilities	14	5,486,877	5,709,261
Investment contract liabilities	15	302,426	293,555
Trade payables	16	118,380	94,671
Deposit for shares	18	1,000,000	-
Other payables	17	523,454	798,786
Borrowings	19	24,061	-
Finance lease obligations	20	67,086	44,512
Employee benefit liability	12(a)	4,365	5,043
Income taxes	21(b)	5,387	22,280
Deferred tax liabilities	22(a)	50,194	35,956
Total liabilities		7,582,230	7,004,064
EQUITY			
Share capital	23(b)	3,461,339	3,461,339
Share premium	24	404,494	404,494
Contingency reserve	25	218,454	180,092
Retained earnings	26	(1,861,035)	(1,754,095)
Fair value reserves	27(a)	5,225	(23,095)
Other reserves-employee benefit actuarial surplus	27(b)	3,512	2,652
Total equity		2,231,989	2,271,387
Total equity and liabilities		**9,814,219**	**9,275,451**

The financial statements and accompanying notes were approved by the Board of Directors on 20 June 2019 and signed on its behalf by:

Mr. Benjamin Agili
Director
(FRC/2016/CIIN/00000014211)

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

Additionally certified by:

Oloyede Oyewale
Chief Financial Officer
(FRC/2019/ICAN/00000019387)

Statement of profit or loss and other comprehensive income

	Note	31-Dec-18	31-Dec-17
		N'000	**N'000**
Gross premium written	28	3,836,162	3,005,802
Unearned premium	28	71,958	53,536
Gross premium income	28	3,908,120	3,059,338
Reinsurance premium expenses	29	(392,926)	(353,946)
Net premium income		3,515,194	2,705,392
Fees and commission income	30	52,044	55,612
Net underwriting income		3,567,238	2,761,004
Net Insurance claims and benefits	31	(2,307,802)	(2,322,441)
Insurance claims and benefits incurred - recovery from reinsurers	4(c)	-	453,800
Changes in insurance fund	32	535,667	(523,792)
Underwriting expenses	33	(426,763)	(460,292)
Underwriting profit/(loss)		1,368,340	(91,721)
Profit on investment contracts	34	21,326	(12,220)
Other investment income	36	513,846	623,973
Fair value gains and losses on assets	38	(104,416)	60,223
Other operating income	39	11,659	17,224
Depreciation on property plant and equipment	40	(52,411)	(63,269)
Amortisation of intangible assets	41	(350)	(822)
Impairment on assets	42(a)	(253,642)	(110,108)
Impairment on allowance (ECL)	42(b)	(9,330)	-
Employee benefit expenses	43	(158,420)	(158,754)
Management expenses	43(c)	(1,325,418)	(902,191)
Profit/(Loss) before taxation		11,184	(637,665)
Income tax charges	21(a)	(17,722)	(1,965)
Income/minimum tax	21(a)	(29,668)	(44,689)
Loss for the year		(36,206)	(684,319)
Other comprehensive income:			
Items that will not be re-classified to profit or loss			
Net actuarial gain	27 (b)(ii)	860	280
Items that may be reclassified to profit or loss:			
Fair value gains on fair value through OCI	27(a)	50,303	152,920
Total other comprehensive income net of tax		51,163	153,200
Total comprehensive income for the year		14,957	(531,119)

Statement of changes in equity

2018	Share capital N'000	Share premium N'000	Contingency reserve N'000	Retained earnings N'000	Actuarial gain/(loss) reserve N'000	Fair value reserves N'000	Total N'000
As at 1 January	3,461,339	404,494	180,092	(1,754,095)	2,652	(23,095)	2,271,387
Day 1 IFRS 9 adjustment				(32,372)	-	(5,191)	(37,563)
Loss for the year	-	-	-	(36,206)	-	-	(36,206)
Net amount reclassified to profit or loss	-	-	-	-	860	-	860
Fair value changes of FVOCI	-	-	-	-	-	33,511	33,511
Total comprehensive income for the year	3,461,339	404,494	180,092	(1,822,673)	3,512	5,225	2,231,989
Transactions within Equity:							
Transfer to contingency reserves	-	-	38,362	(38,362)	-	-	-
As at 31 December	3,461,339	404,494	218,454	(1,861,035)	3,512	5,225	2,231,989

2017	Share capital N'000	Share premium N'000	Contingency reserve N'000	Retained earnings N'000	Actuarial gain/(loss) reserve N'000	Fair value reserves N'000	Total N'000
As at 1 January	2,161,339	404,494	156,063	(1,045,747)	2,372	(176,015)	1,502,506
Loss for the year	-	-	-	(684,319)	-	-	(684,319)
Net actuarial gains/losses on defined benefit obligations	1,300,000						1,300,000
Net amount reclassified to profit or loss	-	-	-	-	280	-	280
Fair value gains/(losses) on available for sale of quoted equities	-	-	-	-	-	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)	-	-	-
As at 31 December	3,461,339	404,494	180,092	(1,754,095)	2,652	(23,095)	2,271,387

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

Statement of cash flows

	Note	31-Dec-18 N'000	31-Dec-17 N'000
Cash flows from operating activities			
Premium received	52(i)	3,858,931	3,192,988
Claims paid	52(ii)	(2,317,981)	(1,758,591)
Commission paid	5	(277,740)	(300,724)
Commission received	30	52,044	55,612
Reinsurance premium paid	52(iii)	(435,134)	(301,154)
Reinsurance claims recovered	4(c)	307,492	237,844
Payment to employees	43(a)	304,507	(314,473)
Other operating cash payments	52(viii)	(1,066,822)	(1,916,689)
Other operating income received	39(a)	11,966	17,207
Dividend received	52(iv)	32,233	18,244
Net outflow from deposit administration and saving products	52(v)	(8,986)	(72,271)
Income tax paid	21(b)	(50,045)	(20,147)
Net cash from/(used in) operating activities		410,465	(1,162,154)
Cash flows from investing activities			
Purchase of property and equipment	11	(46,697)	(30,713)
Proceed from disposal of property and equipment	52(vi)	1,247	3,365
Property redevelopment	52(x)	-	30,427
Deposit for investments	6(e)	(22,472)	(215,200)
Purchase of financial asset at fair value through profit or loss	2(d)	(47,200)	(1,842,259)
Purchase of financial asset at available for sale	2(d)	-	(299,645)
Purchase of financial asset at fair value through other comprehensive income	2(d)	(4,102,866)	-
Loans and receivables granted during the year	2(d)	(25,392)	(48,569)
Investment income received	52(ix)	441,943	726,720
Rental income received from investment property	52(vii)	60,926	22,222
Receipts from loans and receivables	2(d)	10,595	35,624
Proceeds on disposal, sale or redemption of AFS investment	2(d)	-	337,184
Proceeds on disposal, sale or redemption of OCI investment	2 (d)	4,940,001	-
Proceeds on disposal, sale or redemption of FVTPL investment	2(d)	26,569	1,823,444
Net cash from investing activities		1,236,654	542,600
Cash flows from financing activities			
Deposit for shares	(18)	1,000,000	-
Additional capital introduced	(19)	-	800,000
Borrowings		24,061	-
Net cash used in financing activities		**1,024,061**	**800,000**
Net increase in cash and cash equivalents		2,671,180	180,446
Cash and cash equivalents at the beginning of year		1,145,992	965,546
Cash and cash equivalents at end of year	1(a)	**3,817,172**	**1,145,992**

Notes to the financial statements

		31-Dec-18 N'000	31-Dec-17 N'000
1	**Cash and cash equivalents**		
1(a)	Cash and cash equivalents comprise:		
	Cash at bank and in hand	399,653	188,885
	Short-term bank deposits (see note 1(b)	3,417,519	957,107
		3,817,172	**1,145,992**

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.

		31-Dec-18 N'000	31-Dec-17 N'000
1(b)	**Other short term bank deposits**		
	Short-term placements	3,457,343	957,107
	Impairment loss (see note 42(a))	(733)	-
	ECL loss allowance (see note 2(f) and 42(b)	(39,091)	-
		3,417,519	957,107

2 Financial assets

The financial assets are categorised by measurement as summarized below :

	31-Dec-18 N'000	31-Dec-17 N'000
Fair value through profit or loss (FVTPL)-(See note 2(a) below)	181,005	1,716,730
Fair value through other comprehensive income (FVTOCI)- (See note 2(b) below)	1,874,576	-
Amortised cost- (See note 2(c) below)	72,016	-
Available for sale- (See note 2(d) below)	-	1,231,477
Loans and receivables-(See note 2(d) below)	-	58,870
	2,127,597	**3,007,077**
Current	1,946,592	1,290,347
Non-current	181,005	1,716,730
	2,127,597	**3,007,077**

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.

Notes to the financial statements

		31-Dec-18 N'000	31-Dec-17 N'000
2(a)	**Financial assets at fair value through profit or loss**		
	Equity securities: - listed- (See note 2(d))	181,005	264,779
2(b)	**Fair value through other comprehensive income**		
	Treasury bills	720,779	1,416,076
	Federal Government bonds	37,136	35,875
	Equity securities:- Unlisted	63,456	90,392
	Equity securities: - Listed	-	9,434
	Bonds and treasury bills: Annuity fund	1,058,434	1,141,839
	Impairment loss	-	(10,188)
	ECL loss allowance	(5,229)	-
		1,874,576	2,683,428

b(i) The bonds and treasury bills-annuity fund represents the investment made with premium received from annuity policies. The bonds and treasury bills represents the assets backing the liabilities arising from the annuity policies.

b(ii) 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 Unlisted equity securities as at year end is shown below:-

Name of entity	31-Dec-18 value of equities N'000	31-Dec-18 % holding
Sterling Assurance Nigeria Ltd	82,530	91.3%
Capital Bancorp Plc	1,716	1.9%
Others	6,190	6.8%
	90,436	
Accumulated fair value changes (unlisted equities)	(26,980)	
	63,456	

Notes to the financial statements

Name of entity	31-Dec-17 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	

2(c) Amortised cost

	31-Dec-18 N'000	31-Dec-17 N'000
Staff housing loans	13,144	13,508
Staff personal loans	478	2,882
Other loans and receivables	1,646	2,781
Policyholders' loans	58,399	39,699
ECL loss allowance (see note 2(f))	(1,651)	-
	72,016	**58,870**
Current	30,285	30,285
Non-current	41,731	28,585
	72,016	**58,870**

At 31 December, 2018

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

	Fair value through profit and loss N'000	Available for sale N'000	Fair value through OCI N'000	Loans and receivables N'000	Amortised cost N'000	Total N'000
At 1 January 2017	1,657,342	1,116,096	-	45,925	-	2,819,363
Additions during the year	1,842,259	299,645	-	48,569	-	2,190,473
Disposal (sales & redemptions)	(1,823,444)	(337,184)	-	(35,624)	-	(2,196,252)
Fair value (losses)	40,573	152,920	-	-	-	193,493
At 31 December 2017	1,716,730	1,231,477	-	58,870		3,007,077
Reclassification (from)/to	(1,451,951)	(1,231,477)	2,683,428	(58,870)	58,870	-
Impairment Loss (ECL) as at January 1, 2018	-	-	(5,191)		(1,666)	(6,857)
IFRS 9 Opening balance as at January 1, 2018	264,779	-	2,678,237	-	57,204	3,000,220
Additions during the year	47,200	-	4,102,866	-	25,392	4,175,458
Disposal (sales & redemptions)	(26,569)	-	(4,940,001)	-	(10,595)	(4,977,165)
Fair value (loss)/gain (see note 38 and 27(a))	(104,405)	-	33,511	-	-	(70,894)
ECL loss allowance	-	-	(37)	-	15	(22)
	181,005	**-**	**1,874,576**	**-**	**72,016**	**2,127,597**

Notes to the financial statements

2(e) Accumulated fair value changes (Unlisted equities)

	31-Dec-18	31-Dec-17
	N'000	N'000
At 1 January	(10,188)	(10,188)
Addition (see note 27 (a))	(16,792)	-
At 31 December	(26,980)	(10,188)

2(f) Movement of impairment ECL adjustment

	At 1 January (transition adjustment) N'000	Addition N'000	Write-off/ Recoveries N'000	At 31 December N'000
Short term placement	7,575	31,516	-	39,091
Fair value through OCI (Treasury bills & Bond)	5,191	37		5,228
Amortised cost	1,666		(15)	1,651
Trade receivable	84	316	-	400
Intercompany receivable	23,047		(22,526)	521
	37,563	31,869	(22,541)	46,891

3 Trade receivables

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

	31-Dec-18	31-Dec-17
	N'000	N'000
Due from brokers (see note 3 (c))	16,090	5,485
Due from Insurance companies	-	-
	16,090	5,485
ECL loss allowance	(400)	-
	15,690	**5,485**

3(a) The trade receivables that were received subsequent to the year end amounted to N16.090 million (2017: N5.485million). 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 Act CAP I17, 2003, Laws of the Federation of Nigeria 2004.

		31-Dec-18 N'000	31-Dec-17 N'000
3(b)	Movement in Trade receivables		
	At 1 January	5,485	38,869
	Additions during the year	33,817	5,485
	Write off during the year	(17,727)	-
	Recoveries during the year	(5,485)	(38,869)
	At 31 December	**16,090**	**5,485**

The ageing analysis of gross insurance receivables as at the end of the year is as follows:

	31-Dec-18 N'000	31-Dec-17 N'000
0-30 days	16,090	5,485
Above 30 days	-	-
	16,090	5,485

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

	31-Dec-18 N'000	31-Dec-17 N'000
Ark Ins. Brokers	2,173	-
Roomans Ins. Brokers	2,691	-
Quantum Ins. Brokers	148	-
Man-Mountain Ins. Brokers	14	-
Hanswoth Ins. Brokers	11,064	-
Hogg Robinson	-	659
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
	16,090	**5,485**

		31-Dec-18 N'000	31-Dec-17 N'000
4	**Reinsurance assets**		
	Reinsurance share of IBNR	118,164	162,307
	Reinsurance share of UPR	56,584	77,833
	Reinsurer and co-assurer share of claims paid	290,093	341,797
		464,841	**581,937**
	Current	165,821	227,872
	Non-current	299,020	354,065
		464,841	**581,937**
4(a)	**Reinsurance share of claims incurred but not reported (IBNR)**		
	At 1 January	162,307	114,468
	(Decrease)/ increase during the year	(44,143)	47,839
	At 31 December	**118,164**	**162,307**
4(b)	**Reinsurance share of unearned reinsurance premium (UPR)**		
	At 1 January	77,832	65,868
	(Decrease)/ increase during the year	(21,248)	11,964
	At 31 December	**56,584**	**77,832**
4 (c)	**Reinsurer and co-assurer share of claims paid**		
	At 1 January	341,797	230,451
	Additions during the year	439,564	453,800
	Reinsurers/coassurers share of claims received	(307,492)	(237,844)
	Impairment loss	(183,776)	(104,610)
	At 31 December	**290,093**	**341,797**
4(d)	**Movement in impairment loss for claims recoverable**		
	At 1 January	(104,610)	-
	Additions in the year (see note 42 (a))	(183,776)	(104,610)
	Write-off	288,386	-
	At 31 December	-	(104,610)

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is an objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has

Notes to the financial statements

a reliable measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

		31-Dec-18	31-Dec-17
		N'000	N'000
4(e)	**Details of reinsurer and co-assurer share of claims paid**		
	Treaty:		
	African Reinsurance	73,971	60,263
	Continental Reinsurance	107,390	71,815
	WAICA Reinsurance	11,996	1,819
		193,357	**133,897**
	Facultative Reinsurance:		
	WAPIC Insurance Plc	20,774	20,774
	Ensure Insurance Plc (Formerly Union Assurance Company Ltd)	-	1,057
	FBN Insurance Ltd	-	126
	Zenith Life Assurance Company Ltd	4,214	5,107
	Mutual Benefit Assurance Plc	33,312	205,647
	ARM Life Plc	17,498	21,492
	UBA Metropolitan Life Insurance Ltd	-	7,754
	Capital Express Assurance Ltd	16,597	15,007
	Cornerstone Insurance Plc	-	1,617
	Custodian Assurance Limited	-	2,300
	Old Mutual Nigeria Life Assurance	1,438	
	AIICO Insurance Plc	1,895	14,394
	African Alliance	1,007	3,196
		96,735	**298,471**
	Co-Assurance recoverable		-
	LASACO Assurance Plc	-	2,623
	Mutual Benefits	-	480
	Ensure Insurance Plc (Formerly Union Assurance Company Ltd)	-	369
	Zenith Life Assurance Company Ltd	-	3,249
	AIICO Insurance Plc	-	1,027
	Standard Alliance Life Assurance Limited	-	2,053
	Gold Link Insurance Plc	-	4,238
		-	14,039
	Reinsurer and facultative asset	**290,092**	**446,407**

Notes to the financial statements

5 Deferred acquisition cost

The deferred acquisition cost is only on the group life policies of the business and the movement is as shown below:

	31-Dec-18	31-Dec-17
	N'000	N'000
At 1 January	44,791	48,640
Additions in the year	277,740	300,724
Amortisation in the year (see note 33(a))	(280,676)	(304,573)
At 31 December	**41,855**	**44,791**
Movement in deferred acquisition cost during the period is as follows:		
At 1 January	44,791	44,791
Movement during the year	(2,936)	-
At 31 December	**41,855**	**44,791**

6 Other receivables and prepayments

	31-Dec-18	31-Dec-17
Due from related parties (see note 6(a) below)	9,020	1,096,318
Other receivables (see note 6 (b) below)	306,642	302,943
Prepayments (see note 6(c)below)	58,904	47,516
Accrued income (see note 6(d) below)	34,724	46,518
	409,290	1,493,295
Impairment allowance for accrued income and other receivables (see note 6 (g) below)	(72,943)	(21,537)
	336,347	**1,471,758**
Current	277,443	1,424,242
Non-current	58,904	47,516
	336,347	**1,471,758**

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

	31-Dec-18	31-Dec-17
Royal Exchange Plc	-	1,088,397
Royal Exchange Healthcare Limited	9,543	7,921
ECL adjustment (see note (g))	(523)	
	9,020	1,096,318

The amount receivable from its parent company represents in 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.

Notes to the financial statements

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.

		31-Dec-18	31-Dec-17
		N'000	N'000
6(b)	The analysis of other receivable is shown below:		
	Receivables from REFAM	31,526	23,758
	Receivable from Royal Exchange Trustees Account (with REFIL)	2,167	2,167
	Withholding tax credit note receivables	14,370	7,704
	Staff advances	2,561	10,689
	Deposit for investments (see note 6(e))	192,728	215,200
	Withholding tax	16,979	8,743
	Receivable from Royal Exchange Takaful Insurance	26,633	15,004
	Claims prepaid fund (see note 6(f))	19,678	19,678
		306,642	302,943
6(c)	The analysis of prepayment is as shown below:		
	Prepaid rent	6,315	32,046
	Prepaid staff allowances	3,823	4,705
	Prepaid- Group life insurance	4,333	6,571
	Prepaid office rent	44,433	4,194
		58,904	47,516
6(d)	The analysis of accrued income is shown below:		
	Dividend receivable	34,724	19,636
	Accruals on rental income from investment properties	-	18,333
	Income receivable on deposit for investments (see note 6 (e) below)	-	8,549
		34,724	46,518

Notes to the financial statements

6(e) This represents amounts invested by the company in 2017 for equity investments for which the shares has not been allotted. The shares purchase had not been confirmed as at 31 December 2018. The details of the equity investments are as follows:

Name of investee company	At 1 January N'000	Return/ (Allocation) N'000	31-Dec-18 N'000
FBS Reinsurance Limited	168,000	24,728	192,728
Lafarge WAPCO Right Issue	47,200	(47,200)	-
			192,728

Interest was no accrued interest in the year (2017: N8.5 million) on FBS reinsurance limited 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(f) 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. Claims prepaid fund was reviewed for impairment, there was an objective evidence as a result of an event that occurred in the year of a reliably measurable impact that the Company will not receive the amount reported. The impairment loss is recorded in the income statement.

6(g) Movement of impairment loss on accrued income and other receivables

	At 1 January ₦'000	Addition ₦'000	Write-off/ Recoveries ₦'000	At 31 December ₦'000
Due from related parties:	-			
-Opening transition adjustment	(23,047)			(23,047)
-ECL during the year		-	22,524	22,524
Net ECL adjustment on due from related parties	(23,047)	-	22,524	(523)
Other receivables	(21,537)	(51,406)	-	(72,943)
Accrued income	-	-	-	-
	(44,584)	**(51,406)**	**22,524**	**(73,466)**
At 31 December 2017				
Accrued income and other receivables	**16,039**	**5,498**	**-**	**21,537**

Notes to the financial statements

7 Investment in associates

The investment in associate is accounted for using cost method and the movement and more details are shown below:

	Royal Exchange Healthcare Ltd	Royal Exchange Micro-finance Bank Ltd	Total
	N'000	N'000	N'000
At 1 January	252,671	30,546	283,217
Addition during the year	-	-	
Reclassification	-	-	
Impairment loss	-	-	
At 31 December	**252,671**	**30,546**	**283,217**
Percentage holding (%)	37.16%	21.60%	58.76%

(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.

Notes to the financial statements

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

Royal Exchange Healthcare Limited:

	31-Dec-18	31-Dec-17
Percentage ownership	**37.16%**	**37.16%**
	N'000	**N'000**
Non-current assets	414,111	671,339
Current assets	591,244	289,362
Total assets	1,005,355	960,701
Non-current liabilities	(232,704)	(191,205)
Current liabilities	(214,282)	(184,113)
Total liabilities	(446,986)	(375,318)
Net assets (100%)	558,369	585,383
Net asset/carrying amount of interest in associate	207,490	217,528
Revenue	309,111	558,621
Profit (loss) from continuing operations (100%)	(26,896)	4,869
Other comprehensive income (100%)	10,780	-
Total comprehensive loss/income (100%)	(16,116)	4,869
Total comprehensive loss/income (37.16%)	(5,989)	1,809

Royal Exchange Microfinance Bank Limited:

Percentage ownership	**21.60%**	**21.60%**
	N'000	**N'000**
Non-current assets	12,053	213,912
Current assets	239,275	88,931
Total assets	251,328	302,843
Non-current liabilities	(32,127)	(26,860)
Current liabilities	(107,118)	(155,846)
Total liabilities	(139,245)	(182,706)
Net assets (100%)	112,083	120,137
Net asset/carrying amount of interest in associate	24,210	25,950
Revenue	92,871	80,623
Profit (loss) from continuing operations (100%)	3,494	3,925
Other comprehensive income (100%)	-	-
Total comprehensive income (100%)	3,494	3,925
Total comprehensive income (37.16%)	755	848

Notes to the financial statements

8 Investment properties

	31-Dec-18 N'000	31-Dec-17 N'000
At 1 January	1,348,163	1,259,750
Derecognised investment properties (see note 36 (i))	-	(75,000)
Additions and capital improvements (see note 8 (b))	-	143,763
Fair value gains (see note 38)	(11)	19,650
At 31 December	**1,348,152**	**1,348,163**

(a) Investment properties are stated at fair value as at 31 December 2018 and 2017 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 Saibu Makinde & Associates, and Emeka Orji Partnership.

(b) The breakdown of addition in investment properties is as shown below:

	31-Dec-18 N'000	31-Dec-17 N'000
Site possession, clearing, scaffold and mobilization of equipment	-	28,000
Advance payment for Escalator, Lift and cooling system	-	85,500
Demolition of wall, partition and slap	-	30,263
At 31 December	**-**	**143,763**

Notes to the financial statements

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
Oshodi Express way	Saibu Makinde & Associates	FRC/2013/NIESV/00000000730
Garki 2 Commercial	Emeka Orji Partnership	FRC/2013/NIESV/00000000976

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-18	31-Dec-17
	N'000	N'000
36/38 Apapa-Oshodi Exp Royal Plaza, Lagos	934,406	944,513
29, Oroago Crescent Garki, Abuja	413,746	403,650
	1,348,152	**1,348,163**

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 2018 ('000)	Additions ('000)	Disposal/ de-recognition ('000)	Fair value gains ('000)	Carrying amount as at 31 December 2018 ('000)
1	36/38 Apapa-Oshodi Exp Royal Plaza, Lagos	Deed of Assignment	944,513	-	-	(10,107)	934,406
2	29, Oroago Crescent Garki, Abuja	Deed of Assignment	403,650	-	-	10,096	413,746
			1,348,163	**-**	**-**	**(11)**	**1,348,152**

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.

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 2018.

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 N413.747 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).

Notes to the financial statements

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 N790.643 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-18 N'000	31-Dec-17 N'000
Cost		
At 1 January	973,639	973,639
At 31 December	973,639	973,639

The fair value of the asset as at 31 December 2018 stood at N1.006 billion. 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 N1.006 billion.	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-18 N'000	31-Dec-17 N'000
Cost		
At 1 January	21,114	21,114
At 31 December	21,114	21,114
Accumulated amortisation:		
Balance, beginning of year	20,357	19,535
Charge for the year	350	822
At 31 December	20,707	20,357
Net book value:		
At 31 December 2018	**407**	**757**
At 31 December 2017	**757**	**1,579**

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 2018, these assets were tested for impairment, and the Management has determined that no impairment is required of these intangible assets.

Notes to the financial statements

11 Property and equipment

	Leasehold land	Buildings	Computer equipment	Furniture & Fittings	Motor vehicles	Motor Vehicle Lease	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost							
At 1 January 2018	49,170	73,614	34,217	58,078	202,451	56,380	473,910
Additions	-	-	-	90	-	46,607	46,697
Disposals			(308)		(19,335)	-	(19,643)
At 31 December 2018	49,170	73,614	33,909	58,168	183,116	102,987	500,964
At 1 January 2017	49,170	73,614	31,904	58,078	208,901	27,980	449,647
Additions	-	-	2,313	-	-	28,400	30,713
Disposals	-	-	-	-	(6,450)	-	(6,450)
At 31 December 2017	49,170	73,614	34,217	58,078	202,451	56,380	473,910
Depreciation							
At 1 January 2018	-	16,974	26,091	47,863	167,179	18,168	276,275
Charge for the year	-	1,472	4,091	4,355	23,543	18,950	52,411
Disposals	-	-	(254)	-	(17,770)	-	(18,024)
At 31 December 2018	-	18,446	29,928	52,218	172,952	37,118	310,662
At 1 January 2017	-	15,502	20,689	40,990	137,704	4,073	218,959
Charge for the year	-	1,472	5,402	6,873	35,427	14,095	63,269
Disposals	-	-	-	-	(5,950)	-	(5,950)
At 31 December 2017	-	16,974	26,091	47,863	167,181	18,168	276,278
Carrying amounts:							
At 31 December 2018	49,170	55,168	3,981	5,950	10,164	65,869	190,302
At 31 December 2017	49,170	56,641	8,127	10,215	35,270	38,212	197,635

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

(b) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2018 (2017: 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 (2017 : 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.

Notes to the financial statements

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 2017, 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:

	31-Dec-18 N'000	31-Dec-17 N'000
12(a) Employee benefit liability		
Long service awards (see note 12 (b) below)	4,365	5,043

(b) Other long-term employee benefits

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

	31-Dec-18 N'000	31-Dec-17 N'000
At 1 January	5,043	4,205
Current service cost	839	757
Interest cost	641	608
Actuarial (gains)/losses	(2,158)	(280)
Benefits paid	-	(247)
At 31 December	**4,365**	**5,043**
Non-current	**4,365**	**5,043**

Other Long-term employee benefits
The principal actuarial assumptions used were

	31-Dec-	31-Dec-
Discount rate	15.5%	14.0%
Inflation rate	12%	12%
Future salary increase	13%	13%
Average liability duration	6.64 years	6.83 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.

Notes to the financial statements

13 Statutory deposits

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

	31-Dec-18 N'000	31-Dec-17 N'000
Non Current	**215,000**	**215,000**

14 Insurance contract liabilities

	31-Dec-18 N'000	31-Dec-17 N'000
Outstanding Claims-Reported (see note 14(a) below)	1,895,445	1,610,578
Individual Life Fund (see note 14(b) below)	1,420,802	1,788,410
Group Life UPR (See note14(c) below)	340,622	412,580
Outstanding claims- IBNR(see note 14(d)below)	644,955	544,580
Liabilities under PRA Annuities(see note 14(e) below	1,040,647	1,142,150
Group life Additional unexpired risk reserve	5,450	27,963
Additional reserve by actuary	138,956	183,000
Total	**5,486,877**	**5,709,261**

14(a) Outstanding claims- reported

	31-Dec-18 N'000	31-Dec-17 N'000
Group Life	1,852,241	1,538,815
Individual Life	43,204	71,763
	1,895,445	1,610,578

(a)(i) Movement in outstanding claims- (Group Life)

	31-Dec-18 N'000	31-Dec-17 N'000
At 1 January	1,538,815	1,029,892
Increase during the year	313,426	508,923
At 31 December	1,852,241	1,538,815

(a)(ii) Movement in outstanding claims- (Individual Life)

	31-Dec-18 N'000	31-Dec-17 N'000
At 1 January	71,763	16,836
(Decrease)/Increase during the year	(28,559)	54,927
At 31 December	43,204	71,763

Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring as at the reporting date.

Notes to the financial statements

The age anlaysis of the outstanding claims for the period ended 31 December 2018 is as stated below:

Outstanding Claims (Days)	0-90	91-180	181-270	271-360	Above 360	Total
Number of claimants	553	90	141	251	912	1,947
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Awaiting support documents	34,193	3,482	8,543	12,820	43,131	102,169
Awaiting settlement decision from lead assurer	173,589	14,859	18,209	27,534	186,450	420,641
Claims awaiting payment	181,572	106,239	200,013	176,415	708,396	1,372,635
Total	**389,354**	**124,580**	**226,765**	**216,769**	**937,977**	**1,895,445**

The aging analysis for the year ended 31 December 2017 is as follows:

Outstanding Claims (Days)	0-90	91-180	181-270	271-360	Above 360	Total
Number of claimants	268	362	217	98	701	1,646
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Awaiting support documents	93,916	127,789	103,739	72,679	291,515	689,638
Awaiting settlement decision from lead assurer	86,226	126,654	33,246	66,871	104,312	417,309
Claims awaiting payment	71,799	132,190	72,647	82,099	144,896	503,631
Total	**251,941**	**386,633**	**209,632**	**221,649**	**540,723**	**1,610,578**

Notes to the financial statements

(b) Movement in individual life fund

	31-Dec-18	31-Dec-17
	N'000	N'000
At 1 January	1,788,410	1,363,327
(Decrease)/increase during the year	(367,608)	425,083
At 31 December	1,420,802	1,788,410

(c) Movement of unearned premium reserve (UPR)

At 1 January	412,580	466,116
Decrease during the year	(71,958)	(53,536)
At 31 December	340,622	412,580

(d) Movement in incurred but not reported reserve (IBNR)

At 1 January	544,580	522,013
Increase during the year	100,375	22,567
At 31 December	644,955	544,580

(e) Movement in annuity fund

At 1 January	1,142,150	1,363,327
(Decrease)/increase during the year	(101,503)	425,083
At 31 December		
	1,040,647	1,788,410

(e)(i) Movement in PRA Annuity fund is as analysed below:

At 1 January	1,142,150	1,085,866
Payments to annuitants during the year	(155,325)	(163,595)
Accretion to /(release from) annuity fund through actuarial valuation	53,822	219,879
At 31 December	1,040,647	1,142,150

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:

Assets	1,139,581	1,144,537
Liabilities	1,040,647	1,142,150

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.

		31-Dec-18	31-Dec-17
		N'000	N'000
15	**Investment contract liabilities**		
	Deposit administered funds (see note 15(a) below)	130,759	129,755
	Investment managed funds (see note 15(b) below)	171,667	163,800
		302,426	**293,555**

(a)	**Movement in Group DA (Deposit administered funds)**		
	At 1 January	129,755	126,808
	Deposits received in the year	1,206	2,372
	Interest paid	4,072	3,941
	Withdrawals	(4,274)	(3,366)
	At 31 December	**130,759**	**129,755**
	Current	35,782	35,782
	Non-current	94,977	93,973
		130,759	**129,755**

The Company has a total sum of N130.8 million (2017: N129.8million) 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.

(b) Movement in Individual DA (Investment managed funds)

	31-Dec-18	31-Dec-17
	N'000	N'000
At 1 January	163,800	212,648
Deposits	152,157	150,807
Interest accrued thereon	13,785	22,429
Withdrawals	(158,075)	(222,084)
At 31 December	**171,667**	**163,800**
Current	165,985	165,985
Non-current	5,682	(2,185)
	171,667	**163,800**

Notes to the financial statements

	31-Dec-18	31-Dec-17
	N'000	N'000
16 Trade payables		
Reinsurance payables	46,691	37,819
Premium payables to Co-insurers	5,772	56,852
Commission payable	65,917	-
	118,380	**94,671**
Treaty:		
African Reinsurance	13,088	9,761
Continental Reinsurance	31,858	26,756
WAICA Reinsurance	1,745	1,302
	46,691	37,819
Premium payables to co-insurers		
Ensure Insurance Plc (Formerly Union Assurance Company Ltd)	-	77
Zenith Life Assurance Company Ltd	-	3,319
Great Nigeria Insurance Plc	-	77
Mutual Benefit Assurance Plc	1,924	5,127
Metropolitan Life Insurance Ltd	-	-
Old Mutual Nigeria Life Assurance Company	-	677
African Alliance Insurance Limited	-	2,860
Custodian Life Assurance Limited	973	5,299
AIICO Insurance Plc	-	407
Cornerstone Assurance Plc	-	478
Standard Alliance Ltd	-	41
AXA Mansard Ltd	-	4,370
LASACO Insurance Company Ltd	-	2,235
Wapic Insurance Plc	-	15,522
FBN Insurance Ltd	-	2,472
Capital Express Assurance Ltd	-	3,029
Leadway Assurance Plc	2,875	960
NSIA Insurance Limited	-	574
Others	-	9,328
	5,772	56,852

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

Notes to the financial statements

17 Other payables

Other payables comprise the following:

	31-Dec-18	31-Dec-17
	N'000	N'000
Payable to related parties (see note 17 (a) below)	32,353	300,111
Other payables (see note 17 (b) below)	192,468	275,258
Deferred income (see note 17 (c))	59,090	155,844
Additional VAT & CGT	174,174	-
Accruals (see note 17 (d))	63,230	52,466
Staff payables	2,557	15,107
	523,872	**798,786**

The additional value added tax (VAT) and capital gain tax (CGT) liability resulted from tax audit and investigation carried out on the Company in relation to 2011-2016 financial year under the Voluntary Asset and Income Declaration Scheme (VAID) after the review of the Company's record.

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

	31-Dec-18	31-Dec-17
	N'000	N'000
Royal Exchange General Insurance Company Limited	3,405	291,047
Royal Exchange Finance and Investment Limited	9,298	9,064
Royal Exchange Plc	19,650	-
	32,353	300,111

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 charges and are realised in cash and by offsetting with other receivables to the Company.

Notes to the financial statements

(b) The analysis of other payables for year 2018 is as follows:

	31-Dec-18	31-Dec-17
	N'000	N'000
Sundry creditors	146,440	87,863
Accrued commissions payable	-	140,074
Withholding tax	80	-
Oshodi plaza redevelopment	43,927	43,927
Co-operative/thrift savings	1,542	1,094
Pay As You Earn (PAYE) tax	15	2,179
Union dues	-	75
VAT payable	46	46
	192,050	275,258

Sundry creditors represents the Company's liability as a result of death claims to which cheques has been raised but are yet to be presented by the claimants as at 31st December, 2018.

(c) The breakdown of deferred income is as shown below:

	31-Dec-18	31-Dec-17
	N'000	N'000
Rental income	24,074	-
Premium income	32,974	153,802
Policy loan interest	2,042	2,042
	59,090	155,844

(d) The breakdown of accrued expenses is as shown below:

NAICOM Levy	32,372	26,017
Professional fee	14,500	12,558
Other accruals	16,358	13,891
At 31 December	63,230	52,466

18 Deposit for shares

Cash	**1,000,000**	-
Movement in deposit for shares during the year is shown as follows:		
At 1 January	-	500,000
Cash deposit	1,000,000	-
Shares allotted during the year (see note 23(b) below)	-	(500,000)
At 31 December	**1,000,000**	**-**

Deposit for shares represents cash deposit for additional shares by Royal Exchange Plc, the Company's parent company, during the year ended 31 December 2018. The amount has been not been included in share capital during the 2018 financial year.

19 Borrowings

	31-Dec-18 N'000	31-Dec-17 N'000
At 1 January	-	
Addition	24,061	-
Repayment	-	-
At 31 December	**24,061**	**-**

On the 28th of December, 2018, the company took a short term loan of N24.1million (2017: Nil) from Royal Exchange finance and Asset Management Ltd to enable the company settle the Statutory and Professional fees incurred on the additional N1bn Authorized Ordinary Share Capital increase in the year.

20 Finance lease obligations

The company has a finance lease obligation with Royal Exchange finance and asset management limited

	31-Dec-18 N'000	31-Dec-17 N'000
Principal payable	82,325	52,183
Interest payable	(15,239)	(7,671)
	67,086	**44,512**
The movement in finance lease is as shown below:		
At 1 January	44,512	24,133
Addition	46,607	28,050
Finance lease interest in the year	11,653	10,780
Payment made in the year	(35,686)	(18,451)
At 31 December	**67,086**	**44,512**

During the year, Royal Exchange Prudential Life plc took a N46.4 million finance lease for the purchase of two (2) cars for its operational use. The operational cars has been recognised as additions to the Company's property, plant and equipment.

Notes to the financial statements

21 Taxation

(a) Charge for the year

	31-Dec-18 N'000	31-Dec-17 N'000
Education tax	3,372	-
Technology Tax	112	-
Minimum tax	-	
Deferred taxation (see note 22 below)	14,238	1,965
	17,722	1,965
Income tax/minimum tax	29,668	44,689
	47,390	**46,654**

(b) Income tax liability/ (asset)

	31-Dec-18 N'000	31-Dec-17 N'000
At 1 January	22,280	(2,262)
Education tax	3,372	-
Technology Tax	112	-
Income/minimum tax	29,668	44,689
Paid during the year	(50,045)	(20,147)
At 31 December	**5,387**	**22,280**

(c) Reconciliation of effective tax rate

		31-Dec-18		31-Dec-17
Profit/(Loss) before income tax		11,184		(637,665)
Income tax using the domestic corporation tax rate	30%	3,355	30%	(191,300)
Non-deductible expenses	5752%	643,286	(101%)	643,286
Tax exempt income	(4843%)	(541,632)	85%	(541,632)
Unrecognised deferred tax	2601%	290,859	(14%)	89,645
Education tax	30%	3,372	0%	-
Technology tax	0%	-	0%	-
Capital gains tax	(127%)	14,238	0%	1,965
Minimum tax	265%	29,668	(7%)	44,689
	3962%	**433,146**	(7%)	**46,654**

Notes to the financial statements

22 Deferred tax

22(a) Deferred tax liabilities

Movement in the deferred tax liabilities during the year:

	31-Dec-18	31-Dec-17
	N'000	N'000
At 1 January	35,956	33,991
Credit for the year	14,238	1,965
At 31 December	**50,194**	**35,956**

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.

(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-18	31-Dec-17
	N'000	N'000
Property and equipment	573,570	102,602
Employee benefit liabilities	4,365	1,559
Doubtful provisions	366,847	90,433
Unrelieved tax losses	-	104,224
	944,782	298,818
Tax effect		
Property and equipment	172,071	30,781
Employee benefit liabilities	1,397	468
Doubtful provisions	117,391	27,130
Unrelieved tax losses	-	31,267
	290,859	89,645
Expiry date		
Unrelieved tax losses	2019-2023	2018-2022

The movement in the unrecognised deferred tax asset during the year was as follows:

	31-Dec-18	31-Dec-17
	N'000	N'000
At 1 January	298,818	432,214
Charge/credit for the year	645,964	(133,396)
At 31 December	**944,782**	**298,818**

23 Share capital

Share capital comprises:

		31-Dec-18	31-Dec-17
(a)	Authorized share capital 4,000,000,000 ordinary share of N1 each	4,000,000	4,000,000
(b)	Issued and fully paid 3,461,339,467 (2017: 3,461,339,467) ordinary shares of N1 each	3,461,339	3,461,339

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

	31-Dec-18	31-Dec-17
At 1 January	3,461,339	2,161,339
Deposit for shares converted to ordinary shares	-	500,000
Additional capital injected by parent Company	-	800,000
At 31 December	**3,461,339**	**3,461,339**

The Parent company via board resolutions dated 16 October 2018, approved that the sum of N1billion be injected into the Company in order to meet the Company's capital requirement. This is in addition to the N800 million approved in 2017. The N1billion is classified as deposit for shares in the current year. The N800 million additional capital contributions in 2017 has been 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 800 million ordinary shares at ₦1 per share to Royal Exchange Plc was registered with the Corporate Affairs Commission.

24 Share premium

	31-Dec-18	31-Dec-17
	N'000	N'000
At 31 December	**404,494**	**404,494**

Notes to the financial statements

25 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-18	31-Dec-17
	N'000	N'000
At 1 January	180,092	156,063
Transfer from profit or loss account	38,362	24,029
At 31 December	**218,454**	**180,092**

26 Retained earnings

At 1 January	(1,754,095)	(1,045,747)
Loss for the year	(36,206)	(684,319)
ECL Impairment as at 1 January, 2018	(32,372)	-
Transfer to contingency reserve (see note 25 above)	(38,362)	(24,029)
At 31 December	**(1,861,035)**	**(1,754,095)**

27 Other reserves

Other reserves comprises of actuarial gains or losses on employee benefit liabilities and the cumulative net change in the fair value through other comprehensive income until assets are derecognised.

(a) Fair value reserves

Fair value reserves includes the net change in the fair value through OCI asset until the investment is derecognised or impaired

	31-Dec-18	31-Dec-17
	N'000	N'000
At 31 December 2017	(23,095)	(176,015)
ECL Impairment on available for sale securities as at 1 January,2018	(5,191)	-
IFRS 9 opening balance as at 1 January, 2018	(28,286)	(176,015)
Changes in fair value through OCI- Tbills & Bond	50,303	152,920
Changes in fair value through OCI- Unlisted equities	(16,792)	-
At 31 December	**5,225**	**(23,095)**

Notes to the financial statements

		31-Dec-18	31-Dec-17
		N'000	N'000
(b)	**Employee benefit actuarial (deficit)/surplus**		
	Long service awards (See note 27(b)(i) below)	**3,512**	**2,652**
(b)(i)	**Long service awards**		
	At 1 January	2,652	2,372
	Actuarial gains	860	280
	At 31 December	*3,512*	*2,652*
(b)(ii)	**Net actuarial gains**		
	Long service awards	860	280
28	**Gross premium written:**		
	Gross premium income		
	Gross premium written- Group life	2,886,550	2,144,482
	Gross premium written- Ind Life Traditional	949,612	861,320
	Gross written premium	**3,836,162**	**3,005,802**
	Movement in unearned premium reserve	71,958	53,536
		3,908,120	**3,059,338**
(a)	**Net insurance premium earned**		
	Gross Premium Income	3,908,120	3,059,338
	Reinsurance Expenses (see note 29)	(392,926)	(353,946)
		3,515,194	**2,705,392**
29	**Reinsurance premium expenses**		
	Insurance Premium ceded to reinsurers	371,678	353,946
	Changes in unearned reinsurance premium	21,248	-
	Net Reinsurance expenses	**392,926**	**353,946**
30	**Fees and commission income**		
	Insurance contracts	52,044	55,612
	Investment contracts	-	-
		52,044	**55,612**

Notes to the financial statements

		31-Dec-18	31-Dec-17
		N'000	N'000
31	**Net Insurance claims and benefits**		
	Analysis of claims paid with respect to long term Insurance contracts comprises the following:		
	Death (see note 31(a))	1,504,132	1,129,336
	Maturities	773,055	588,834
	Surrenders	40,794	542,060
	Gross claims paid	2,317,981	2,260,230
	Changes in provision for outstanding claims	313,426	508,923
	Changes in provision for outstanding claims-individual life	(28,559)	54,927
	Changes in provision for outstanding claims-IBNR	100,375	-
	Gross claims incurred	2,703,223	2,824,080
	Reinsurance share of insurance liability		
	Reinsurer and co-assurer share of claims paid	(439,564)	(453,800)
	Changes in incurred but not reported claims (IBNR)	44,143	(47,839)
		(395,421)	(501,639)
	Net insurance benefits and claims	**2,307,802**	**2,322,441**
(a)	Death claims paid:		
	Group life	1,497,660	1,122,223
	Individual life	6,472	7,113
		1,504,132	1,129,336
32	**Changes in insurance fund**		
	Changes in individual fund	(434,164)	501,225
	Changes in annuity fund	(101,503)	22,567
		(535,667)	**523,792**
33	**Underwriting expenses (maintenance and acquisition costs)**		
	Acquisition cost (see note 33 (a) below)	280,676	304,573
	Maintenance cost (see note 33 (b) below)	146,087	155,719
		426,763	**460,292**

Notes to the financial statements

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

	31-Dec-18	31-Dec-17
	N'000	N'000
Commission on Individual Life Account	229	4,472
Commission on Group Life Account	202,477	232,106
Commission on Royal Products (RPP and ISA)	1,502	2,158
Commission on Deposit Admin	-	-
Commission on Royal Investment Plan	16,212	13,978
Commission on Royal Annuity Plan	12	227
Commission on Royal Tuition Plan	18	
Commission on Royal Heritage Plan	60,189	51,539
Commission on Royal Family Plan	11	-
Commission on Royal Funeral Plan	26	93
	280,676	304,573

33(b) Maintenance cost:

	31-Dec-18	31-Dec-17
Salaries and allowances - underwriting employees (see note 43(a))	146,087	155,719

34 **Profit on investment contracts**

	31-Dec-18	31-Dec-17
Income from investment contracts (See note 35(a) for details)	89,914	37,141
Guaranteed interest on Deposit Admin and Royal Products(RPP and ISA)	(17,858)	(27,530)
Investment management expenses	(50,730)	(21,831)
	21,326	**(12,220)**

35(a) Income from investment contracts

	31-Dec-18	31-Dec-17
Rental income from investment	42,593	22,222
Dividend income from FVTPL	47,321	14,919
	89,914	37,141

		31-Dec-18	31-Dec-17
		N'000	N'000
36	**Other investment income/(loss)**		
	Gain disposal of equities (FVTPL & FVTOCI)	571	11,953
	(Loss) on disposal of investment properties (see note (i) below)	-	(75,000)
	Interest income on treasury bills - FVTOCI	186,416	289,013
	Loans and receivables interest income (Bonds)	5,439	5,284
	Statutory deposit interest	33,037	32,431
	Staff housing loan interest	4,318	1,839
	Interest income on deposits	124,019	201,095
	Income on annuity	159,393	157,358
	Interest on personal loan	653	-
		513,846	623,973
	Total investment income	**603,760**	**661,114**
(i)	Loss on disposal of investment properties on Bayo Kuku investment property		
	Fair value as at beginning of the year (see note 8 for details)	-	-
	Derecognised investment properties (see note 8)	-	(75,000)
	Loss on disposal of property	-	(75,000)

37 Share of investment income

The Investment income attributable to policyholders and shareholders for year 2018 and 2017 respectively are as follows:

31 December 2018	Policy Holder N'000	Share holder N'000	Total N'000
Rental income from investment properties	7,253	35,340	42,593
Interest income (from FVTPL designated upon initial recognition)	571	-	571
Interest income on treasury bills - FVTOCI	13,048	173,245	186,293
Dividend income (from FVTPL designated upon initial recognition)	47,321	-	47,321
derecognised properties	-	-	
Loans and receivables interest income	-	6,092	6,092
Cash and cash equivalents interest income	249,293	71,597	320,890
	317,486	286,274	603,760

Notes to the financial statements

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 FVTPL designated upon initial recognition)	11,953	-	11,953
Interest income on treasury bills - FVTPL	20,230	268,783	289,013
Dividend income (from FVTPL 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

38 Fair value gains and losses on assets

	31-Dec-18 N'000	31-Dec-17 N'000
Net fair value loss /gains on investment properties	(11)	19,650
Financial assets at fair value through profit or loss	(104,405)	40,573
	(104,416)	**60,223**

39 Other operating income

	N'000	N'000
Unrealised foreign exchange gain	65	17
Sundry income (see note 39 (a))	11,966	17,207
(Loss)/gain on disposal of fixed asset	(372)	-
	11,659	17,224

39(a) Sundry income

Interest on personal loan	-	3,435
Sundry income	11,966	13,772
	11,966	17,207

40 Depreciation on property and equipment

Depreciation on property and equipment (see note 11)	**52,411**	**63,268**

		31-Dec-18	31-Dec-17
41	**Amortisation of intangible assets**	**N'000**	**N'000**
	Amortisation of intangible assets (see note 10)	350	822
42	**Impairment losses**		
42(a)	Impairment on reinsurance assets (see note 4 (d))	(183,776)	(104,610)
	Impairment on other receivables	(51,406)	(3,276)
	Impairment on cash and cash equivalent	(733)	-
	Impairment on trade receivable	(17,727)	-
	Impairment on WHT credit notes receivables on rental income	-	(2,222)
		(253,642)	**(110,108)**
42(b)	**ECL Loss Allowance**		
	ECL adjustment on cash and cash equivalents	(31,516)	-
	ECL adjustment on Financial assets	(37)	-
	ECL adjustment on Trade receivable	(316)	-
	ECL adjustment on amortised cost	15	-
	ECL adjustment on Intercompany	22,524	-
		(9,330)	**-**
43	**Employee benefits expenses**		
	Salaries and wages	117,395	119,446
	Medical	17,967	13,507
	Staff training	5,886	11,673
	Post-employment benefit - defined contribution plan (see note (43 (a))	17,172	14,128
		158,420	**158,754**
	Average number of persons employed (excluding Directors)	57	74
	The staff costs for the above persons was:		
	Salaries and allowances of other employees	158,420	158,754
	Salaries and allowances - Underwriting employees (see note 33 (b))	146,087	155,719
		304,507	314,473

Notes to the financial statements

	31-Dec-18 N'000	31-Dec-17 N'000
Pension scheme		
At January	-	-
Provision in the year (see note 43)	17,172	14,128
Remitted to Pension Fund Administrators	(17,172)	(14,128)
At 31 December	-	-

43(b) Employees other than directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments e xcluding pension contributions and other benefits/allowances in the following ranges:

	31-Dec-18 Number	31-Dec-17 Number
Below N1,000,000	-	1
N1,000,001 - N2,000,000	14	33
N2,000,001 - N3,000,000	22	26
N3,000,001 and above	21	14
	57	74

43(c) Management expenses

Management expenses are made up of the following items:

	31-Dec-18	31-Dec-17
Management expenses (see note 43 c(i) below)	46,385	47,670
Other operating expenses (see note 43 c (ii) below)	1,279,033	854,521
	1,325,418	**902,191**

(c) (i)

	31-Dec-18	31-Dec-17
Retirement benefit obligation - long service award	552	1,518
Directors expenses	38,813	33,594
Auditors remuneration	7,020	12,558
	46,385	47,670

(c) (ii)

	31-Dec-18	31-Dec-17
Advertising	5,652	772
Office equipment & motor vehicles repairs & maintenance	62,499	77,936
Entertainment and representation	5,044	3,250
Foreign and local transport	34,745	43,043
Accounting consultancy fees, legal fees and actuaries fees	86,286	72,021
Insurance levy	5,608	28,271
Board meeting expenses	315	1,061
General marketing and administrative expenses	946,115	460,673
Printing and communication cost	30,934	22,986
Value added tax scheme account	4,830	4,838
Investment expenses	82,275	129,660
Loss/ (gain) on disposal of fixed asset	-	(2,865)
Lease rental expenses	14,730	12,875
	1,279,033	854,521

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

44(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.

44(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 15.12% (2017:13.75%), with the exception of annuity business for which a valuation interest of 14.87% (2017:13.5%) was used;

(ii) Expenses for individual life business were reserved for explicitly at N22,640 (2017: N20,400) p.a. increasing with inflation at 11% p.a. for both years; the expenses for annuity business is reserved at 10.80% (2017:10.80%) 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
2018	7.5
Mean	5.4

44(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 (2017: 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 N1,420.8 million (2017: N1,788.4million) and of investment contract liabilities is N302.4 million (2017: N293.5million).

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 N991 million (2017: N1,205.3 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.

44(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.

44(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-18	31-Dec-17
Discount rate	15.5%	14%
Inflation rate	12%	12%
Future salary increase	13%	13%
Average Liability duration	6.64years	6.83years

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 N4.30 million (2017: N5.04 million).

45 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 2018	**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	181,005	-	-	181,005
Fair value through other comprehensive income:-					
Treasury bills	2b	720,779	-	-	720,779
Federal Government Bonds	2b	37,136	-	-	37,136
Federal Government Bond & Treasury bills: annuity bond	2b	1,058,434	-	-	1,058,434
Equity- shares (net of fair value gains)	2b	63,456			63,456
Impairment	2b	(5,229)			(5,229)
Total Financial Assets		2,055,581	-	-	2,055,581
Financial Liabilities:		-	-	-	-
Total financial liabilities		-	-	-	-

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		-	-	-	-

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.

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

(vi) 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 2018

	Pounds sterling	Euro	US Dollars	Total
	N'000	N'000	N'000	N'000
Assets (Cash & cash equivalents)	-	-	19,826	19,826
Liabilities	-	-	-	-
	-	-	19,826	19,826

31 December 2017

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

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 2018 at N306/$ closing rate and as at 31st December 2017 at N305/$ closing rate respectively.

31 December 2018

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
10% increase	-	-	1,983	1,983
10% decrease	-	-	(1,983)	(1,983)
Amount after increase				
Pre-tax loss	-	-	9,430	9,430
Shareholders' equity	-	-	2,178,766	2,178,766
Amount after decrease				
Pre-tax loss	-	-	5,465	5,465
Shareholders' equity	-	-	2,174,801	2,174,801

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

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

Notes to the financial statements

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-18	31-Dec-17
		N'000	**N'000**
Fixed Interest rate Instruments:			
Federal government bonds	2(b)	1,095,570	35,875
Treasury bills	2(b)	720,779	1,416,076
Loans and advances	2(b)	-	58,870
Amortised cost		63,456	-
		1,879,805	1,513,602
Others:			
Cash and cash equivalents	1(b)	3,417,519	957,107
Statutory deposits	13	215,000	215,000
		3,632,519	1,172,107

Notes to the financial statements

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*	
	2018	**2017**	**2018**	**2017**
	N'000	**N'000**	**N'000**	**N'000**
Increase in interest rate by 100 basis points (+1%)	18,191	15,136	36,325	11,721
Decrease in interest rate by 100 basis point (-1%)	(18,191)	(15,136)	(36,325)	(11,721)
Impact of increase on:				
Pre-tax (loss)/profit	25,639	(622,529)	(601,340)	(625,944)
Shareholders' equity	2,194,974	2,286,523	2,307,712	2,283,108
Impact of decrease on:				
Pre-tax (loss)/profit	(10,743)	(703,082)	(673,990)	(649,386)
Shareholders' equity	2,158,592	2,256,251	2,235,062	2,259,666

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-18	**31-Dec-17**
	N'000	**N'000**
Equity securities; - listed	181,005	264,779
Equity securities; - unlisted	63,456	80,204
	244,461	344,983

Notes to the financial statements

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-18	31-Dec-17
	N'000	N'000
10% increase	24,446	34,498
10% decrease	(24,446)	(34,498)
Impact of increase on:		
Pre-tax (loss)/profit	31,894	(603,167)
Shareholders' equity	2,201,229	2,305,885
Impact of decrease on:		
Pre-tax (loss)/profit	(16,998)	(672,163)
Shareholders' equity	2,152,337	2,236,889

(i) 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.

Credit risk is also the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances.
the Company is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.
Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors and head of each business unit.

Credit quality analysis

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

Change in credit quality since initial recognition

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

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

Quantitative criteria:
Where the days past due is greater than 30 days past due, the instrument is classified as stage 2.

Qualitative criteria:
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

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

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

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

Qualitative criteria
These are instances where:

- The borrower is in long-term forbearance
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- It is becoming probable that the borrower will enter bankruptcy

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

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- The EAD is based on the amounts the Company expects to be owed at the time of default.
- The LGD represents the Company's expectation of the extent of loss on a defaulted exposure. The LGD varies primarily by the type and amount of collateral.

The ECL is determined by projecting the PD, LGD and EAD for each instrument in each future month, and multiplying them together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rates used in the ECL calculations are the original effective interest rate of each instrument or an approximation thereof.

Forward-looking information incorporated in the ECL models
The calculation of expected credit losses is required to incorporate forward-looking information. The Company has performed an analysis of historical data, and identified the key macroeconomic variables impacting its exposure to credit risk and losses. Forecasts of

these economic variables (the "base" economic scenario) are provided by the Company's Economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP). A statistical regression analysis has been performed to understand the impact changes in these variables have had historically on default rates.

In addition to the base economic scenario, the Company's Economics team also provided two other possible economic scenarios - an optimistic scenario and a pessimistic scenario. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The Company measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting. As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes.

Credit risk exposure

Maximum exposure to credit risk – Financial instruments subject to impairment

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

	2018				2017
ECL staging					
	Stage 2 Lifetime ECL	**Stage 3 Lifetime ECL**	**Purchased Credit-impaired**	**Total**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Credit grade					
Investment grade	-	-	-	-	2,593,393
Speculative grade	-	-	-	-	-
Default	-	-	-	-	-
Gross carrying amount	**-**	**-**	**-**	-	**2,593,393**
Loss allowance	-	-	-	-	-
Carrying amount	**-**	**-**	**-**	-	**2,593,393**

	2018	2017
	Total	**Total**
	N'000	**N'000**
Gross carrying amount	-	5,485
Loss allowance	-	-
Carrying amount	-	**5,485**

Loss allowance

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

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Notes to the financial statements

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Investment Securities	**Stage 2**	**Stage 3**		
	Lifetime ECL	**Lifetime ECL**	**Purchased credit-impaired**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Loss allowance as at 1 January 2018	-	-	-	-
Movements with P&L impact				-
Transfers:				-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Matured financial assets	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
Unwind of discount (a)	-	-	-	-
FX and other movements	-	-	-	-
Total net P&L charge during the period	-	-	-	-
Loss allowance as at 31 December 2018	-	-	-	-

Investment securities	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
	N'000	N'000	N'000	N'000
Gross carrying amount as at 1 January 2018	-	-	-	-
Transfers:				
Financial assets derecognised during the period other than write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Gross carrying amount as at 31 December 2018	-	-	-	-

Receivables	Total
	N'000
Gross carrying amount as at 1 January 2018	-
Transfers:	
Financial assets derecognised during the period other than write-offs	-
New financial assets originated or purchased	-
Gross carrying amount as at 31 December 2018	-

Write-off policy
The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery

Modification of financial assets
The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

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

Notes to the financial statements

Analysis of financial asset based on external credit rating

(ii) 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.

Notes to the financial statements

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 2018

	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	-	-	-	1,874,576	-	1,874,576
Amortised cost:						
- Policy loans	-	-	-	-	58,399	58,399
- Personal loans	-	-	-	-	478	478
- Mortgage loans	-	-	-	-	11,493	11,493
- Other loans and receivables	-	-	-	-	1,646	1,646
Reinsurance Assets	-	-	-	-	464,841	464,841
Insurance receivables	-	-	-	-	15,690	15,690
Statutory deposits with CBN	-	-	-	-	215,000	215,000
Tenor Deposits	-	-	-	3,417,519	-	3,417,519
Cash and cash equivalents	-	-	-	399,653	-	399,653
Other receivables	-	-	-	-	336,347	336,347
	-	-	-	5,691,748	1,103,894	6,795,642

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

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 2018

	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	1,874,576	-	-	-	-	1,874,576
Amortised cost:						
- Policy loans	58,399	-	-	17,039	-	75,438
- Personal loans	478	-	-	-	-	478
- Mortgage loans	11,493	-	-	-	-	11,493
Reinsurance assets	464,841	-	-	-	-	464,841
Trade receivables	-	15,690	-	-	-	15,690
Other receivable less prepayment	350,385	-	-	-	(72,942)	277,443
Tenor Deposits	3,417,519	-	-	-	-	3,417,519
Cash and cash equivalents	399,654	-	-	-	-	399,654
	6,577,345	15,690	-	17,039	(72,942)	6,537,132

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
Tenor Deposits	957,107	-	-	-	-	957,107
Cash and cash equivalents	187,978	-	-	-	-	187,978
Other receivable less prepayment	1,377,724	-	-	-	-	1,377,724
	5,831,165	5,485	-	8,744	-	5,845,394

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.

Notes to the financial statements

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 2018	**< 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	-	-	-	1,095,570	-	1,095,570
- Federal Govt. treasury bills	-	150,592	570,187	-	-	720,779
Amortised cost:						
- Policy Loans	-	-	41,200	17,199	-	58,399
- Personal Loans	-	-	478	-	-	478
- Mortgage Loans	-	-	-	-	11,493	11,493
Reinsurance Receivables						
Reinsurance Assets	-	115,394	123,973	225,474	-	464,841
Trade receivables	15,690	-	-	-	-	15,690
Tenor Deposits	-	-	3,417,519	-	-	3,417,519
Cash and cash equivalents	399,653	-	-	-	-	399,653
	415,343	265,986	4,153,357	1,338,243	11,493	6,184,422
Insurance contract liabilities						
- Life		567,207	975,281	1,118,055	2,826,334	5,486,877
Investment contract liabilities						
- With DPF		-	184,947	(13,280)	130,759	302,426
- Without DPF	-	-	-	-	-	-
Unallocated divisible surplus						
Borrowings	-	24,061	-	-	-	24,061
Trade and other liabilities	52,463	69,524	60,772	415,148	43,927	641,834
Deposit for shares	-	-	1,000,000	-	-	1,000,000
Finance Lease	-	-	-	67,086	-	67,086
	52,463	660,792	2,221,000	1,590,745	3,001,020	7,522,284

Notes to the financial statements

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

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 2018	< 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
Financial & insurance assets	415,344	271,736	4,126,529	1,327,044	13,144	6,153,797
Financial & insurance liabilities	13,088	74,018	363,572	2,210,951	2,574,652	5,236,281
	402,256	197,718	3,762,957	(883,907)	(2,561,508)	917,516

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
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)

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.

Notes to the financial statements

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-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	N'000	N'000	N'000	N'000	N'000	N'000
Life insurance:						
- Within Nigeria	5,486,877	5,746,583	464,840	598,553	5,022,038	5,148,030
- Outside Nigeria	-	-	-	-	-	-
	5,486,877	5,746,583	464,840	598,553	5,022,038	5,148,030
Inv. contracts with DPF:						
- Within Nigeria	302,425	293,555	-	-	302,425	293,555
- Outside Nigeria	-	-	-	-	-	-
	302,425	293,555	-	-	302,425	293,555

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-18	31-Dec-17	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
	N'000	N'000	N'000	N'000	N'000	N'000
Protection	6,157,413	3,084,622	174,748	240,140	5,982,665	2,844,482
Pensions	-	-	-	-	-	-
Annuities	1,058,434	1,142,150	-	-	1,058,434	1,142,150
Others	-	-	-	-	-	-
	7,215,847	4,226,772	174,748	240,140	7,041,099	3,986,632
Investment contracts with DPF	278,778	293,555	-	-	278,778	293,555

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.

	Pre-tax profit		Shareholders' equity	
In thousands of Naira	**31-Dec-18**	**31-Dec-17**	**31-Dec-18**	**31-Dec-17**
5% increase in mortality/morbidity				
Gross (2018: Nil; 2017: Nil)	-	-	-	-
Net (2018:N3,726; 2017:N4,132)	7,458	(641,797)	2,176,794	2,267,255
5% increase in longevity				
- Gross	-	-	-	-
- Net	-	-	-	-
10% increase in expenses				
Gross (2018: Nil; 2017: Nil)	-	-		
Net (2018: N3,754; 2017:4,163)	7,430	(641,828)	2,176,766	2,267,254
1% increase in interest rates				
Gross (2018: Nil; 2017: Nil)			-	-
Net (2018:N3,622 ; 2017:N4,008)	7,562	(641,673)	2,176,898	2,267,379

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.

Notes to the financial statements

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	53,106,225
2015	625,062,541	334,756,334	246,958,455	104,672,272	
2016	481,741,639	319,491,260	256,006,285		
2017	388,001,855	492,764,014			
2018	541,902,157				

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 2018 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, 2018 was 101%. That is, the admissible assets representing the Life Fund (including outstanding claims) and deposit administration funds, amounting to N7,740,711,000 were 101% of the actuarially determined gross liabilities of N5,789,303,749.

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

	31-Dec-18	31-Dec-17
	N'000	N'000
Shareholders' funds	2,231,989	2,271,387
Less: Intangible assets	(407)	(757)
Deposit for shares (see note 18)	1,000,000	-
Shareholders' funds upon approval for deposit for shares	3,231,582	2,270,630

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

Solvency margin

The Company's solvency margin of N 1.264 billion (2017: N846million) 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.

Notes to the financial statements

The Company's solvency position as at 31 December 2018 is as follows:

Admissible Assets	**31-Dec-18**			**31-Dec-17**		
	Total N'000	**Inadmissible N'000**	**Admissible N'000**	**Total N'000**	**Inadmissible N'000**	**Admissible N'000**
Cash and cash equivalents	3,817,172	-	3,817,172	1,145,992	326,263	819,729
Other financial assets:						
- Fair value through profit or loss	181,005	-	181,005	1,716,731	-	1,716,730
- Fair value through profit other comprehensive income	1,874,576	-	1,874,576			
- Available for sale	-	-	-	1,231,477	-	1,231,477
- Amortised cost	72,016	-	72,016	58,871	-	58,870
Trade receivables	15,690	-	15,690	5,485	-	5,485
Reinsurance assets	464,841	-	464,841	581,937	-	581,937
Deferred acquisition cost	41,855	-	41,855	44,791	-	44,791
Other receivables and prepayments	336,347	336,347	-	1,471,757	1,134,806	336,952
Investment in associate	283,217	-	283,217	283,217	-	283,217
Investment properties	1,348,152	681,485	666,667	1,348,163	-	1,348,163
Non-current asset held for sale	973,639	-	973,639	973,639	-	973,639
Intangible assets	407	-	407	757	-	757
Property,Plant & Equipment(excl L&B)	85,964	-	85,964	91,824	-	91,824
Property,Plant & Equipment(L&B)	104,338	-	104,338	105,811	-	105,811
Statutory deposits	215,000	-	215,000	215,000	-	215,000
Total assets (A)	**9,814,219**	**1,017,832**	**8,796,387**	**9,275,451**	**1,461,069**	**7,814,382**

	31-Dec-18			31-Dec-17		
	Total	**Inadmissible**	**Admissible**	**Total**	**Inadmissible**	**Admissible**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Less: Admissible liabilities						
Insurance contract liabilities	5,486,877	-	5,486,877	5,709,261	-	5,709,261
Investment contract liabilities	302,426	-	302,426	293,555	-	293,555
Trade payables	52,463	-	52,463	94,671	-	94,671
Deposit for shares	1,000,000	-	1,000,000	-	-	-
Other payables	589,371	-	589,371	798,786	-	798,786
Borrowings	24,061	-	24,061			
Finance lease payable	67,086	-	67,086	44,512	-	44,512
Employee benefit liability	4,365	-	4,365	5,043	-	5,043
Income taxes	5,387	-	5,387	22,280	-	22,280
Deferred tax liabilities	50,194	50,194	-	35,956	35,956	-
Total liabilities (B)	**7,582,230**	**50,194**	**7,532,036**	**7,004,064**	**35,956**	**6,968,108**
Solvency margin *(A-B)*			**1,264,351**			**846,274**
subject to higher of:						
15% of Net premium	527,279			405,809		
or						
Minimum paid up capital	2,000,000		**2,000,000**	2,000,000		**2,000,000**
Solvency margin status: deficit			**(735,649)**			**(1,153,726)**

46 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 2018

	Amortised cost:	Designated at fair value through profit or loss	Designated at fair value through other comprehensive income	Other Financial Liabilities cost	Total carrying amount
	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	3,817,172	-	-	-	3,817,172
Financial assets	72,016	933,691	1,121,890	-	2,127,597
Trade receivables	15,690	-	-	-	15,690
Other receivables	336,347	-	-	-	336,347
Reinsurance assets	464,841	-	-	-	464,841
	4,706,066	933,691	1,121,890	-	6,761,647
Trade payables	-	-	-	118,381	118,381
Deposit for shares	-	-	-	1,000,000	1,000,000
Other payables	-	-	-	523,456	523,456
Investment contract liabilities	-	-	-	302,426	302,426
Borrowings	-	-	-	24,061	24,061
Finance lease	-	-	-	67,086	67,086
	-	-	-	2,035,408	2,035,410

31 December 2017

	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
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

Notes to the financial statements

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

31 December 2018

	Level I	Level II	Level III	Total
	N'000	N'000	N'000	N'000
Cash and cash equivalents	-	-	-	-
Financial assets	2,055,581	72,016	-	2,127,597
Trade receivables	-	-	-	-
Other receivables	-	-	-	-
Reinsurance assets	-	-	-	-
	2,055,581	72,016	-	2,127,597
Trade payables	-	-	-	-
Deposit for shares	-	-	-	-
Other payables	-	-	(1,000,000)	(1,000,000)
Investment contract liabilities	-	-	-	-
Finance lease	-	-	-	-
	- -	- -	(1,000,000)	(1,000,000)

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	-	2,958,396
Trade Receivables	-	-	-	-
Other Receivables	-	-	-	-
Reinsurance Assets	-	-	-	-
	2,868,003	90,392	-	2,958,396
Trade Payables	-	-	-	-
Deposit for shares	-	-	-	-
Other Payables	-	-	-	-
Investment Contract Liabilities	-	-	-	-
Finance lease	-	-	-	-
	-	-	-	-

47 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-18	31-Dec-17
		N'000	N'000
Royal Exchange Finance and Investment Ltd (Sister Company)	Other receivables	33,693	25,925
Royal Exchange Healthcare Plc (Sister Company)	Other receivables	9,543	7,921
Royal Exchange Takaful Insurance (Sister company)	Other receivables	26,633	15,004
Royal Exchange Trustees Account (with REFIL)	Other receivables	2,167	2,167
Royal Exchange Plc (Parent Company)	Other payables	19,650	1,088,397
Royal Exchange General Insurance Company Limited (Sister Company)	Other payables	3,405	291,047
Royal Exchange Finance and Investment Ltd (Sister Company)	Other payables	9,298	9,064
Royal Exchange Finance and Investment Ltd (Sister Company)	Gross premium	-	-
Royal Exchange General Insurance Company Limited (Sister Company)	Gross premium	13,600	85,564
Royal Exchange Healthcare Plc (Sister Company)	Gross premium	1,177	536
Royal Exchange Microfinance Bank Ltd (Sister Company)	Gross premium	543	782
Royal Exchange Finance and Investment Ltd (Sister Company) (see details in (ii) below)	Interest income	19,377	19,377
Royal Exchange Healthcare Plc (Sister Company)- Employee health insurance	Management expenses	13,521	14,338
Royal Exchange General Insurance Company Limited (Sister Company)	Management expenses	12,055	11,649
Royal Exchange Microfinance Bank Ltd (Sister Company)- bank balance (see details below in (i))	Cash and Cash equivalent	21,943	1,773
Royal Exchange Finance and Investment Ltd (Sister Company)	Finance Lease	67,086	44,512
Royal Exchange Finance and Investment Ltd (Sister Company)	Borrowings	24,061	-

(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 N16.277million (2017: 14.435 million) at 12.5% as at 31 December 2018.

48 Contingencies and Commitments

(a) Commitments for expenditure

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

(b) Contingent liabilities and contingent assets

Contingent liabilities

	31-Dec-18	31-Dec-17
	N'000	N'000
Legal proceedings and regulation (see note (i) below)	750	-
Tax PAYEE for 2014 tax audit (See note (ii) below)	25,200	25,200
	25,950	25,200

(i) There is a litigations pending in Supreme courts of law in Nigeria involving the Company as a defendant. The directors believe, based on legal advice from the company solicitors, that the action may 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.

49 Going concern

The Company had a solvency margin of ₦1.264 billion (2017:₦864 million) which was below the minimum requirement of N2billion for life business by ₦736 million (2017: ₦1.154 billion). 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 investments which includes investment property located at Cadastral zone in FCT, Abuja at a proposed price of N1.6billion to a prospective buyer and thereafter the sales proceed would be re-invested in fixed income securities.

Based on the foregoing, the directors believe the Company will 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.

50 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 2018 and profit attributable to equity holders on that date which have not been adequately provided for or disclosed.

51 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-18**	**31-Dec-17**
	N'000	**N'000**
Emoluments		
Chairman	325	900
Other Directors	44,637	32,694
	44,962	33,594
Directors' fees	325	540
Emoluments as Executives	44,637	33,054
	44,962	33,594
The highest paid director	14,291	14,291

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

	31-Dec-18	**31-Dec-17**
N500,000 - N2,000,000	4	4
N2,000,001 - and above	3	2

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.

52 Statement of cash flow workings

(i) Premium received

	31-Dec-18	31-Dec-17
	N'000	N'000
Gross premium written (See note 28)	3,836,162	3,005,802
Trade receivables, opening balance (see note 3)	5,485	38,869
Trade receivables, closing balance (see note 3)	(15,690)	(5,485)
Premium received in advance	32,974	153,802
Premium received from policy holders	3,858,931	3,192,988

(ii) Claims paid

Death claims /benefits paid: short term insurance	(1,497,660)	(1,122,223)
Claims paid: long term insurance contracts	(820,321)	(636,368)
Balance at the end of the year/year (see note 31)	(2,317,981)	(1,758,591)

(iii) Reinsurance premium paid

Reinsurance premium expenses (see note 29 (c))	(392,926)	(353,946)
Reinsurance payable, opening balance (see note 16)	(94,671)	(41,879)
Reinsurance payable, closing balance (see note 16)	52,463	94,671
Reinsurance premium paid	(435,134)	(301,154)

(iv) Dividend received

Dividend receivable, opening balance (see note 6 (d))	19,636	22,961
Dividend income for the year (see note 35 (a) (i)	47,321	14,919
Dividend receivable, closing balance (see note 6 (d))	(34,724)	(19,636)
Total cash dividend received for the period	32,233	18,244

(v) Net outflow from Deposits administration and savings products

Deposits administration fund		
Deposits made during the year (see note 15 (a))	1,206	2,372
Withdrawal made during the year (see note 15 (a))	(4,274)	(3,366)
Net deposit administration fund	(3,068)	(994)
Investment managed fund		
Deposits made during the year (see note 15 (b))	152,157	150,807
Withdrawal made during the year (see note 15 (b))	(158,075)	(222,084)
Net deposit administration fund	(5,918)	(71,277)
Cash outflow at the end of the year	(8,986)	(72,271)

		31-Dec-18 N'000	31-Dec-17 N'000
(vi)	**Proceeds from disposal of PPE**		
	Loss/(gain) on disposal(see note 39 and 43.c(ii)	(372)	2,865
	Cost (see note 11)	19,643	6,450
	Accumulated depreciation (see note 11)	(18,024)	(5,950)
	Proceeds on disposal of assets	1,247	3,365
(vii)	**Rental income from investment property**		
	Rental income for the year (see note 35 (a) (i)	42,593	22,222
	Rental income accruals opening balance (see note 6 (d))	18,333	18,333
	Rental income accruals closing balance (see note 6 (d))	-	(18,333)
	Rental income for the year	60,926	22,222
(viii)	**Other operating cash payments**		
	Selling expenses incurred on sales of investment property	-	-
	Other management expenses	247,282	1,217,293
	Net Changes in intercompany balances:		
	Royal Exchange Plc	1,088,397	691,025
	Royal Exchange Healthcare Limited	(1,622)	2,869
	Impairment	523	
	Royal Exchange General Insurance Company Limited	(287,642)	12,029
	Royal Exchange Finance and Investment Limited	234	(6,527)
	Royal Exchange Plc	19,650	
		819,540	699,396
	Balance at the end of the year/period	1,066,822	1,916,689
(ix)	**Investment income received**		
	Gain disposal of equities FVTPL	1,482	103,829
	Interest income on treasury bills - FVTPL	-	258,550
	Interest income on Bonds - FVTPL	-	5,439
	Interest income on Treasury bills & Bond- FVOCI	336,918	-
	Loans and receivables interest income	-	4,804
	Statutory Deposit Interest	33,037	32,432
	Staff Housing Loan Interest	1,148	1,510
	Interest income on Deposits	69,358	163,340
	Income on annuity	-	156,816
		441,943	726,720
(x)	**Oshodi property redevelopment**		
	Company's contribution	-	100,000
	Developer's contribution	-	43,927
	Amount already spent	-	(113,500)
	Net cash flow	**-**	**30,427**

53 Hypothecation of assets as at 31 December 2018

ASSETS	Shareholder's & other funds N'000	Insurance contract Liabilities N'000	Annuity fund N'000	Deposit Administration N'000	Policyholder's fund N'000	Total N'000
	(a)	(b)	(c)	(d)	(e)= (b)+'(c)+(d)	(f)= (a)+(e)
Cash and cash equivalents	714,050	2,800,000	-	303,122	3,103,122	3,817,172
Financial assets:						
Fair value through OCI (Bonds & Treasury Bills)	33,407	-	1,058,434	-	1,058,434	1,091,841
Fair value through OCI (Treasury Bills)	63,279	656,000	-	-	656,000	719,279
Fair value through OCI (Unlisted Equity Securities)	-	-	-	63,456	63,456	63,456
Amortised cost (Policy loan)	-	-	-	58,399	58,399	58,399
Amortised cost (others)	-	-	-	13,617	13,617	13,617
Quoted securities	-	-	-	181,005	181,005	181,005
Trade receivable	15,690	-	-	-	-	15,690
Reinsurance assets	-	464,841	-	-	464,841	464,841
Deferred acquisition cost	41,855		-	-	-	41,855
Other receivables and prepayment (See note 6 for details)	336,347		-	-	-	336,347
Investment in associate	283,217		-	-	-	283,217
Investment properties	1,011,114	337,038	-	-	337,038	1,348,152
Non current asset held for sale	973,639				-	973,639
Intangible asset	407		-	-	-	407
Property and equipment	190,302		-	-	-	190,302
Statutory deposits	215,000		-	-	-	215,000
TOTAL ASSET	**3,878,307**	**4,257,879**	**1,058,434**	**619,599**	**5,935,912**	**9,814,219**
TOTAL LIABILITIES	-	**4,157,879**	**1,042,075**	**589,349**	**5,789,303**	-
Surplus/(Deficit)	-	**100,000**	**16,359**	**30,250**	**146,609**	-

Hypothecation of assets as at 31 December 2017

	Shareholder's fund	Annuity fund	Deposit Administration	Policyholder's fund	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	-		60,433	204,346	264,779
Unquoted securities	-	-	89,638	-	89,638
Bank placements	-	-	-	957,107	957,107
Cash and cash equivalents	-	1,000	96,000	91,885	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
Trade receivable	5,485	-	-	-	5,485
Investment properties	-	-	-	1,348,163	1,348,163
TOTAL	**3,211,453**	**1,142,839**	**293,946**	**4,627,213**	**9,275,451**

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

Other national disclosure

Value added statement

	31-Dec-18		31-Dec-17	
	N'000	%	N'000	%
Net premium earned	3,908,120		3,059,338	
Reinsurance, claims, commission and others	(4,614,522)		(3,467,427)	
	(706,402)	(548)	(408,089)	(141)
Investment income	513,846	399	623,973	216
Fees and commission income	52,044	40	55,612	19
Other operating income	11,660	9	17,224	6
Value Lost	(128,852)	(100)	288,720	100
Applied as follows:				
In payment of employees:				
- Salaries, wages and other benefits	304,508	236	314,473	109
In payment to government:				
- Taxation	33,152	26	44,689	15
For future replacement of assets:				
Deferred taxation	14,238	11	1,965	1
and expansion of business:				
Depreciation and amortisation	52,761	41	64,091	22
Transfer to contingency reserve	38,362	30	24,029	8
Transfer to life fund	(535,667)	(416)	523,792	181
Transfer to revenue reserve	(36,206)	(28)	(684,319)	(237)
	(128,852)	(100)	288,720	100

Financial summary

	31 DEC 2018 N'000	31 DEC 2017 N'000	31 DEC 2016 N'000	31 DEC 2015 N'000	31 DEC 2014 N'000
Assets					
Cash and cash equivalents	3,817,172	1,145,992	965,546	406,915	391,988
Other financial assets:					
Fair value through profit or loss	181,005	1,716,730	1,657,341	549,853	447,441
- Fair value through other comprehensive income	1,874,576	-	-	-	-
- Amortised cost	72,016	-	-	-	-
Available for sale	-	1,231,477	1,116,096	89,638	91,612
Loans and Receivables	-	58,870	45,925	51,284	152,300
Trade receivables	15,690	5,485	38,869	16,778	78,633
Reinsurance assets	464,841	581,937	470,591	307,622	170,687
Deferred acquisition cost	41,855	44,791	48,640	64,547	34,606
Other receivables and prepayments	336,347	1,471,758	502,853	847,020	162,650
Investment in associates	283,217	283,217	283,217	283,217	283,217
Investment properties	1,348,152	1,348,163	1,259,750	3,037,927	3,874,649
Non-current asset held for sale	973,639	973,639	973,639	973,639	-
Intangible assets	407	757	1,579	2,502	2,748
Property and equipment	190,302	197,635	230,687	233,595	172,826
Employees retirement benefits	-	-	-	4,296	11,350
Statutory deposits	215,000	215,000	215000	215,000	215,000
Total assets	9,814,219	9,275,451	7,809,733	7,083,833	6,089,707
Liabilities					
Insurance contract liabilities	5,486,877	5,709,261	4,615,352	3,656,421	2,222,552
Investment contract liabilities	302,426	293,555	339,456	336,271	257,963
Trade payables	118,380	94,671	41,879	38,449	29,947
Deposit for shares	1,000,000	-	500,000	-	-
Other payables	523,454	798,786	748,210	696,599	378,423
Finance lease	67,086	44,512	-	-	-
Borrowing	24,061	-	-	5	2,949
Employee benefit liability	4,365	5,043	4,205	5,341	2,935
Income taxes	5,387	22,280	-	1,790	11,108
Deferred tax liabilities	50,194	35,956	33,991	31,809	18,117
Total liabilities	7,582,230	7,004,064	6,283,092	4,766,685	2,923,994
EQUITY					
Share capital	3,461,339	3,461,339	2,161,339	2,161,339	2,161,339
Share premium	404,494	404,494	404,494	404,494	404,494
Contingency reserve	218,454	180,092	156,063	122,557	86,848
Retained earnings	(1,861,035)	(1,754,095)	(1,045,747)	(381,871)	501,168
Fair value reserves	5,225	(23,095)	(176,015)	(4,210)	(4,210)
Other reserves-employee benefit actuarial surplus/(deficit)	3,512	2,652	2,372	14,838	16,074
Total equity	2,231,989	2,271,387	1,502,506	2,317,147	3,165,713
Total equity and liability	9,814,219	9,275,451	7,785,600	7,083,832	6,089,707

Statement of Profit or Loss and Other Comprehensive Income

Financial summary	31 DEC 2018 N'000	31 DEC 2017 N'000	31 DEC 2016 N'000	31 DEC 2015 N'000	31 DEC 2014 N'000
Insurance premium revenue	3,836,162	3,005,802	3,350,588	3,570,916	2,366,568
Net insurance premium revenue	3,515,194	2,705,392	3,190,031	3,083,194	2,302,898
Profit/(Loss) before tax	11,184	(637,665)	(616,221)	(818,526)	162,909
Income tax expense	(47,390)	(46,654)	(14,149)	(28,804)	(22,479)
(Loss)/profit after tax	(36,206)	(684,319)	(630,370)	(847,330)	140,430
Transfer to contingency reserve	38,362	24,029	33,506	35,709	23,666

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 2018 and 2017 respectively are as follows:

31 December 2018	**Long Term N'000**	**Short Term N'000**	**Investment Linked N'000**	**Total N'000**
Gross Premium Income	1,100,285	2,784,821	23,014	3,908,120
Reinsurance Expenses	(125,889)	(267,037)	-	(392,926)
Net insurance premium income	974,396	2,517,784	23,014	3,515,194
Fees and Commission income	14,652	37,392	-	52,044
Net underwriting income	989,048	2,555,176	23,014	3,567,238
Gross benefits and claims paid	(602,751)	(1,705,051)	-	(2,307,802)
Insurance claims and benefits paid - recoverable from reinsurers	-	-	-	-
Changes in insurance contract liabilities	150,810	384,857	-	535,667
Underwriting Expenses	(117,637)	(306,614)	(2,512)	(426,763)
Underwriting profit	419,470	928,368	20,502	1,368,340
Profit from Investment contracts			21,326	21,326
Other Investment income	141,641	369,179	3,026	513,846
Fair value gains/(losses)	(28,782)	(75,019)	(615)	(104,416)
Other operating income	3,214	8,377	68	11,659
Depreciation on Property and Equipment	(12,135)	(37,656)	(2,621)	(52,412)
Amortisation of intangible assets	(81)	(251)	(18)	(350)
Charge of impairment	(69,916)	(182,232)	(1,494)	(253,642)
Employee expenses	(43,668)	(113,819)	(933)	(158,420)
Management expenses	(306,884)	(920,549)	(97,986)	(1,325,419)
Results from operating activities	102,859	(23,602)	(58,745)	20,512

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 insurance 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)	(98,706)	-	(523,792)
Underwriting Expenses	(356,682)	(101,452)	(2,158)	(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	499,107	31,217	623,974
Fair value gains/(losses)	9,034	48,178	3,011	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)
Charge of impairment	(16,516)	(88,086)	(5,505)	(110,108)
Employee expenses	(23,813)	(127,003)	(7,938)	(158,754)
Management expenses	(135,329)	(721,753)	(45,110)	(902,191)
Results from operating activities	(775,739)	286,684	30,788	(637,665)