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Royal Exchange Prudential Life Plc

Annual Report and Financial Statements
31 December 2021

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Corporate information

Registered office:	New Africa House 31, Marina Lagos Nigeria
Chairman:	Mr. Hewett Benson *
Executive Director (Technical Operations):	Mr. Nelson Akerele
Non-Executive Directors:	Mr. Matthew Adefila Alhaji Rabiu Muhammad Gwarzo Chief Uwadi Okpa-Obaji Mr. Nnamdi Oragwu
Company Secretary	Mazars
Company registration number:	RC: 614276
Preparation supervised by:	Oluyemisi Afolabi 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 Baobab Microfinance Bank Limited New Prudential Mortgage Bank Limited Royal Exchange Microfinance Bank Limited Polaris Bank Limited Sterling Bank Plc Union Bank Plc United Bank for Africa Plc FSDH Merchant Bank Limited
Actuary:	EY Nigeria (Formerly HR Nigeria Limited) FRC/NAS/0000000738

*Appointed Chairman, pending NAICOM 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 2021.

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 2021 are as follows:

	31-Dec- 2021	31-Dec- 2020
	N'000	N'000
Loss before tax	(596,212)	(476,353)
Taxation	<u>(4,382)</u>	<u>(2,078)</u>
Loss for the year	(600,594)	(478,431)
Transfer to contingency reserve	<u>(27,353)</u>	<u>(32,777)</u>
Transfer to revenue reserve	<u>(627,947)</u>	<u>(511,208)</u>

3 DIRECTORS AND DIRECTORS' INTEREST AND SHAREHOLDING

A Board of 6 (six) 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:

Mr Hewett Benson	Chairman*
Mr. Nelson Akerele	Executive Director (Technical Operations)
Mr. Matthew Adefila	Non-Executive Director
** Alhaji Rabiu M. Gwarzo	Non-Executive Director**
** Chief Uwadi Okpa-Obaji	Non-Executive Director**
** Mr. Nnamdi Oragwu	Non-Executive Director**
*** Mr. Olawale Banmore	Non-Executive Director (Resigned)
*** Mr. Benjamin Azi	Non-Executive Director (Deceased)
*** Mr. Benjamin Agili	Non-Executive Director (Resigned)

* Appointed Chairman, pending NAICOM approval

** Appointed Non-Executive Director, pending NAICOM approval

3.2 The Directors did not have any interest in the issued share capital of the Company.

Director's report

3.3 Director's interest in contracts

The directors do not have any interest to be disclosed under section 303 of the Companies and Allied Matters Act, (2020: Nil). In accordance with section 305 of the Companies and Allied Matters Act, 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 N5,000,000,000 made up of 5,000,000,000 ordinary shares of N1.00 each (2020: 5,000,000,000 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 2021.

	31-Dec-2021	31-Dec-2021	31-Dec-2020	31-Dec-2020
	<u>No. of Ordinary Shares</u>	<u>% Holding</u>	<u>No. of Ordinary Shares</u>	<u>% Holding</u>
Royal Exchange Plc	3,461,339,465	100%	3,461,339,465	100%
Royal Exchange General Insurance Company Limited	1	0%	1	0%
Total	<u>3,461,339,466</u>	<u>100%</u>	<u>3,461,339,466</u>	<u>100%</u>

According to the register of members as at 31 December 2021, 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 organisation during the year (2020: Nil).

7 EVENTS AFTER REPORTING DATE

There were no events after the reporting period which could have had a material effect on the financial statements for the year ended which have not been recognised and/or disclosed.

8 AGENTS, BROKERS AND INTERMEDIARIES

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

Director's report

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 2021, the Company had no disabled person in its employment (2020: 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.

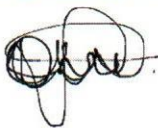
10 AUDITOR

The Auditors, Messer Deloitte & Touche (Chartered Accountants) was re-appointed during the year as Auditors of the company in line with S.401(2) of CAMA 2020. The auditors having satisfied the requirement of NAICOM and the company, have indicated their willingness to continue in office during the year.

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



Ngozika Onu

Company Secretary

FRC/2021/002/00000022920

Lagos, Nigeria

26 May 2022

**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 Statement that gives a true and fair view of the financial position of the company as at 31 December 2021 and the results 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 of Nigeria Act, 2011.

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

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

Going Concern

As of 31 December, 2021, the company had a negative insurance solvency margin of N3.916 billion, and the total admissible assets less net insurance and investment contract liabilities amounted to a deficit of N1.916 billion.

The Directors have set forth specific measures and actions to address this position and bring back the company to profit making, however these events or conditions, along with other matters stated therein, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.



Mr. Matthew Ayomidele Adefila
Director
FRC/2013/ICAN/00000012644



Mr. Nelson Akerele
Executive Director (Technical Operations)
FRC/2019/CIIN/000000019451

Certification of financial statements

In accordance with section 405 of the Companies and Allied Act of Nigeria 2020, the Executive Director (Technical Operations) and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the

- (i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- (ii) audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements;

We state that management and directors:

- (i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the company is made known to the officer by other officers of the company, particularly during the period in which the audited financial statement report is being prepared,
- (ii) has evaluated the effectiveness of the company's internal controls within 90 days prior to the date of its audited financial statements, and
- (iii) certifies that company's internal controls are effective as of that date;

We have disclosed:

- (i) all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise and report financial data, and has identified for the company's auditors any material weaknesses in internal controls, and
- (ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the company's internal control; and
- (iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the company for the year ended 31 December 2021 were approved by the Board of Directors on 26 May 2022.

BY ORDER OF THE BOARD



Mr. Nelson Akerele
Executive Director (Technical Operations)
FRC/2019/CIIN/00000019451



Oluyemisi Afolabi
Chief Financial Officer
FRC/2012/ICAN/00000000580

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Royal Exchange Prudential Life Plc Report on the Audit of the financial statements

Opinion

We have audited the financial statements of Royal Exchange Prudential Life Plc set out on pages 11 to 102, which comprise the statement of financial position as at 31 December 2021, 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 financial statements give a true and fair view of the financial position of Royal Exchange Prudential Life Plc as at 31 December, 2021 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 2020, Insurance Act I17 LFN 2004, circulars and guidelines issued by the National Insurance Commission (NAICOM) 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 requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audit of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of financial statements in Nigeria.

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

Material Uncertainty related to going concern

We draw attention to Note 48 of the financial statements. As of 31 December 2021, the company recorded a loss after tax of ₦600.595 million (2020: ₦478.431 million). At the same time, the company's total admissible assets less net insurance and investment contract liabilities amounted to a solvency deficit of ₦3.916 billion (2020: ₦2.793 billion).

The Directors have set forth specific measures and actions to address this position and resolve the solvency deficit, however these events or conditions, along with other matters stated therein, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Valuation of Insurance Contracts Liabilities Reserve	
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 are adequate.	Our procedures included the following among others:
As disclosed in notes 14 and 15 to the financial statements, the insurance contract liabilities and investment contract liabilities for the Company amounted to N5.66billion and N281.45million respectively [2020: N5.58billion and N276.98million]. These represent about 86% and 4% of the Company total liabilities as at 31 December 2021.	We reviewed the methodology and processes adopted by management for making reserves in the books of the company.

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Key Audit Matter

Valuation of Insurance Contracts Loss Reserve

Determination of fair value of the contracts is an area that involves exercise of significant judgement 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 the data used in the valuation.

Necessary adjustments are made in the financial statements to reflect the liabilities determined by the actuary.

How the matter was addressed in the audit

In relation to the particular matters set out above, our substantive testing procedures included the following:

Ø 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.

Ø We validated the data used in the valuation of the insurance contract liabilities.

Ø We involved Deloitte's actuarial specialists to 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.

Ø 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 the management were comparable with 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 information included in the "Royal Exchange Prudential Life Plc Annual Report and Financial Statements", the Directors' Report, and other national disclosures – Value added statement and Five-year financial summary; 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.

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, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Fifth Schedule of the Companies and Allied Matters Act 2020 and Section 28 (2) of the Insurance Act 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.

Contraventions

No contravention of any section of Insurance Act or NAICOM guidelines came to our attention during the audit.

The opinion expressed in these financial statements is to enable the company to comply with the requirement for the submission of its financial statements to the National Insurance Commission of Nigeria in accordance with the Insurance Act I17 LFN 2004. Consequently, these financial statements should not be distributed or made available to any third party in whole or in part pending final approval by the Nigerian Insurance Commission and subsequent auditors' opinion thereon.

Yodetayo

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
21 July 2022



Engagement Partner: Yetunde Odetayo FCA
FRC/2013/ICAN/00000000823

Company information and statement of 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 International Financial Reporting Standards

The financial statements for the year ended 31 December 2021 have been prepared in accordance with, and comply with the, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011, the Insurance Act of Nigeria, 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") guidelines and circulars.

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

(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:

- Financial instruments at fair value through profit or loss;
- Financial instruments at 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

Company information and statement of accounting policies

group life risk. Discounted cash flow approach is used for measuring annuity and the risk reserves.

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

(c) Functional and presentation currency

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

(d) Reporting period

The financial statements have been prepared for the 12-month period ended 31 December 2021.

(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.

(f) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the Company's financial statements are as follows:

New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statement

(i) Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right

In September 2020, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

(ii) Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Company information and statement of accounting policies

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met.

- 1 The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 2 Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- 3 There is no substantive change to other terms and conditions of the lease.

The amendment is not applicable to Royal Exchange Prudential Life Plc as the company does not have operating leases qualified for the application of IFRS 16, hence it was not applied.

(iii) Impact of the initial application of new and amended IFRS Standards that are effective for the current year

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 in the current year.

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1."

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

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective;

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

(i) IFRS 17: Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2023.

Company information and statement of accounting policies

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application."

(ii) IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

(iii) Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

(iv) Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Company information and statement of accounting policies

(v) Amendments to IAS 37 - Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

(h) Annual Improvements to IFRS Standards 2018 - 2020

The Annual Improvements include amendments to four Standards.

(i) IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent. In respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1: D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

(ii) IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

(iii) IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

(iii) IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Company information and statement of accounting policies

III Summary of Significant accounting policies

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

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

a) Foreign currency

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

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

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

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

- Other comprehensive income debt instruments for the part that relates to the change in fair value.
- any other non-monetary item that is measured based on a fair value basis and for which the changes in fair value are recorded in other comprehensive income. “

b) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank and call deposits and other short-term highly liquid investments with original maturities of three months or less subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost (cost plus accrued interest) in the statement of financial position.

Borrowings by way of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Borrowing costs comprise interest payable on loans and bank overdrafts. They are charged to the statement of profit or loss as incurred, using the effective interest rate method except those that relate to qualifying assets.

c) Financial instruments

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

Company information and statement of accounting policies**(i) Financial assets and liabilities****Measurement methods**

Amortised cost and effective interest rate

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

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

Company information and statement of accounting policies

- (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.

Financial assets**Classification and subsequent measurement**

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.

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- 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.

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'.

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

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- 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.

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.

-4 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 is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or 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.

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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 year's 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 is assumed to be equal to their carrying values, which is the amount these assets are recorded at in the Statement of Financial Position.

The methodologies and assumptions for determining the fair values of investment contract liabilities and other financial liabilities are included in Note 44 of the financial statements.

-5 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.

-6 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

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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.

-7 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 includes individually significant or collectively for financial assets that are not individually significant for indicators of impairment at the end of the reporting period. Objective evidence that a financial asset or group of financial assets is impairment could include:

- Significant financial difficulty of the issuer or debtor;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or other financial re-organization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Company. The significant estimates and judgments applied in assessing the impairment on financial assets are as shown in the statement of accounting policies note iv(b) (ii) and (iii).

Loans and receivables

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

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

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of

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the security below its cost is 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 is not reversed and subsequent changes in fair values are recorded in other comprehensive income.

Trade receivables

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

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

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

8) 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

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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.

d) 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.

e) Reinsurance assets

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

Reinsurance assets include balances due from various reinsurance companies 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.

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f) 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.

g) 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.

h) 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.

i) 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.

Company information and statement of accounting policies**Transfers**

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

j) Hypothecation of assets

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

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

The assets hypothecated are shown in Note 53 to the financial statements.

k) 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.

l) 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

Company information and statement of accounting policies

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.

m) 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."

Company information and statement of accounting policies**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 property's 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	Over the lease period
Buildings	50 years
Furniture and office equipment	5 years
Motor vehicles	4 years
Computer hardware	4 years

De-recognition

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

(n) Leases

In the current year, the company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements and impact of the adoption on the company's financial statements is described in note f(i).

(i) Operating lease

The company does not have operating lease. However, IFRS 16 changes how a company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the company:

- (a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Company information and statement of accounting policies**(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.

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. This change did not have a material effect on the company's financial statements.

o) Statutory deposits

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

p) 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. These contracts are the primary business activity of the Company. These contracts ensure 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.

Company information and statement of accounting policies**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 ensure 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 is recorded in gross premium on the statement of profit or loss.

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

Provision for unearned premium

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

Reinsurance

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

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

Company information and statement of accounting policies

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

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

Prepaid reinsurance

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

Reinsurance expense

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

Unearned reinsurance premiums

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

Liability adequacy test

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

q) 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).

Company information and statement of accounting policies

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.

r) 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.

s) 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.

t) 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.

Company information and statement of accounting policies**(iv) Defined benefit plan**

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

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

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

(v) Other long term employee benefits

The Company operates a long service award plan for eligible staff who have rendered unbroken service to the organization.

Benefits accrue after a minimum of 10 years and a maximum of 35 years. The main benefits payable on the scheme are both cash and gift items which vary according to the number of years of service.

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

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

The liability is valued annually by a qualified actuary using the projected unit credit method.

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

Company information and statement of accounting policies

u) Income taxes

Current tax

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

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

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

Minimum tax

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

Deferred tax

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

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

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

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

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

Company information and statement of accounting policies

v) 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 CAP 17 LFN 2004.

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

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 instruments 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.

w) 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.

Company information and statement of accounting policies

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.

Company information and statement of accounting policies

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.

x) 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

Company information and statement of accounting policies

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.

y) 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.

z) 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.

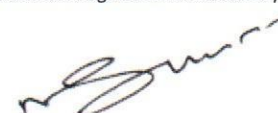
Statement of financial position
as at 31 December, 2021

	Note	31-Dec-21 N'000	31-Dec-20 N'000
ASSETS			
Cash and cash equivalents	1	2,864,081	2,925,885
Financial assets:			
- Fair value through profit or loss	2(a)	372,647	371,641
- Fair value through other comprehensive income	2(b)	187,260	258,598
- Amortised cost	2(c)	105,567	105,908
Trade receivables	3	1,993	44,975
Reinsurance assets	4	234,017	451,107
Deferred acquisition cost	5	54,243	55,191
Other receivables and prepayments	6	536,459	514,026
Right of use asset	11(a)	11,372	51,354
Investment in associates	7	252,671	283,217
Investment properties	8	1,407,159	1,368,484
Non-current asset held for sale	9	973,639	973,639
Intangible assets	10	44,000	-
Property and equipment	11	105,391	109,943
Statutory deposits	13	215,000	215,000
Total assets		7,365,499	7,728,968
LIABILITIES			
Insurance contract liabilities	14	5,659,669	5,576,844
Investment contract liabilities	15	281,448	276,979
Trade payables	16	387,752	170,821
Other payables	17	173,391	153,121
Lease liabilities	18	0	24,068
Employee benefit liability	12(a)	5,201	7,723
Income taxes	19	515	610
Deferred tax liabilities	20(a)	56,095	52,227
Total liabilities		6,564,071	6,262,393
EQUITY			
Share capital	21(b)	3,461,339	3,461,339
Share premium	22	404,494	404,494
Contingency reserve	23	312,415	285,062
Retained earnings	24	(3,440,665)	(2,730,548)
Fair value reserves	25(a)	57,258	43,524
Other reserves-employee benefit actuarial surplus	25(b)	6,586	2,704
Total equity		801,428	1,466,575
Total equity and liabilities		7,365,499	7,728,968

The financial statements and accompanying notes were approved by the Board of Directors on 26 May 2022 and signed on its behalf by:



Mr. Matthew Ayomidele Adefila
Director
FRC/2013/ICAN/00000012644



Mr. Nelson Akerele
Executive Director (Technical Operations)
FRC/2019/CIIN/000000019451

Additionally certified by:



Oluyemisi Afolabi
Chief Financial Officer
FRC/2012/ICAN/00000000580

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

Statement of profit or loss and other comprehensive income

		31-Dec-21	31-Dec-20
	Note	N'000	N'000
Gross premium written	26	2,735,345	3,277,726
Unearned premium	26(b)	(82,540)	26,457
Gross premium income	26	2,652,805	3,304,183
Reinsurance premium expenses	27	(519,094)	(540,766)
Net premium income	26(a)	2,133,711	2,763,417
Fees and commission income	28	83,982	95,164
Net underwriting income		2,217,693	2,858,581
Net Insurance claims and benefits	29	(1,811,045)	(1,856,203)
Changes in insurance fund	30	259,924	(462,513)
Underwriting expenses	31	(627,000)	(784,846)
Underwriting Profit/(loss)		39,572	(244,981)
Profit on investment contracts	32	42,030	115,564
Other investment income	34	84,975	220,311
Fair value gains on assets	36	40,238	104,966
Loss on disposal of Annuity portfolio	37	-	(84,585)
Other operating income	38	30,904	14,731
Depreciation on property and equipment	39	(35,650)	(42,864)
Amortisation of intangible assets	40	(11,000)	(172)
Impairment writeback /(allowance) on assets	41(a)	(277,314)	23,297
ECL Impairment writeback/(allowance)	41(b)	364	69,074
Employee benefit expenses	42	(102,196)	(119,881)
Management expenses	42(c)	(408,135)	(531,813)
Loss before taxation		(596,212)	(476,353)
Income tax charges	20(a)	(3,868)	(1,468)
Minimum tax	20(a)	(515)	(610)
Loss for the year		(600,595)	(478,431)
Other comprehensive income:			
Items that will not be classified to profit or loss in subsequent period:			
Net actuarial gain	26(b)(ii)	3,882	1,584
Items that are or may be reclassified to profit or loss in subsequent period:			
Fair value gains/(losses) on fair value through OCI	26(a)(i)	13,734	(31,175)
Total other comprehensive income/ (loss) net of tax		17,616	(29,591)
Total comprehensive (loss) for the year		(582,979)	(508,022)

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

Statement of changes in equity

	Share capital	Share premium	Contingency reserve	Retained earnings	Actuarial gain/(loss) reserve	Fair value reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
2021							
As at 1 January	3,461,339	404,494	285,062	(2,730,548)	2,704	43,524	1,466,575
Loss for the year	-	-	-	(600,595)	-	-	(600,595)
Net amount reclassified to profit or loss	-	-	-	-	3,882	-	3,882
Fair value changes of FVOCI	-	-	-	(82,168)	-	13,734	(68,434)
<i>Total comprehensive income for the year</i>	3,461,339	404,494	285,062	(3,413,311)	6,586	57,258	801,428
Transactions within Equity:							
Transfer to/(from) contingency reserves	-	-	27,353	(27,353)	-	-	-
As at 31 December	3,461,339	404,494	312,415	(3,440,665)	6,586	57,258	801,428
2020							
As at 1 January	3,461,339	404,494	252,285	(2,219,340)	1,120	74,699	1,974,597
Loss for the year	-	-	-	(478,431)	-	-	(478,431)
Net amount reclassified to profit or loss	-	-	-	-	1,584	-	1,584
Fair value changes of FVOCI	-	-	-	-	-	(31,175)	(31,175)
<i>Total comprehensive income for the year</i>	3,461,339	404,494	252,285	(2,697,771)	2,704	43,524	1,466,575
Transactions within Equity:							
Transfer to contingency reserves	-	-	32,777	(32,777)	-	-	-
As at 31 December	3,461,339	404,494	285,062	(2,730,548)	2,704	43,524	1,466,575

Statement of cash flows
for the year ended

		31-Dec-21	31-Dec-20
	Note	N'000	N'000
Cash flows from operating activities			
Premium received	52(i)	2,777,872	3,240,131
Premium received in advance	16(a)	119,130	455
Claims paid	52(ii)	(1,990,771)	(1,805,397)
Commission paid	5	(230,032)	(277,584)
Commission received	28	83,982	95,164
Reinsurance premium paid	52(iii)	(452,652)	(569,922)
Reinsurance claims recovered	4(c)	348,858	261,857
Payment to employees	42(a)	(246,470)	(287,750)
Other operating cash payments	52(viii)	(635,559)	(2,405,865)
Other operating income received	39	30,429	12,349
Dividend received	52(iv)	26,598	101,775
Net outflow from deposit administration and saving products	52(v)	(2,852)	3,586
Income tax paid	20(b)	(610)	(647)
Net cash used in operating activities		(172,078)	(1,631,848)
Cash flows from investing activities			
Purchase of property and equipment	11	-	(6,195)
Purchase of intangible asset	10	(55,000)	-
Proceeds on disposal of assets	52(vi)	974	1,757
Purchase of financial asset at fair value through other comprehensive income	2(d)	-	(284,615)
Financial asset at amortised cost granted during the year	2(d)	(41,405)	(61,567)
Investment income received	52(ix)	65,616	220,310
Rental income received from investment property	52(vii)	22,080	20,513
Payment of lease liability	18	(24,068)	(35,842)
Receipts from financial asset at amortised cost	2(d)	41,497	75,601
Proceeds on disposal, sale or redemption of OCI investment	2(d)	50,120	1,656,377
Proceeds on disposal of Investment in associate	7 and 34	33,399	-
Proceeds on disposal, sale or redemption of FVTPL investment	2(d) and 34	17,062	-
Net cash from investing activities		110,274	1,586,339
Cash flows from financing activities			
Deposit for shares		-	-
Borrowings		-	-
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(61,803)	(45,964)
Cash and cash equivalents at 1 January		2,925,885	2,971,849
Cash and cash equivalents at 31 December	1(a)	2,864,081	2,925,885

Notes to the financial statements

1 Cash and cash equivalents

1(a) Cash and cash equivalents comprise:	31-Dec-21	31-Dec-20
	N'000	N'000
Cash at bank and in hand	166,399	125,970
Short-term bank deposits (see note 1(b) below)	2,697,682	2,799,915
	<u>2,864,081</u>	<u>2,925,885</u>

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

1(b) Other short term bank deposits

	31-Dec-21	31-Dec-20
	N'000	N'000
Short-term placements	2,698,407	2,801,384
ECL loss allowance (see note 2(f) and 41(b))	(725)	(1,469)
	<u>2,697,682</u>	<u>2,799,915</u>

2 Financial assets

The financial assets are categorised by measurement as summarized below:

Fair value through profit or loss (FVTPL)-(See note 2(a) below)	372,647	371,641
Fair value through other comprehensive income (FVTOCI)- (See note 2(b) below)	187,260	258,598
Amortised cost- (See note 2(c) below)	105,567	105,908
	<u>665,475</u>	<u>736,146</u>
Current	292,827	364,506
Non-current	372,647	371,641
	<u>665,475</u>	<u>736,146</u>

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.

	31-Dec-21	31-Dec-20
	N'000	N'000
2(a) Financial assets at fair value through profit or loss		
Equity securities- (see note 2 (d) below)	<u>372,647</u>	<u>371,641</u>
2(b) Fair value through other comprehensive income		
Treasury bills	-	35,186
Federal Government bonds	44,896	59,830
Equity securities: - Unlisted- (see note 2 ((b(i) below)	142,389	163,633
Bonds and treasury bills: Annuity fund	-	-
ECL loss allowance	(25)	(51)
	<u>187,260</u>	<u>258,598</u>

Notes to the financial statements

The bonds and treasury bills-annuity fund as at year 2020 was disposed.

An analysis of Unlisted equity securities as at year end is as shown below: -

Name of entity	31-Dec-21	
	value of equities N'000	% holding
Sterling Assurance Nigeria Ltd	35,521	24.9%
West Africa Milk Company Ltd	78,691	55.3%
Others	28,177	19.8%
	<u>142,389</u>	
	<u>142,389</u>	
Name of entity	31-Dec-20	
	value of equities	% holding
Sterling Assurance Nigeria Ltd	107,763	53.2%
West Africa Milk Company Ltd	86,379	42.6%
Others	8,599	4.2%
	<u>202,741</u>	
Accumulated Impairment (unlisted equities)	<u>(39,108)</u>	
	<u>163,633</u>	
2(c) Amortised cost		
Staff housing loans	13,794	8,589
Staff personal loans	587	-
Other loans and receivables	1,646	1,646
Policyholders' loans	90,328	96,212
ECL loss allowance	(788)	(539)
	<u>105,567</u>	<u>105,908</u>
	<u>105,567</u>	<u>105,908</u>
Current	30,285	30,285
Non-current	75,282	75,623
	<u>105,567</u>	<u>105,908</u>
At 31 December, 2021	<u>105,567</u>	<u>105,908</u>

Notes to the financial statements

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

	Fair value through profit and loss N'000	Fair value through OCI N'000	Amortised cost N'000	Total N'000
At 1 January 2020	281,354	1,588,037	115,063	1,984,454
Additions during the year		284,615	61,567	346,182
Disposal (sales & redemptions)		(1,656,377)	(75,601)	(1,731,978)
Fair value (loss)/gain (see note 36 and 25(a))	90,287	30,549	-	120,836
ECL loss allowance	-	11,774	4,879	16,653
At 1 January 2021	371,641	258,598	105,908	736,147
Additions during the year	-		41,405	41,405
Disposal (sales & redemptions)	(557)	(50,120)	(41,497)	(92,174)
Fair value gain (see note 36 and 25(a))	1,563	(53,515)	-	(51,951)
Impairment writes back	-	32,271	-	32,271
ECL loss write back	-	26	(249)	(223)
At 31 December 2021	372,647	187,260	105,567	665,476

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

	Fair value through profit and loss N'000	Fair value through OCI N'000	Amortised cost N'000	Total N'000
At 1 January 2020	281,354	1,588,037	115,063	1,984,454
Additions during the year		284,615	61,567	346,182
Disposal (sales & redemptions)		(1,656,377)	(75,601)	(1,731,978)
Fair value (loss)/gain (see note 36 and 25(a))	90,287	30,549	-	120,836
ECL loss allowance	-	11,774	4,879	16,653
At 1 January 2021	371,641	258,598	105,908	736,147
Additions during the year	-		41,405	41,405
Disposal (sales & redemptions)	(557)	(35,199)	(41,497)	(77,253)
Fair value gain (see note 36 and 25(a))	1,563	13,734	-	15,298
Impairment writes back	-	32,271	-	32,271
ECL loss write back	-	26	(249)	(223)
At 31 December 2021	372,647	269,430	105,567	747,645

2(e) Accumulated Impairment (Unlisted equities)

	31-Dec-21 N'000	31-Dec-20 N'000
At 1 January	(39,107)	(38,850)
(Addition) /writeback	39,107	(258)
At 31 December	0	(39,107)

Notes to the financial statements

2(f) Movement of impairment ECL allowance

	At 1 Jan N'000	Addition N'000	(Write back) N'000	At 31 Dec N'000
Short term placement	1,469	-	(744)	725
Fair value through OCI (Treasury bills & Bond)	51	-	(26)	25
Amortised cost	539	249		788
Intercompany receivable	1,369	157		1,527
	<u>3,428</u>	<u>406</u>	<u>(770)</u>	<u>3,065</u>

3 Trade receivables

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

	31-Dec-21 N'000	31-Dec-20 N'000
Due from brokers (see note 3 (c))	<u>1,993</u>	<u>44,975</u>

3(a) The trade receivables that were received subsequent to the year-end amounted to N1.9 million (2020: N44.975million). 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, 2003, Laws of the Federation of Nigeria 2004

3(b) Movement in Trade receivables

	31-Dec-21 N'000	31-Dec-20 N'000
At 1 January	44,975	6,925
Additions during the year	1,993	44,975
Recoveries during the year	(44,975)	(6,925)
At 31 December	<u>1,993</u>	<u>44,975</u>

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

	31-Dec-21 N'000	31-Dec-20 N'000
0-30 days	1,993	44,975
Above 30 days	-	-
	<u>1,993</u>	<u>44,975</u>

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

BRIGHTWAYS INS. BROKERS	1,945	-
KOGUNA BABURA INS. BROKERS	48	-
Hansworth	-	8,706
Crown Ins. Brokers	-	884
Risk watch Ins. Brokers	-	694
RDS Brokers	-	96
Royal Chambers ins Broker	-	28
Heirs Insurance brokers limited	-	34,181
North link	-	237
Valid Ins. Brokers	-	14
First dominion Insurance brokers limited	-	135
	<u>1,993</u>	<u>44,975</u>

Notes to the financial statements

4	Reinsurance assets	<u>31-Dec-21</u>	<u>31-Dec-20</u>
		N'000	N'000
	Reinsurance share of IBNR (see note 4 (a))	55,769	86,855
	Reinsurance share of UPR (see note 4 (b))	89,600	80,635
	Reinsurer and co-assurer share of claims (see note 4 (c))	<u>410,729</u>	<u>296,113</u>
		556,098	463,603
	Impairment on reinsurers claims recoverable (see note 4 (d))	<u>(322,081)</u>	<u>(12,496)</u>
		<u>234,017</u>	<u>451,107</u>
	Current	269,264	(35,247)
	Non-current	<u>(35,247)</u>	<u>486,355</u>
		<u>234,017</u>	<u>451,107</u>
4(a)	Reinsurance share of claims incurred but not reported (IBNR)		
	At 1 January	86,855	121,906
	(Decrease)/ increase during the year	<u>(31,086)</u>	<u>(35,051)</u>
	At 31 December	<u>55,769</u>	<u>86,855</u>
4(b)	Reinsurance share of unearned reinsurance premium (UPR)		
	At 1 January	80,635	138,298
	(Decrease)/ increase during the year	<u>8,965</u>	<u>(57,663)</u>
	At 31 December	<u>89,600</u>	<u>80,635</u>
4 (c)	Reinsurer and co-assurer share of claims		
	At 1 January	296,113	404,468
	Additions during the year	471,021	153,502
	Reinsurers/coassurers share of claims received	(348,858)	(261,857)
	Reinsurers/coassurers share of claims written off	<u>(7,547)</u>	<u>-</u>
	At 31 December	<u>410,729</u>	<u>296,113</u>
4(d)	Movement in impairment for claims recoverable		
	At 1 January	(12,496)	(12,496)
	Additions in the year	<u>(309,585)</u>	<u>-</u>
	At 31 December	<u>(322,081)</u>	<u>(12,496)</u>

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

Notes to the financial statements

4(e) Details of reinsurer and co-assurer share of claims paid	31-Dec-21 N'000	31-Dec-20 N'000
Treaty:		
African Reinsurance	97,726	36,919
Continental Reinsurance	98,842	104,896
WAICA Reinsurance	2,446	-
	<u>199,013</u>	<u>141,815</u>
Facultative Reinsurance:		
WAPIC Insurance Plc	20,774	20,774
Allianz	8,216	8,215
Zenith Life Assurance Company Ltd	-	4,214
Mutual Benefit Assurance Plc	80,056	84,344
Tangerine Life	17,498	17,498
Capital Express Assurance Ltd	15,008	16,597
Old Mutual Nigeria Life Assurance	7,312	1,348
African Alliance Insurance Plc	62,852	1,308
	<u>211,716</u>	<u>154,298</u>
Reinsurer and facultative asset	<u><u>410,729</u></u>	<u><u>296,113</u></u>
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-21 N'000	31-Dec-20 N'000
At 1 January	55,191	45,661
Additions in the year	230,032	277,584
Amortisation in the year (see note 31 (a))	(230,980)	(268,054)
At 31 December	<u>54,243</u>	<u>55,191</u>
Movement in deferred acquisition cost during the period is as follows:		
At 1 January	55,191	45,661
Movement during the year	(948)	9,530
At 31 December	<u>54,243</u>	<u>55,191</u>
6 Other receivables and prepayments		
Due from related parties (see note 6(a) below)	37,227	61,844
Other receivables (see note 6 (b) below)	489,424	436,092
Prepayments (see note 6(c) below)	36,351	41,271
Accrued income (see note 6(d) below)	37,730	39,092
	<u>600,732</u>	<u>578,299</u>
Impairment allowance for other receivables (see note 6(f) below)	(64,273)	(64,273)
	<u>536,459</u>	<u>514,026</u>
Current	500,108	472,755
Non-current	36,351	41,271
	<u>536,459</u>	<u>514,026</u>

Notes to the financial statements

	31-Dec-21 N'000	31-Dec-20 N'000
6(a) The analysis of receivable from related parties is as shown below:		
Royal Exchange Plc	38,754	56,468
Royal Exchange General Insurance Company Limited	-	5,168
Royal Exchange Healthcare Limited	-	1,577
ECL adjustment (see note 2(f))	(1,527)	(1,369)
	<u>37,227</u>	<u>61,844</u>
<p>The amount receivable from its parent company represents the intra-group funding advanced to the parent by the Company for its operational activities. Also included are the group cost allocated to the Company, expenses incurred on behalf of the Company, expenses the company incurred on behalf of its parent.</p>		
6(b) The analysis of other receivable is shown below:	31-Dec-21	31-Dec-20
	N'000	N'000
Receivable from Royal Exchange Trustees Account (with REFIL)	2,167	2,167
Withholding tax credit note receivables	15,336	13,723
Staff advances	344	587
Withholding tax	-	2,535
Other Receivables	373,909	362,812
Claims prepaid fund (see note 6(e))	97,668	54,268
	<u>489,424</u>	<u>436,092</u>
6(b)(i) Other Receivables:		
i Contribution of Royal Exchange for the construction of Royal Exchange mall under Joint venture agreement with Property Vault Ltd.	100,000	100,000
ii Royal Exchange group project (31 Marina)	273,909	262,812
	<u>373,909</u>	<u>362,812</u>
6(c) The analysis of prepayment is as shown below:		
Staff Housing and furniture allowance	24,605	29,820
Prepaid staff allowances	(0.00)	1,850
Prepaid- Group life insurance	9,000	3,125
Prepaid office rent	2,746	6,476
	<u>36,351</u>	<u>41,271</u>
6(d) The analysis of accrued income is shown below:		
Dividend receivable	37,730	37,057
Accruals on rental income from investment properties	-	2,035
	<u>37,730</u>	<u>39,092</u>

Notes to the financial statements

- 6(e) 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 and Colenson Insurance Broker on CBN group life policy for the prompt settlement of claims. The amount paid to the lead insurer (N19.67million) has been fully impaired as there was no objective evidence that the company will receive the money. However, the amount paid to Colenson Insurance Broker (N40.75million) showed no objective evidence that the company will not receive the amount reported.

- 6(f) Movement in impairment allowance for other receivable and prepayments:

	At 1 January N'000	(Write-off)/ (Recovery) N'000	At 31 December N'000
Other receivables	(64,273)	-	(64,273)
	<u>(64,273)</u>	<u>-</u>	<u>(64,273)</u>

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 N'000	Royal Exchange Microfinance Bank Ltd N'000	Total N'000
At 1 January	252,671	30,546	283,217
Disposal	-	(30,546)	(30,546)
At 31 December	<u>252,671</u>	<u>-</u>	<u>252,671</u>
Percentage holding(%)	37.16%	0.00%	37.16%

- (a) The Company's investment in Royal Exchange Healthcare Ltd (REH Ltd) exceeds 20% which qualified it as associate companies to be equity accounted for. However, the investments were not accounted for using the equity method as it 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 is wholly owned subsidiary of Royal Exchange Plc and Royal Exchange Plc owns 39.21% interest in Royal Exchange General Insurance Company Limited: therefore, Royal Exchange Plc indirectly owns 79.94% 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) The percentage holding of 21.6% in REMB Ltd was disposed off in year 2021.

The ultimate parent (Royal Exchange Plc) produces financial statements in which it consolidates the results of REH LTD, 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 is summarized below:

Royal Exchange Healthcare Limited:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
Percentage ownership	37.16%	37.16%
Non-current assets	427,001	414,226
Current assets	506,431	541,456
Total assets	<u>933,432</u>	<u>955,682</u>
Non-current liabilities	(255,537)	(238,730)
Current liabilities	(134,676)	(182,192)
Total liabilities	<u>(390,213)</u>	<u>(420,922)</u>
Net assets (100%)	<u>543,219</u>	<u>534,760</u>
Net asset/carrying amount of interest in associate	<u>201,860</u>	<u>198,717</u>
Revenue	<u>120,809</u>	<u>239,963</u>
(Loss)/profit from continuing operations (100%)	8,886	(27,919)
Other comprehensive loss/income (100%)	(425)	(4,224)
Total comprehensive loss/income (100%)	<u>8,461</u>	<u>(32,143)</u>
Total comprehensive loss/income (37.16%)	<u>3,144</u>	<u>(11,944)</u>

8 Investment properties

At 1 January	1,368,484	1,353,805
Fair value gains (see note 36)	38,675	14,679
At 31 December	<u>1,407,159</u>	<u>1,368,484</u>

- (a) Investment properties are stated at fair value as at 31 December 2021 and 2020 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.

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 37 for details of the fair value movement).

Notes to the financial statements

Summary of Investment Properties

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
36/38 Apapa-Oshodi Exp Royal Plaza, Lagos	952,160	934,405
29, Oroago Crescent Garki, Abuja	454,999	434,079
	<u>1,407,159</u>	<u>1,368,484</u>

Fair value analysis of investment properties

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

Location of assets			Fair value	
	Title status	At 1 January ('000)	gains ('000)	At 31 December ('000)
1	36/38 Apapa-Oshodi Exp Royal Plaza, Lagos	934,405	17,755	952,160
2	29, Oroago Crescent Garki, Abuja	434,079	20,920	454,999
		<u>1,368,484</u>	<u>38,675</u>	<u>1,407,159</u>

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 2021.

The fair value measurement for the investment properties of N38.675 million 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

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.

Significant unobservable inputs

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 N455million

Inter-relationship between key unobservable inputs and fair value measurement

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 N952.160 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

Cost

At 31 December

<u>31-Dec-21</u>	<u>31-Dec-20</u>
N'000	N'000
<u>973,639</u>	<u>973,639</u>

The fair value of the asset as at 31 December 2021 stood at N1.103 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

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

Significant unobservable inputs

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 N1.103 billion.

Inter-relationship between key unobservable inputs and fair value measurement

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

10 Intangible assets

	31-Dec-21	31-Dec-20
	N'000	N'000
Cost		
At 1 January	21,114	21,114
Addition	55,000	
At 31 December	<u>76,114</u>	<u>21,114</u>
Accumulated amortisation:		
Balance, beginning of year	21,114	20,942
Charge for the year	11,000	172
At 31 December	<u>32,114</u>	<u>21,114</u>
Net book value:		
At 31 December	<u>44,000</u>	<u>-</u>

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 2021, these assets were tested for impairment, and the Management has determined that no impairment is required of these intangible assets.

11 Property and equipment

	Leasehold land	Buildings	Computer equipment	Furniture & Fittings	Motor vehicles	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cost						
At 1 January 2021	49,170	73,614	40,724	60,063	171,915	395,486
Additions	-	-	-	-	(3,995)	(3,995)
Disposals	-	-	-	-	-	-
At 31 December 2021	<u>49,170</u>	<u>73,614</u>	<u>40,724</u>	<u>60,063</u>	<u>167,920</u>	<u>391,491</u>
At 1 January 2020	49,170	73,614	35,939	58,653	183,116	400,492
Additions	-	-	4,785	1,410	-	6,195
Disposals	-	-	-	-	(11,201)	(11,201)
At 31 December 2020	<u>49,170</u>	<u>73,614</u>	<u>40,724</u>	<u>60,063</u>	<u>171,915</u>	<u>395,486</u>
Depreciation						
At 1 January 2021	-	21,394	34,352	57,882	171,915	285,543
Charge for the year	-	1,472	2,040	1,039	-	4,552
Disposals	-	-	-	-	(3,995)	(3,995)
At 31 December 2021	<u>-</u>	<u>22,866</u>	<u>36,392</u>	<u>58,921</u>	<u>167,920</u>	<u>286,100</u>
At 1 January 2020	-	19,918	32,618	55,583	182,007	290,126
Charge for the year	-	1,476	1,734	2,299	1,109	6,618
Disposals	-	-	-	-	- 11,201	(11,201)
At 31 December 2020	<u>-</u>	<u>21,394</u>	<u>34,352</u>	<u>57,882</u>	<u>171,915</u>	<u>285,543</u>
Carrying amounts:						
At 31 December 2021	<u>49,170</u>	<u>50,748</u>	<u>4,332</u>	<u>1,142</u>	<u>(0)</u>	<u>105,391</u>
At 31 December 2020	<u>49,170</u>	<u>52,220</u>	<u>6,372</u>	<u>2,181</u>	<u>-</u>	<u>109,943</u>

Notes to the financial statements

- (a) The Company had no capital commitments as at the balance sheet date (2020: nil)
- (b) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2021 (2020: 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 (2020: 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

11(a) Right of Use Assets	<u>31-Dec-21</u> N'000	<u>31-Dec-20</u> N'000
Right of use Asset- Rent Prepayment	596	1,148
Right of use Asset- MV lease	<u>10,776</u>	<u>50,206</u>
	<u>11,372</u>	<u>51,354</u>
The Company takes on leases several on Motor vehicle assets.		
At 1 January 2021	130,064	130,064
Additions	-	-
Derecognition	<u>(66,025)</u>	<u>-</u>
As at 31 December, 2021	<u>64,039</u>	<u>130,064</u>
Depreciation charge		
At 1 January 2021	79,858	59,023
Charge for the year	30,547	20,835
Derecognition	<u>(57,142)</u>	<u>-</u>
As at 31 December, 2021	<u>53,263</u>	<u>79,858</u>
Carrying amount		
At 31 December, 2021	<u>10,776</u>	<u>50,206</u>
Long term lease prepayments		
At 1 January 2021	38,918	37,265
Addition	<u>-</u>	<u>1,653</u>
As at 31 December, 2021	<u>38,918</u>	<u>38,918</u>
Prepayments amortisation on long term leases		
At 1 January 2021	37,771	22,359
Charge for the year	<u>551</u>	<u>15,411</u>
As at 31 December, 2021	<u>38,322</u>	<u>37,771</u>
Carrying amount		
At 31 December, 2021	<u>596</u>	<u>1,148</u>

Part of the derecognised assets included a car given to a management staff as a parting gift, while the other cars used by staff redeployed from Royal Exchange Prudential Life Plc to another sister company by the Holding company was disposed to that sister company in this respect.

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:

12(a) Employee benefit liability

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
Long service awards (see note 12 (b) below)	5,201	7,723
	<u>5,201</u>	<u>7,723</u>

12(b) Other long-term employee benefits

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

At 1 January	7,723	7,401
Current service cost	953	974
Interest cost	571	932
Actuarial (gains)/losses	(3,882)	(1,584)
Benefits paid	(164)	
At 31 December	<u>5,201</u>	<u>7,723</u>
Non-current	5,201	7,723
	<u>5,201</u>	<u>7,723</u>

Other Long-term employee benefits

The principal actuarial assumptions used were as follows:

Discount rate	13%	8.0%
Inflation rate	13%	12%
Future salary increases	12%	10%
Average liability duration	7.24 years	7.27 years

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.

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
Non-Current	<u>215,000</u>	<u>215,000</u>

Notes to the financial statements

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
14 Insurance contract liabilities		
Outstanding Claims-Reported (see note 14(a) below)	2,351,118	2,231,390
Individual Life Fund (see note 14(b) below)	2,066,571	2,326,495
Group Life UPR (See note 14(c) below)	445,031	386,088
Outstanding claims- IBNR (see note 14(d) below)	658,522	518,041
Group life Additional unexpired risk reserve (see note 14(f))	49	830
Additional reserve by actuary (see note 14(g))	138,378	114,000
Total	<u>5,659,669</u>	<u>5,576,844</u>
14(a) Outstanding claims- reported		
Group Life	2,142,919	2,088,102
Individual Life	208,199	143,288
	<u>2,351,118</u>	<u>2,231,390</u>
14(a)(i) Movement in outstanding claims- (Group Life)		
At 1 January	2,088,102	2,044,210
Increase during the year	54,817	43,892
At 31 December	<u>2,142,919</u>	<u>2,088,102</u>
14(a)(ii) Movement in outstanding claims- (Individual Life)		
At 1 January	143,288	31,704
Increase during the year	64,911	111,584
At 31 December	<u>208,199</u>	<u>143,288</u>

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 analysis of the outstanding claims for the period ended 31 December 2021 is as stated below:

Outstanding Claims (Days)	0-90	91-180	181-270	271-360	Above 360	Total
Number of claimants	289	386	373	501	883	2,432
	N'000	N'000	N'000	N'000	N'000	N'000
Awaiting support documents	198,234	201,829	160,820	178,832	350,719	1,090,434
Awaiting settlement decision from lead assurer	48,861	50,732	70,651	43,167	70,723	284,134
Claims awaiting payment	120,238	164,875	192,915	239,325	259,196	976,550
Total	367,333	417,436	424,386	461,324	680,638	2,351,118

The age analysis for the year ended 31 December 2020 is as follows:

Outstanding Claims (Days)	0-90	91-180	181-270	271-360	Above 360	Total
Number of claimants	634	153	254	533	964	2,538
	N'000	N'000	N'000	N'000	N'000	N'000
Awaiting support documents	128,916	37,891	186,232	78,523	803,221	1,234,783
Awaiting settlement decision from lead assurer	41,535	-	42,977	26,174	123,525	234,213
Claims awaiting payment	262,435	63,927	57,302	69,799	308,931	762,395
Total	389,354	124,580	226,765	216,769	937,977	2,231,390

14(b) Movement in individual life fund		31-Dec-21	31-Dec-20
		N'000	N'000
At 1 January		2,326,494	1,863,982
Increase during the year		(283,521)	462,513
At 31 December		2,042,973	2,326,494
14(c) Movement of unearned premium reserve (UPR)			
At 1 January		386,088	412,545
Increase/(Decrease) during the year		58,943	(26,457)
At 31 December		445,031	386,088
14(d) Movement in incurred but not reported reserve (IBNR)			
At 1 January		518,041	518,179
Increase during the year		140,481	(138)
At 31 December		658,522	518,041
14(e) Movement in annuity fund			
At 1 January		-	1,195,094
Disposal		-	(1,195,094)
Increase during the year		-	-
At 31 December		-	-
14(e)(i) Movement in PRA Annuity fund is as analysed below:			
At 1 January		-	1,195,094
Payments to annuitants during the year		-	(1,195,094)
Accretion to annuity fund through actuarial valuation		-	-
At 31 December		-	-
14(f) Movement in Group life Additional unexpired risk reserve			
At 1 January		830	2,032
Increase during the year		(781)	(1,202)
At 31 December		49	830
14(g) Movement in Additional reserve			
At 1 January		114,000	123,000
Increase during the year		24,378	(9,000)
At 31 December		138,378	114,000

Notes to the financial statements

15	Investment contract liabilities	31-Dec-21 N'000	31-Dec-20 N'000
	Deposit administered funds (see note 15(a) below)	109,781	109,006
	Investment managed funds (see note 15(b) below)	171,667	167,973
		281,448	276,979
15(a)	Movement in Group DA (Deposit administered funds)		
	At 1 January	109,006	111,450
	Deposits received in the year	-	-
	Interest paid	2,818	2,740
	Withdrawals	(2,043)	(5,184)
	At 31 December	109,781	109,006
	Current	775	(2,444)
	Non-current	109,006	111,450
		109,781	109,006
	The Company has a total sum of N109.7 million (2020: N109 million) in deposit administered funds with guaranteed interest which has been in existence since 2010. The outstanding balance in the account is attributable to clients who are yet to terminate their investment.		
15(b)	Movement in Individual DA (Investment managed funds)		
		31-Dec-21 N'000	31-Dec-20 N'000
	At 1 January	167,973	154,071
	Deposits	93,289	113,586
	Interest accrued thereon	4,503	5,132
	Withdrawals	(94,098)	(104,816)
	At 31 December	171,667	167,973
	Current	165,985	165,985
	Non-current	5,682	1,988
		171,667	167,973
16	Trade payables		
	Reinsurance payables	34,254	34,575
	Premium payables to Co-insurers	66,763	-
	Commission payable	167,605	135,791
	Premium received in advance (see 16(a) below)	119,130	455
		387,752	170,821
	Treaty:		
	African Reinsurance	12,537	8,545
	Continental Reinsurance	20,880	24,891
	WAICA Reinsurance	837	1,139
		34,254	34,575

Notes to the financial statements

	31-Dec-21 N'000	31-Dec-20 N'000
Premium payables to co-insurers		
Mutual Benefit Assurance Plc	30,347	-
African Alliance Insurance Plc	30,347	-
Heir Insurance Life	6,069	-
	<u>66,763</u>	<u>-</u>

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

16(a) The breakdown of premium received in advance is shown	31-Dec-21 N'000	31-Dec-20 N'000
Vanguard Media Limited	1,326	-
D-Radd Ventures Nigeria Ltd	21	-
Danshirwa Nigeria Limited	21	-
Hilal Engineering Limited	40	-
Techsavvy Consult Limited	12	-
Etham Limited	12	-
Phase Point Platforms Limited	12	-
Digital Enclave Limited	12	-
Cubic Prime Tech Limited	12	-
Nah Consults	12	-
Concast Geological Nigeria Limited	12	-
Paul Akinade Adebimpe & Co	14	-
INEC Career Officer North West Zone	113,395	-
Evans Therapeutics Ltd	1,248	-
Societe International De Telecom Aero	1,986	-
Royal Exchange Healthcare Limited	997	-
Alphagator Limited	-	10
Etham Limited	-	12
JCL Energy Limited	-	12
Techsavvy Consult Limited	-	12
ATM & Partners	-	85
Hilal Engineering Nig Limited	-	39
Proxcel Engineering Services Limited	-	12
Ateeya Global Services Limited	-	12
Birdwell Integrated Services Limited	-	12
Oasis Corporate Systems Limited	-	250
	<u>119,130</u>	<u>455</u>

Premium received in advance is N119million (2020: N.455million)

17 Other payables

Other payables comprise the following:

Other payables (see note 17 (a) below)	92,431	90,848
Deferred income (see note 17 (b))	1,852	1,710
Additional VAT & CGT	0	5,895
Accruals (see note 17 (c))	57,665	53,284
Due from related parties (see note 17(d))	18,845	-
Staff payables	2,598	1,384
	<u>173,391</u>	<u>153,121</u>

Notes to the financial statements

	31-Dec-21	31-Dec-20
	N'000	N'000
Current	147,261	26,130
Non-current	26,130	126,991
	<u>173,391</u>	<u>153,121</u>
17(a)	The analysis of other payables is as follows:	
Sales deposit and other creditors	43,276	42,847
Withholding tax	1,779	1,934
Oshodi plaza redevelopment	43,927	43,927
Co-operative/thrift savings	1,306	947
Pay As You Earn (PAYE) tax	2,097	1,147
VAT payable	46	46
	<u>92,431</u>	<u>90,848</u>
Other creditors represent 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 and has become a stale cheque as at 31st December, 2021.		
17(b)	The breakdown of deferred income is as shown below:	
	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
Rental income	1,853	1,710
Policy loan interest	-	-
	<u>1,853</u>	<u>1,710</u>
17(c)	The breakdown of accrued expenses is shown below:	
NAICOM Levy	28,350	33,926
Professional fee	19,541	14,945
Other accruals	9,774	4,413
At 31 December	<u>57,665</u>	<u>53,284</u>
17(d)	The analysis of payable due to related parties is as shown below:	
Royal Exchange Plc	-	-
Royal Exchange General Insurance Company Limited	18,845	-
Royal Exchange Healthcare Limited	-	-
	<u>18,845</u>	<u>-</u>
18	Lease liabilities	
The company has a lease liability with Royal Exchange finance and asset management limited		
	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
Principal payable	0	26,232
Interest payable	-	(2,164)
	<u>0</u>	<u>24,068</u>

Notes to the financial statements

	31-Dec-21 N'000	31-Dec-20 N'000
The movement in finance lease is as shown below:		
At 1 January	24,068	59,910
Addition	-	-
Finance lease interest	-	-
Payment	(24,068)	(35,842)
At 31 December	<u>0</u>	<u>24,068</u>
During the year, Royal Exchange Prudential Life plc did not take any additional lease as well as year 2020		
19 Taxation		
(a) Charge for the year		
	31-Dec-21 N'000	31-Dec-20 N'000
Education tax	-	-
Technology Tax	-	-
Minimum tax	-	-
Deferred taxation (see note 20 (c) below)	3,868	1,468
Income tax	3,868	1,468
Minimum tax (see note 20 (b) below)	515	610
	<u>4,383</u>	<u>2,078</u>
(b) Income tax liability/ (asset)		
At 1 January	610	647
Minimum tax	515	610
Paid during the year	(610)	(647)
At 31 December	<u>515</u>	<u>610</u>
(c) Reconciliation of effective tax rate		
Loss before income tax	(596,212)	(476,353)
Current tax		
Current tax expenses in respect of current year		
Corporate Income tax /Minimum tax	<u>515</u>	<u>610</u>
Deferred tax		
Deferred tax liabilities recognised in current year	<u>3,868</u>	<u>1,468</u>

Notes to the financial statements

Total income tax expenses recognised in the current year		<u>4,382</u>		<u>2,078</u>
Loss before income tax		(596,212)		(476,353)
Income tax using the domestic corporation tax rate	30%	(178,864)	30%	(142,906)
			-	
Income from non-shareholder fund and prior adjustment	1%	(7,940)	21%	97,745
			-	
Loss relieved	-48%	284,040	20%	92,932
Non-deductible expenses	12%	(72,647)	-6%	29,694
Education tax	0%	-	0%	-
Information technology tax	0%	-	0%	-
Tax exempt income	4%	(24,591)	16%	(77,465)
Current year deferred tax	0%	-	0%	-
Minimum tax adjustment	-1%	3,868	0%	1,468
Minimum tax	0%	<u>515</u>	0%	<u>610</u>
	-1%	<u>4,382</u>	0%	<u>2,078</u>

20 Deferred tax**20(a) Deferred tax liabilities**

Movement in the deferred tax liabilities during the year:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>N'000</u>	<u>N'000</u>
At 1 January	52,227	50,759
Charge for the year	<u>3,868</u>	<u>1,468</u>
At 31 December	<u>56,095</u>	<u>52,227</u>

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

20(b) Unrecognised deferred tax assets

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

The Company's unrecognised deferred tax assets relates primarily to timing difference in the recognition of depreciation and capital allowances on property and equipment, employee benefit liabilities and unrelieved tax losses. The related amount is 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:

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>N'000</u>	<u>N'000</u>
Gross amount		
Property and equipment	2,035,500	1,626,811
Exchange difference	684	-
Employee benefit liabilities	5,201	7,992
Doubtful provisions	<u>394,431</u>	<u>394,431</u>
	<u>2,435,816</u>	<u>2,029,234</u>
Tax effect	<u>31-Dec-21</u>	<u>31-Dec-20</u>

Notes to the financial statements

	N'000	N'000
Property and equipment	610,650	488,043
Exchange difference	222	
Employee benefit liabilities	1,690	2,398
Doubtful provisions	<u>128,190</u>	<u>118,329</u>
	<u>740,752</u>	<u>608,770</u>
The movement in the unrecognised deferred tax asset during the year was as follows:		
At 1 January	2,029,234	1,691,685
Charge for the year	<u>406,583</u>	<u>337,549</u>
At 31 December	<u>2,435,817</u>	<u>2,029,234</u>
21 Share capital		
Share capital comprises:		
(a) Authorized share capital 5,000,000,000 ordinary Share of N1 each	<u>5,000,000</u>	<u>5,000,000</u>
(b) Issued and fully paid	<u>3,461,339</u>	<u>3,461,339</u>
22 Share premium		
At 1 January	404,494	404,494
At 31 December	<u>404,494</u>	<u>404,494</u>
23 Contingency reserve		
The statutory contingency reserve is prescribed under section 21(1 & 2) of the Insurance act 2003, laws of the Federation of Nigeria. The company is mandated to maintain a statutory contingency reserve to cover for fluctuations in securities and variations in statistical estimates. In compliance with Section 21(1) of Insurance Act 2003, laws of the Federation of Nigeria, the contingency reserve for life business is credited with an amount of not less than 1% of gross premium or 10% of net profit (whichever is greater) and accumulated until it reaches the amount of the minimum paid-up capital.		
	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
At 1 January	285,062	252,285
Transfer from profit or loss account	<u>27,353</u>	<u>32,777</u>
At 31 December	<u>312,415</u>	<u>285,062</u>
24 Retained earnings		
At 1 January	(2,730,548)	(2,219,340)
Loss for the year	(600,595)	(478,431)
Transfer to contingency reserve (see note 23 above)	(27,353)	(32,777)
Fair value changes of FVOCI (note 25 (a)(1))	<u>(82,168)</u>	<u>-</u>
At 31 December	<u>(3,440,664)</u>	<u>(2,730,548)</u>
25 Other reserves		

Notes to the financial statements

Other reserves comprise 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.

25(a) Fair value reserves

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

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>N'000</u>	<u>N'000</u>
Opening balance as at 1 January, 2021	43,524	74,699
Fair value gains/ (losses) on fair value through OCI (See note 25(a)(i) below)	13,734	(31,175)
At 31 December	<u>57,258</u>	<u>43,524</u>
(a)(i) Fair value gains on fair value through OCI		
Changes in fair value through OCI- Tbills & Bond	42,387	(626)
Changes in fair value through OCI- Tbills transferred to retained earning	(82,168)	
Changes in fair value through OCI- Unlisted equities	53,515	(30,549)
	<u>13,734</u>	<u>(31,175)</u>
25(b) Employee benefit actuarial surplus		
Long service awards (See note 25(b)(i) below)	<u>6,586</u>	<u>2,704</u>
(b)(i) Long service awards		
At 1 January	2,704	1,120
Actuarial gains (See note 25(b)(ii) below)	3,882	1,584
At 31 December	<u>6,586</u>	<u>2,704</u>
(b)(ii) Net actuarial gains		
Long service awards	<u>3,882</u>	<u>1,584</u>
26 Gross premium written:		
Gross premium income		
Gross premium written- Group life	1,716,744	2,319,305
Gross premium written- Ind Life Traditional	1,018,601	958,421
Gross written premium	2,735,345	3,277,726
Movement in unearned premium reserve (see note 26(b))	(82,540)	26,457
	<u>2,652,805</u>	<u>3,304,183</u>
26(a) Net insurance premium earned		
Gross Premium Income	2,652,805	3,304,183
Reinsurance Expenses (see note 27)	(519,094)	(540,766)
	<u>2,133,711</u>	<u>2,763,417</u>

31-Dec-21

31-Dec-20

Notes to the financial statements

	N'000	N'000
26(b)		
Movement in unearned premium reserve		
Movement in unearned premium reserve	(58,943)	26,457
Movement in Group life Additional unexpired risk reserve	781	0
Movement in Additional reserve	<u>(24,378)</u>	<u>0</u>
	<u>(82,540)</u>	<u>26,457</u>
27 Reinsurance premium expenses		
Insurance Premium ceded to reinsurers	528,059	483,103
Changes in unearned reinsurance premium	<u>(8,965)</u>	<u>57,663</u>
Net Reinsurance expenses	<u>519,094</u>	<u>540,766</u>
28 Fees and commission income		
Reinsurance commissions	<u>83,982</u>	<u>95,164</u>
29 Net Insurance claims and benefits		
Analysis of claims paid with respect to long term Insurance contracts comprises the following:		
Death (see note 29(c))	1,077,491	962,771
Maturities	848,660	801,386
Surrenders	<u>64,620</u>	<u>41,240</u>
Gross claims paid	1,990,771	1,805,397
Changes in provision for outstanding claims	54,817	43,892
Changes in provision for outstanding claims-individual life	64,911	111,584
Changes in provision for outstanding claims-IBNR	<u>140,481</u>	<u>(138)</u>
a Gross claims incurred	<u>2,250,980</u>	<u>1,960,735</u>
Reinsurance share of insurance liability		
Recoverable from Reinsurers	N'000	N'000
Recoveries from Reinsurers	(348,858)	(261,857)
Movement in Reinsurance share of claims	(122,163)	122,274
Movement in Reinsurance share of outstanding claims		
Movement in Reinsurance share of IBNR	<u>31,086</u>	<u>35,051</u>
b Total recoverables	<u>(439,935)</u>	<u>(104,532)</u>
Net insurance benefits and claims (a-b)	<u>1,811,045</u>	<u>1,856,203</u>
29(c) Death claims paid:		
Group life	1,072,382	938,729
Individual life	<u>5,109</u>	<u>24,042</u>
	<u>1,077,491</u>	<u>962,771</u>
30 Changes in insurance fund		

Notes to the financial statements

	31-Dec-21 N'000	31-Dec-20 N'000
Changes in individual	(259,924)	462,513
Changes in annuity fund	-	-
	<u>(259,924)</u>	<u>462,513</u>
31 Underwriting expenses (maintenance and acquisition costs)		
Acquisition cost (see note 31 (a) below)	230,980	268,054
Maintenance cost (see note 31 (b) below)	396,020	516,792
	<u>627,000</u>	<u>784,846</u>
31(a) Acquisition cost:		
Direct cost incurred on the acquisition of the various products include:		
Commission on Individual Life Account	12,521	2,090
Commission on Group Life Account	167,144	194,587
Commission on Royal Products (RPP and ISA)	1,506	1,814
Commission on Royal Investment Plan	11,795	10,944
Commission on Royal Tuition Plan	-	69
Commission on Royal Heritage Plan	38,014	58,550
	<u>230,980</u>	<u>268,054</u>
31(b) Maintenance cost:		
Salaries and allowances - underwriting employees (Note 42(a))	144,274	167,869
Marketing Expenses	251,746	348,923
	<u>396,020</u>	<u>516,792</u>
32 Profit on investment contracts		
Income from investment contracts (See note 33)	49,351	123,435
Guaranteed interest on Deposit Admin and Royal Products (RPP and ISA)	(7,321)	(7,871)
Investment management expenses	-	-
	<u>42,030</u>	<u>115,564</u>
*Guaranteed interest on Deposit Admin and Royal Products- Royal Personal plan and Royal insurance savings account (RPP & ISA) relate to guaranteed interest on our Group DA (Deposit Administered fund) products and Individual DA (Investment managed funds) products		
33 Income from investment contracts		
	31-Dec-21 N'000	31-Dec-20 N'000
Rental income from investment	22,080	20,513
Dividend income from FVTPL	27,271	102,922
	<u>49,351</u>	<u>123,435</u>
	31-Dec-21	31-Dec-20

Notes to the financial statements

	N'000	N'000
34 Other investment income		
Gain disposal of equities (FVTPL)	16,505	-
Gain disposal of Investment in Associate	2,853	-
Interest income on treasury bills – FVTOCI	222	23,492
Interest income on bonds – FVTOCI	5,804	4,190
Statutory deposit interest	5,464	28,051
Staff housing loan interest	276	631
Interest income on deposits	53,851	116,548
Income on annuity	-	47,399
	<u>84,975</u>	<u>220,311</u>
Total investment income	<u>134,326</u>	<u>343,746</u>

35 Share of investment income

The Investment income attributable to policyholders and shareholders for year 2021 and 2020 respectively are as follows:

	Policy Holder N'000	Share holder N'000	Total N'000
31 December 2021			
Rental income from investment properties	22,080		22,080
Interest income on treasury bills - FVTOCI	222		222
Dividend income (from FVTPL)	21,922	5,350	27,271
Statutory deposit interest		5,464	5,464
Interest income on bonds - FVTOCI	5,804		5,804
Loans and receivables interest income		276	276
Gain disposal of equities (FVTPL)	16,505		16,505
Gain disposal of Investment in Associate		2,853	2,853
Cash and cash equivalents interest income	11,666	42,184	53,851
	<u>78,199</u>	<u>56,128</u>	<u>134,326</u>
31 December 2020			
Rental income from investment properties	20,513		20,513
Interest income on treasury bills - FVTOCI	13,948	9,544	23,492
Dividend income (from FVTPL designated upon initial recognition)	21,828	81,094	102,922
Statutory deposit interest	-	28,051	28,051
Loans and receivables interest income	-	4,190	4,190
Cash and cash equivalents interest income	50,496	114,082	164,578
	<u>106,785</u>	<u>236,961</u>	<u>343,746</u>

36 Fair value gains and losses on assets

Notes to the financial statements

	31-Dec- 21	31-Dec- 20
	N'000	N'000
Net fair value gains on investment properties	38,675	14,679
Financial assets at fair value through profit or loss	1,563	90,287
	<u>40,238</u>	<u>104,966</u>
37 Loss on Disposal of Annuity portfolio		
Loss on Disposal of Annuity portfolio	-	<u>84,585</u>
38 Other operating income		
Unrealised foreign exchange gain	(499)	625
Sundry income	30,429	12,349
Gain on disposal of property and equipment	974	1,757
	<u>30,904</u>	<u>14,731</u>
39 Depreciation on property and equipment		
Depreciation on property and equipment (see note 11)	4,552	6,618
Depreciation on Right of use asset - MV Lease (see note 11a)	30,547	20,835
Depreciation on Right of use asset - Rent prepayment (see note 11a)	551	15,411
	<u>35,650</u>	<u>42,864</u>
40 Amortisation of intangible assets		
Amortisation of intangible assets (see note 10)	<u>11,000</u>	<u>172</u>
41 Impairment losses		
41(a) Impairment on reinsurance assets (see note 4 (d))	309,585	-
Impairment on other receivables	-	(23,297)
Impairment on unquoted equity	(32,271)	-
	<u>277,314</u>	<u>(23,297)</u>
41(b) ECL Loss Allowance		
ECL adjustment on cash and cash equivalents	(744)	(30,007)
ECL adjustment on financial assets	(26)	(11,774)
ECL adjustment on Trade receivable	0	-
ECL adjustment on amortised cost	249	(4,879)
ECL adjustment on Intercompany	157	(22,414)
	<u>(364)</u>	<u>(69,074)</u>

31-Dec-21

31-Dec-20

Notes to the financial statements

	N'000	N'000
42 Employee benefits expenses		
Salaries and wages	73,463	81,109
Medical	12,558	16,071
Staff training	3,342	5,992
Post-employments benefit - defined contribution plan (see note (42(a)))	<u>12,833</u>	<u>16,709</u>
	<u>102,196</u>	<u>119,881</u>
42(a) The average number of persons employed (excluding Directors) in the Company during the year was:		
Average number of persons employed (excluding Directors)		
	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
The staff costs for the above persons were:		
Salaries and allowances of other employees	102,196	119,881
Salaries and allowances - Underwriting employees (see note 31 (b))	<u>144,274</u>	<u>167,869</u>
	<u>246,470</u>	<u>287,750</u>
Pension scheme		
At January	-	-
Provision in the year (see note 42)	12,833	16,709
Remitted to Pension Fund Administrators	<u>(12,833)</u>	<u>(16,709)</u>
At 31 December	<u>-</u>	<u>-</u>
42(b) The Number of Employees other than directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments excluding pension contributions and other benefits/allowances in the following ranges:		
	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	Number	Number
Below N1,000,000	1	1
N1,000,001 - N2,000,000	11	9
N2,000,001 - N3,000,000	21	29
N3,000,001 and above	<u>21</u>	<u>27</u>
	<u>54</u>	<u>66</u>
42(c) Management expenses	N'000	N'000
Management expenses are made up of the following items:		
Management expenses (see note 42 c(i) below)	13,647	13,455
Other operating expenses (see note 42 c (ii) below)	<u>394,488</u>	<u>518,358</u>
	<u>408,135</u>	<u>531,813</u>
42 (c(i)) Retirement benefit obligation - long service award	1,524	2,080
Directors' expenses	3,123	3,675
Auditors' remuneration	<u>9,000</u>	<u>7,700</u>
	<u>13,647</u>	<u>13,455</u>

Notes to the financial statements

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
42(c(ii)) Advertising	-	691
Office equipment & motor vehicles repairs & maintenance	54,603	60,260
Entertainment and representation	726	680
Foreign and local transport	4,126	24,065
Accounting consultancy fees, legal fees and actuary's fees	15,827	5,072
Insurance levy	29,501	44,949
Board meeting expenses	-	220
General marketing and administrative expenses	239,239	331,028
Printing and communication cost	15,041	8,089
Value added tax scheme account	10,181	2,295
Investment expenses	23,080	29,039
Lease rental expenses	2,164	11,970
	<u>394,488</u>	<u>518,358</u>

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

43(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).

43(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 10.55% (2020:6.50%)
- (ii) Expenses for individual life business were reserved for explicitly at N30,980 (2020: N27,910) p.a. increasing with inflation at 11% p.a. for both years.
- (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
2018	7.5
2019	11
2020	1.9
2021	3.32
Mean	<u><u>5.9</u></u>

Notes to the financial statements**43(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 at the valuation date.

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 Ernst and Young (EY) (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 (2020: 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 N2,066.5 million (2020: N2,326.5million) and of investment contract liabilities is N281.4million (2020: N276.9million).

(iii) Short-term insurance contract

The liability adequacy test (LAT), was also carried out by EY Nigeria (formerly HR Nigeria Ltd). The Gross carrying amount at the reporting date for short-term contract liabilities is N1.109 billion (2020: N904.9million).

43(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.

Notes to the financial statements

43(e) Valuation of post-employment benefit obligation

The valuation for the long service awards scheme was carried out by Logical Professional Services 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-21	31-Dec-20
Discount rate	13%	8%
Inflation rate	13%	12%
Future salary increases	12%	10%
Average Liability duration	7.24years	7.27years

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

The carrying value at the reporting date of the employee benefits obligation is N5.20 million (2020: N7.72 million).

Notes to the financial statements**44 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 reflects 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.

Notes to the financial statements

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 2021		Level 1	Level 2	Level 3	Total
	Note	N'000	N'000	N'000	N'000
Financial Assets:					
<i>Fair value through profit or loss: -</i>					
Equity shares	2a	372,647	-	-	372,647
<i>Fair value through other comprehensive income: -</i>					
Treasury bills	2b	-	-	-	-
Federal Government Bonds	2b	44,896	-	-	44,896
Federal Government Bond & Treasury bills: annuity bond	2b	-	-	-	-
Equity- shares (net of fair value gains)	2b	-	-	142,389	142,389
Impairment	2b	(25)	-	-	(25)
<i>Amortised cost: -</i>					
Staff housing loans	2b	8,589	-	-	8,589
Other loans and receivables	2b	1,646	-	-	1,646
Policyholders' loans	2b	96,212	-	-	96,212
ECL loss allowance	2b	(539)	-	-	(539)
Total Financial Assets		523,428	-	142,389	665,817
Financial Liabilities:					
Total financial liabilities		-	-	-	-
31 December 2020					
	Note	Level 1	Level 2	Level 3	Total
		N'000	N'000	N'000	N'000
Financial Assets:					
<i>Fair value through profit or loss: -</i>					
Equity shares	2a	371,641	-	-	371,641
<i>Fair value through other comprehensive income: -</i>					
Treasury bills	2b	35,186	-	-	35,186
Federal Government Bonds	2b	59,830	-	-	59,830
Federal Government Bond & Treasury bills: annuity bond	2b	-	-	-	-
Equity- shares (net of fair value gains)	2b	-	-	163,633	163,633
Impairment	2b	(51)	-	-	(51)
<i>Amortised cost: -</i>					
Staff housing loans	2b	8,589	-	-	8,589
Other loans and receivables	2b	1,646	-	-	1,646
Policyholders' loans	2b	96,212	-	-	96,212
ECL loss allowance	2b	(539)	-	-	(539)
Total Financial Assets		572,514	-	163,633	736,147
Financial Liabilities:					
Total financial liabilities		-	-	-	-

Notes to the financial statements

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

Financial risks

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

b) Market risk

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

(i) Credit risk

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

(ii) Liquidity risk

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

(iii) Interest rate risk

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

(iv) Capital management risk

This is the risk associated with the company's ability to convert an asset into cash to prevent a loss.

(v) Currency risk

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

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

(vi) 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 accepts receipt of premiums in foreign currency, in addition to Naira, from its clients; hence, exposures.

The company accepts receipt of premiums in foreign currency, in addition to Naira, from its clients; hence, exposures. The company accepts receipt of premiums in foreign currency, in addition to Naira, from its clients; hence, exposures

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.

Notes to the financial statements

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

31 December 2021

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Assets (Cash & cash equivalents)	-	-	216	216
Liabilities	-	-	-	-
	-	-	216	216

31 December 2020

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
Assets (Cash & cash equivalents)	-	-	11,190	11,190
Liabilities	-	-	-	-
	-	-	11,190	11,190

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 2021 at N435/\$ closing rate and as at 31st December 2020 at N387.57/\$ closing rate respectively.

31 December 2021

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
10% increase	-	-	22	22
10% decrease	-	-	(22)	(22)
Amount after increase				
Pre-tax loss	-	-	(596,190)	(596,190)
Shareholders' equity	-	-	801,449	801,449
Amount after decrease				
Pre-tax loss	-	-	(596,233)	(596,233)
Shareholders' equity	-	-	801,406	801,406

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

Notes to the financial statements

31 December 2020

	Pounds sterling N'000	Euro N'000	US Dollars N'000	Total N'000
10% increase	-	-	1,119	1,119
10% decrease	-	-	(1,119)	(1,119)
Amount after increase				
Pre-tax loss	-	-	(475,234)	(475,234)
Shareholders' equity	-	-	1,467,694	1,467,694
Amount after decrease				
Pre-tax loss	-	-	(477,472)	(477,472)
Shareholders' equity	-	-	1,465,456	1,465,456

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-21 N'000	31-Dec-20 N'000
<i>Fixed Interest rate Instruments:</i>			
Federal government bonds	2(b)	44,896	59,830
Treasury bills	2(b)	-	35,186
Amortised cost	2(c)	105,567	105,908
		150,464	200,924
<i>Others:</i>			
Cash and cash equivalents	1(b)	2,697,682	2,799,915
Statutory deposits	13	215,000	215,000
		2,912,682	3,014,915

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.

	<i>Fixed Interest rate analysis</i>		<i>Variable Interest rate analysis</i>	
	2021	2020	2021	2020
	N'000	N'000	N'000	N'000
Increase in interest rate by 100 basis points (+1%)	1,505	2,009	29,127	30,149
Decrease in interest rate by 100 basis point (-1%)	(1,505)	(2,009)	(29,127)	(30,149)
Impact of increase on:				
Pre-tax (loss)	(594,707)	(474,344)	(608,538)	(667,814)
Shareholders' equity	802,932	1,468,584	2,300,514	2,301,536
Impact of decrease on:				
Pre-tax (loss)	(597,717)	(387,915)	(666,792)	(667,814)
Shareholders' equity	799,922	1,959,528	2,242,260	2,241,238

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-21	31-Dec-20
	N'000	N'000
Equity securities; - listed	372,647	371,641
Equity securities; - unlisted	142,389	163,633
	515,036	535,274

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-21	31-Dec-20
	N'000	N'000
10% increase	51,504	53,527
10% decrease	(51,504)	(53,527)
Impact of increase on:		
Pre-tax (loss)/profit	(544,708)	(422,825)
Shareholders' equity	852,931	1,520,102
Impact of decrease on:		
Pre-tax (loss)/profit	(647,715)	(529,880)
Shareholders' equity	749,924	1,413,047

(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.

It 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. Please refer to note 3.1.2.1 for a description of how the Company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 3.1.2.2 for a description of how the Company defines credit-impaired and default.

Notes to the financial statements

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to 3.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 3.1.2.4 includes an explanation of how the Company has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

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

Change in credit quality since initial recognition

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

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 deceased
- The borrower is insolvent

Notes to the financial statements

- 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.

Notes to the financial statements

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 Company's maximum exposure to credit risk on these assets.

	2021				2020	
ECL staging	Stage 1 12- month ECL N'000	Stage 2 Lifetime ECL N'000	Stage 3 Lifetime ECL N'000	Purchased credit- impaired N'000	Total N'000	Total N'000
Credit grade						
Investment grade	44,896	-	-	-	-	90,182
Speculative grade		-			-	-
Gross carrying amount	44,896	-	-	-	44,896	90,182
Loss allowance	(25)	-	-	-	(25)	(52)
Carrying amount	44,871	-	-	-	44,871	90,130
	2021				2020	
	Total		Total		Total	
	N'000		N'000		N'000	
Gross carrying amount	1,993		1,993		44,975	
Loss allowance					-	
Carrying amount	1,993		1,993		44,975	

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 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'000	N'000	N'000	N'000	N'000
Loss allowance as at 1 January 2021	52	-	-	-	52
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	(27)	-	-	-	(27)
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	25	-	-	-	25
Loss allowance as at 31 December 2021	25	-	-	-	25

Receivables

	Total
	N'000
Loss allowance as at 1 January 2021	-
Movements with P&L impact	
Transfers:	
New financial assets originated or purchased	-
Matured financial assets	-
Total net P&L charge during the period	-
Loss allowance as at 31 December 2021	-

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'000	N'000	N'000	N'000	N'000
Investment securities					
Gross carrying amount as at 1 January 2021	90,182	-	-	-	90,182
Transfers:					
Financial assets derecognised during the period other than write-offs	(90,182)	-	-	-	(90,182)
New financial assets originated or purchased	44,896	-	-	-	44,896
Gross carrying amount as at 31 December 2021	44,896	-	-	-	44,896

Notes to the financial statements

Receivables

	<u>Total</u>	
	N'000	
Gross carrying amount as at 1 January 2021	44,975	44,975
<i>Transfers:</i>		
Financial assets derecognised during the period other than write-offs	(44,975)	(44,975)
New financial assets originated or purchased	1,993	1,993
Gross carrying amount as at 31 December 2021	1,993	1,993

expectation of recovery.

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.

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 2021

	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	-	-	-	187,260	-	187,260
Amortised cost:						
- Policy loans	-	-	-	-	90,328	90,328
- Personal loans	-	-	-	-	587	587
- Mortgage loans	-	-	-	-	13,794	13,794
- Other loans and receivables	-	-	-	-	1,646	1,646
Reinsurance Assets	-	-	-	-	234,017	234,017
Insurance receivables	-	-	-	-	1,993	1,993
Statutory deposits with CBN	-	-	-	-	215,000	215,000
Tenor Deposits	-	-	-	2,697,682	-	2,697,682
Cash and cash equivalents	-	-	-	166,399	-	166,399
Other receivables	-	-	-	-	600,730	600,730
	-	-	-	3,051,342	1,158,096	4,209,438

31 December 2020

	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	-	-	-	258,598	-	258,598
Amortised cost:						
- Policy Loans	-	-	-	-	96,212	96,212
- Personal Loans	-	-	-	-	-	-
- Mortgage Loans	-	-	-	-	8,588	8,588
- Other loans and receivables	-	-	-	-	1,646	1,646
Reinsurance Assets	-	-	-	-	451,107	451,107
Insurance receivables	-	-	-	-	44,975	44,975
Statutory deposits with CBN	-	-	-	-	215,000	215,000
Tenor Deposits	-	-	-	2,799,915	-	2,799,915
Cash and cash equivalents	-	-	-	125,971	-	125,971
Other receivables	-	-	-	-	578,299	578,299
	-	-	-	3,184,483	1,395,828	4,580,311

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

Notes to the financial statements

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 2021

	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	187,260	-	-	-	-	187,260
Amortised cost:						
- Policy loans	90,328	-	-	-	-	90,328
- Personal loans	587	-	-	-	-	587
- Mortgage loans	13,794	-	-	-	-	13,794
Reinsurance assets	234,017	-	-	-	-	234,017
Insurance receivables	-	1,993	-	-	-	1,993
Other receivable less prepayment	564,379	-	-	-	(64,273)	500,106
Tenor Deposits	2,697,682	-	-	-	-	2,697,682
Cash and cash equivalents	166,399	-	-	-	-	166,399
	3,954,446	1,993	-	-	(64,273)	3,892,167

31 December 2020

	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	258,598	-	-	-	-	258,598
Amortised cost:						
- Policy loans	96,212	-	-	-	-	96,212
- Personal loans	-	-	-	-	-	-
- Mortgage loans	8,588	-	-	-	-	8,588
Reinsurance Assets	451,107	-	-	-	-	451,107
Trade receivables	-	44,975	-	-	-	44,975
Other receivable less prepayment	537,028	-	-	-	(64,273)	472,756
Tenor Deposits	2,799,915	-	-	-	-	2,799,915
Cash and cash equivalents	125,970	-	-	-	-	125,970
	4,277,419	44,975	-	-	(64,273)	4,258,121

Liquidity risk

The Company's principal objective in managing its liquidity and its 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.

Notes to the financial statements

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.

			3 - 12			
	< 1 month	1 - 3 months	months	1 - 5 years	> 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000
31 December 2021						
Debt securities						
- Federal Govt. bonds	-	-	-	44,896	-	44,896
- Federal Govt. treasury bills	-	-	-	-	-	-
Amortised cost:						
- Policy Loans	-	16,898	20,556	52,874	-	90,328
- Personal Loans	-	-	-	587	-	587
- Mortgage Loans	-	-	-	-	13,794	13,794
Reinsurance Assets	-	85,005	55,769	93,243	-	234,017
Insurance receivables	1,993	-	-	-	-	1,993
Tenor Deposits	-	-	2,697,682	-	-	2,697,682
Cash and cash equivalents	166,399	-	-	-	-	166,399
	168,392	101,903	2,774,008	191,601	13,794	3,249,697
Insurance contract liabilities						
- Life	-	445,031	1,489,545	1,658,522	2,066,571	5,659,669
Investment contract liabilities						
- With DPF	-	22,006	149,661	-	109,781	281,447
- Without DPF	-	-	-	-	-	-
Unallocated divisible surplus	-	-	-	-	-	-
Trade and other liabilities	955	38,284	150,131	224,128	147,650	561,147
Lease liabilities	-	-	-	0	-	0
	955	505,321	1,789,336	1,882,650	2,324,001	6,502,264
31 December 2020						
Debt securities						
- Federal Govt. bonds	-	-	-	59,830	-	59,830
- Federal Govt. treasury bills	-	-	35,188	-	-	35,188
Amortised cost:						
- Policy Loans	-	16,898	20,556	58,758	-	96,212
- Personal Loans	-	-	-	-	-	-
- Mortgage Loans	-	-	-	-	8,589	8,589
Reinsurance Assets	-	85,005	198,612	167,490	-	451,107
Trade receivables	44,975	-	-	-	-	44,975
Tenor Deposits	-	-	2,799,915	-	-	2,799,915
Cash and cash equivalents	125,970	-	-	-	-	125,970
	170,945	101,903	3,054,271	286,078	8,589	3,621,786
Insurance contract liabilities						
- Life	-	432,887	1,293,287	2,093,636	1,757,034	5,576,844
Investment contract liabilities						
- With DPF	-	21,314	146,660	-	109,006	276,980
- Without DPF	-	-	-	-	-	-
Unallocated divisible surplus	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Trade and other liabilities	455	36,284	96,131	43,927	147,145	323,942
Lease liabilities	-	-	-	24,068	-	24,068
	455	490,485	1,536,078	2,161,631	2,013,185	6,201,834

Notes to the financial statements

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

	< 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
31 December 2021						
Financial & insurance assets	168,392	101,903	2,774,008	191,601	13,794	3,249,698
Financial & insurance liabilities	955	505,321	1,789,336	1,882,650	2,324,001	6,502,265
	167,437	(403,419)	984,672	(1,691,049)	(2,310,208)	(3,252,567)
31 December 2020						
Financial & insurance assets	170,944	101,903	3,054,270	286,078	8,589	3,621,784
Financial & insurance liabilities	455	490,485	1,536,078	2,161,631	2,013,185	6,201,834
	170,489	(388,582)	1,518,192	(1,875,553)	(2,004,596)	(2,580,050)

Insurance risk management

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

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

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

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

The Company writes life 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.

Notes to the financial statements

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-21 N'000	31-Dec-20 N'000	31-Dec-21 N'000	31-Dec-20 N'000	31-Dec-21 N'000	31-Dec-20 N'000
Life insurance:						
- Within Nigeria	5,659,669	5,576,844	234,017	451,107	5,425,652	5,125,737
- Outside Nigeria	-	-	-	-	-	-
	5,659,669	5,576,844	234,017	451,107	5,425,652	5,125,737
Inv. contracts with DPF:						
- Within Nigeria	281,448	276,979	-	-	281,448	276,979
- Outside Nigeria	-	-	-	-	-	-
	281,448	276,979	-	-	281,448	276,979

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-21 N'000	31-Dec-20 N'000	31-Dec-21 N'000	31-Dec-20 N'000	31-Dec-21 N'000	31-Dec-20 N'000
Protection	5,659,669	5,576,844	145,369	167,490	5,514,300	5,409,354
Pensions	-	-	-	-	-	-
Annuities	-	-	-	-	-	-
Others	-	-	-	-	-	-
	5,659,669	5,576,844	145,369	167,490	5,514,300	5,409,354
Investment contracts with DPF	281,448	276,979	-	-	281,448	276,979

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	
	31-Dec-21 N'000	31-Dec-20 N'000	31-Dec-21 N'000	31-Dec-20 N'000
5% increase in mortality/morbidity				
Gross (2021: Nil; 2020: Nil)	-	-	-	-
Net (2021: N3,726; 2020: N3,726)	(599,938)	(480,081)	797,701	1,865,113
5% increase in longevity				
- Gross	-	-	-	-
- Net	-	-	-	-
10% increase in expenses				
Gross (2021: Nil; 2020: Nil)	-	-	-	-
Net (2021: N3,754; 2020: 3,754)	(599,966)	7,430	797,673	2,267,254
1% increase in interest rates				
Gross (2021: Nil; 2020: Nil)	-	-	-	-
Net (2021: N3,622; 2020: N3,622)	(599,834)	7,562	797,805	2,176,898

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

Accident year	Incremental Chain Ladder-Yearly Projections (₦)				
	Development				
	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	251,793,186
2016	481,741,639	319,491,260	256,006,285	147,873,085	120,627,021
2017	388,001,855	492,764,014	282,850,175	140,899,519	49,631,601
2018	541,902,157	374,113,027	217,585,371	37,149,421	
2019	301,662,656	323,876,334	52,684,812		
2020	135,740,274	343,617,194			
2021	589,298,475				

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 2021 financial year, the capital had a balance of N0.801 billion which is below 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, 2021 was 100%. That is, the admissible assets representing the Life Fund (including outstanding claims) and deposit administration funds, amounting to N5.94billion were 100% of the actuarially determined gross liabilities of N5.94billion.

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

	31-Dec-21 N'000	31-Dec-20 N'000
Shareholders' funds	801,427	1,466,575
Less: Intangible assets	(44,000)	-
Shareholders' funds upon approval for deposit for shares	<u>757,427</u>	<u>1,466,575</u>

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

Notes to the financial statements

Solvency margin

The Company's solvency margin of (N1.916 billion), {2020: (793Million)} is below the minimum capital of N2 billion prescribed by the Insurance Act of Nigeria resulting into a solvency margin deficit of N3.916 billion. In order to overcome the deficit, the Directors of the Company are planning to inject more capital and funds into the business via equity investment from proposed investors and sale of some of the Company's investment properties.

The Company's solvency position as at 31 December 2021 is as follows:

Admissible Assets	31-Dec-21			31-Dec-20		
	Total N'000	Inadmissible N'000	Admissible N'000	Total N'000	Inadmissible N'000	Admissible N'000
Cash and cash equivalents	2,864,081	2,015,659	848,422	2,925,885	1,491,979	1,433,906
Other financial assets:						
- Fair value through profit or loss	372,647	-	372,647	371,641	-	371,641
- Fair value through profit other comprehensive income	187,260	142,389	44,872	258,598	153,535	105,063
- Amortised cost	105,567	-	105,567	105,908	-	105,908
Trade receivables	1,993	-	1,993	44,975	-	44,975
Reinsurance assets	234,017	-	234,017	451,107	-	451,107
Deferred acquisition cost	54,243	-	54,243	55,191	-	55,191
Other receivables and prepayments	536,459	511,510	24,949	514,026	513,439	587
Investment in associate	252,671	92,385	160,286	283,217	-	283,217
Investment properties	1,407,159	-	1,407,159	1,368,484	-	1,368,484
Non-current asset held for sale	973,639	-	973,639	973,639	-	973,639
Intangible assets	44,000	-	44,000	-	-	-
Right of use	11,372	11,372	-	51,354	51,354	0
Property, Plant & Equipment (excl L&B)	5,474	-	5,474	8,553	-	8,553
Property, Plant & Equipment(L&B)	99,918	-	99,918	101,390	101,390	-
Statutory deposits	215,000	-	215,000	215,000	-	215,000
Total assets (A)	7,365,499	2,773,315	4,592,186	7,728,968	2,311,697	5,417,271
Less: Admissible liabilities						
Insurance contract liabilities	5,659,669	-	5,659,669	5,576,844	-	5,576,844
Investment contract liabilities	281,448	-	281,448	276,979	-	276,979
Trade payables	387,752	-	387,752	170,821	-	170,821
Other payables	173,391	-	173,391	153,121	-	153,121
Finance lease payable	0	-	0	24,068	-	24,068
Employee benefit liability	5,201	-	5,201	7,723	-	7,723
Income taxes	515	-	515	610	-	610
Deferred tax liabilities	56,095	56,095	-	52,227	52,227	-
Total liabilities (B)	6,564,071	56,095	6,507,976	6,262,393	52,227	6,210,166
Solvency margin (A-B)			(1,915,790)			(792,895)
subject to higher of:						
15% of Net premium or	320,057			414,513		
Minimum paid up capital	2,000,000		2,000,000	2,000,000		2,000,000
Solvency margin status: deficit			(3,915,790)			(2,792,895)

Notes to the financial statements

45 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 2021

	Amortised cost	Designated at fair value through profit or loss	comprehensive income	Other Financial Liabilities cost	Total carrying amount
	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	2,864,081	-	-	-	2,864,081
Financial assets	105,567	372,647	187,260	-	665,474
Trade receivables	1,993	-	-	-	1,993
Other receivables	536,459	-	-	-	536,459
Reinsurance assets	234,017	-	-	-	234,017
	3,742,117	372,647	187,260	-	4,302,024
Trade payables	-	-	-	387,752	387,752
Other payables	-	-	-	173,391	173,391
Investment contract liabilities	-	-	-	281,448	281,448
Finance lease	-	-	-	-	-
	-	-	-	842,591	842,591

31 December 2020

	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	2,925,885	-	-	-	2,925,885
Financial Assets	105,908	371,641	258,598	-	736,147
Trade Receivables	44,975	-	-	-	44,975
Other Receivables	514,026	-	-	-	514,026
Reinsurance Assets	451,107	-	-	-	451,107
	4,041,901	371,641	258,598	-	4,672,140
Trade Payables	-	-	-	170,821	170,821
Other Payables	-	-	-	153,121	153,121
Investment Contract Liabilities	-	-	-	276,979	276,979
Finance lease	-	-	-	24,068	24,068
	-	-	-	624,989	624,989

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

31 December 2021

	Level I N'000	Level II N'000	Level III N'000	Total N'000
Cash and cash equivalents	-	-	-	-
Financial assets	559,908	105,567	-	665,475
Trade receivables	-	-	-	-
Other receivables	-	-	-	-
Reinsurance assets	-	-	-	-
	559,908	105,567	-	665,475
Trade payables	-	-	-	-
Deposit for shares	-	-	-	-
Other payables	-	-	-	-
Investment contract liabilities	-	-	-	-
Finance lease	-	-	-	-

Notes to the financial statements

31 December 2020

	Level I N'000	Level II N'000	Level III N'000	Total N'000
Cash and Cash Equivalents	-	-	-	-
Financial Assets	630,239	105,908	-	736,146
Trade Receivables	-	-	-	-
Other Receivables	-	-	-	-
Reinsurance Assets	-	-	-	-
	630,239	105,908	-	736,146
Trade Payables	-	-	-	-
Deposit for shares	-	-	-	-
Other Payables	-	-	-	-
Investment Contract Liabilities	-	-	-	-
Finance lease	-	-	-	-

46 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-21 N'000	31-Dec-20 N'000
Royal Exchange Finance and Investment Ltd (Sister Company)	Other receivables	-	-
Royal Exchange Healthcare Plc (Sister Company)	Other receivables	-	1,577
Royal Exchange Trustees Account (with REFIL)	Other receivables	2,167	2,167
Royal Exchange General Insurance Company Limited (Sister Company)	Other receivables	-	5,168
Royal Exchange Plc (Parent Company)	Other receivables	38,754	56,468
Royal Exchange Plc (Parent Company)	Other payables	-	-
Royal Exchange General Insurance Company Limited (Sister Company)	Other payables	18,845	-
Royal Exchange Finance and Investment Ltd (Sister Company)	Other payables	-	-
Royal Exchange Finance and Investment Ltd (Sister Company)	Gross premium	335	753
Royal Exchange General Insurance Company Limited (Sister Company)	Gross premium	4,439	10,276
Royal Exchange Healthcare Plc (Sister Company)	Gross premium	625	1,445
Royal Exchange Microfinance Bank Ltd (Sister Company)	Gross premium	576	462
Royal Exchange Finance and Investment Ltd (Sister Company) [see details in (ii) below]	Interest income	6,000	19,163
Royal Exchange Healthcare Plc (Sister Company)- Employee health insurance	Management expenses	12,558	14,019
Royal Exchange General Insurance Company Limited (Sister Company)	Management expenses	-	-
Royal Exchange Microfinance Bank Ltd (Sister Company)- bank balance (see details below in (i))	Cash and Cash equivalent	144	5,681
Royal Exchange Finance and Investment Ltd (Sister Company)	Finance Lease	0	24,068
Royal Exchange Finance and Investment Ltd (Sister Company)	Borrowings	-	-

(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 N6m at 7% as at December 2021

Notes to the financial statements**47 Contingencies and Commitments****47(a) Commitments for expenditure**

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

47(b) Contingent liabilities and contingent assets

<i>Contingent liabilities</i>	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	<u>N'000</u>	<u>N'000</u>
Legal proceedings and regulation (see note (i) below)	-	870
Tax PAYEE for 2014 tax audit (See note (ii) below)	-	25,200
	<u>-</u>	<u>26,070</u>

- (i) There are certain litigations pending in some courts of law in Nigeria involving the Company either as plaintiff or defendant. The directors believe, based on legal advice, that the action can be successfully defended and therefore there are no significant grounds to warrant any provision in respect of such cases.
- (ii) The demand liability of N25.2 million billed the company on 2014 PAYE tax audit carried out, has been finalised with a final bill of N343,938.39 which the company had settled.

Contingent assets

The Company had no contingent assets at the reporting date.

48 Going concern

As at the end of the financial year 31 December 2021, the following negative regulatory indicators were identified:

- The company's solvency margin is below the regulatory requirement as stated in the Insurance Act CAP I17, LFN 2004. The company reported a solvency margin deficit of N3.916 billion for the year ended 31 December, 2021.
- The total admissible assets of the company less net insurance and investment contract liabilities amounted to a deficit of N1.916 billion as at 31 December 2021.
- In exercise of its statutory powers and regulatory functions, the National Insurance Commission ("NAICOM"), recently reviewed the minimum paid-up share capital requirement for all classes of insurers and as a life insurance Company, we are expected to recapitalize to the sum of N4billion as at 31 December 2022.

These indicators, based on the performance and financial statements of the company, including the deficit in the solvency margin as well as the failure of the regulatory admissible assets of the entity to cover the insurance liabilities, all indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. The board of directors and management performed an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Action Plans

The Board of Directors hereby confirm that the following action plans have been set forth whose implementation have commenced. Overall, the directors believe that these actions will mitigate the going concern issues. However, please refer to different factors for different actions noted below:

- Effective implementation of our policy procedures and control measures such as cost control, budget performance review, pre-payment review of expenditures and Standard operational manual for effective monitoring of the company's corporate objective of profitability.
- Enforcing due process policies and strict internal control measures that will not permit financial reckless.

Notes to the financial statements

3. Strict compliance with risk profiling of new policies/renewals on our existing policies portfolio and a resolve to exit from toxic (Group Life) business.
4. The Company has shifted our strategic marketing focus to the growth in pure risk, retail business. This should translate into more revenue with less cost acquisition. Emphasis on developing new pure risk businesses to mitigate the effect of investment linked policies has commenced and the benefit have started to emerge.
5. Continuous review of risk appetite of the company by not relying on public sector related business majorly because of the high acquisition costs.
6. Our IES Software insurance solution has been fully deployed to drive internal processes and efficiency. We will continue to build on the success recorded thus far and hope to integrate same with our online platform for excellent customer relationship and repeat business acquisition.
7. We have submitted a detailed business turnaround plan to our regulator NAICOM with timelines following the expression of interest (EOI) received from a prospective investor for the acquisition of controlling interest in Royal Exchange Prudential Life PLC. An injection of capital of ₦10 Billion (Ten Billion Naira Only) is expected.
8. On the deficit in our Solvency Margin Computation, we are pleased to inform you that we are concluding meeting the Condition Precedents (CPs) of the term sheet executed with the investor, the implementation of which will cure our solvency deficiency and take our capital to ₦8 Billion.
9. We have received an offer of ₦1.2 Billion on our proposed sale of our property located at cadastral zone in FCT, Abuja. We are currently working with the Abuja Geographic Information System (AGIS) in Abuja to secure the release of the search report to enable the property buyer remit payment. The sale proceeds will be re-invested in fixed income securities.
10. Please note that, although National Insurance Commission (NAICOM) issued in June 3, 2020 a two-period phased implementation of the minimum paid up share capital for insurance and reinsurance companies, the litigation instituted by some groups of shareholders led to the suspension of this exercise by NAICOM.

We believe that the above measures put in place by management, the issue our solvency margin deficit will be conclusively addressed, confidence of our clients restored and our brand equity strengthened.

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

49 Events after the reporting period

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

Notes to the financial statements

50 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-21	31-Dec-20
	N'000	N'000
Emoluments		
Chairman	2,325	300
Other Directors	15,325	15,577
	17,650	15,877
Directors' fees	165	322
Emoluments as Executives	17,485	15,555
	17,650	15,877
The highest paid director,	<u>12,202</u>	<u>12,202</u>

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

	31-Dec-21	31-Dec-20
	Number	Number
N500,000 - N2,000,000	4	4
N2,000,001 - and above	2	2
	6	6

51 Contraventions

During the year, the Company did not contravene any section of the Insurance Act Cap I17 LFN 2004.

52 Statement of cash flow workings

(i) Premium received	31-Dec-21	31-Dec-20
	N'000	N'000
Gross premium written (See note 26)	2,735,345	3,277,726
Trade receivables, opening balance (see note 3)	44,975	6,925
Trade receivables, closing balance (see note 3)	(1,993)	(44,975)
Premium received in advance in prior year (see note 16a)	(455)	-
Premium received from policy holders	<u>2,777,872</u>	<u>3,239,676</u>
(ii) Claims paid		
Death claims /benefits paid: short term insurance contract	(1,072,382)	(938,729)
Claims paid: long term insurance contracts	(918,389)	(866,668)
Balance at the end of the year (see note 29)	<u>(1,990,771)</u>	<u>(1,805,397)</u>

Notes to the financial statements

	31-Dec-21 N'000	31-Dec-20 N'000
(iii) Reinsurance premium paid		
Reinsurance premium expenses (see note 27)	(519,094)	(540,766)
Reinsurance and coinsurance premium payable, opening balance (see note 16)	(34,575)	(63,731)
Reinsurance and coinsurance premium payable, closing balance (see note 16)	101,017	34,575
Reinsurance premium paid	<u>(452,652)</u>	<u>(569,922)</u>
(iv) Dividend received		
Dividend receivable, opening balance (see note 6(d))	37,057	35,910
Dividend income for the year (see note 33)	27,271	102,922
Dividend receivable, closing balance (see note 6(d))	<u>(37,730)</u>	<u>(37,057)</u>
Total cash dividend received for the period	<u>26,598</u>	<u>101,775</u>
(v) Net outflow from Deposits administration and savings products		
Deposits administration fund		
Deposits made during the year (see note 15(a))	-	-
Withdrawal made during the year (see note 15(a))	<u>(2,043)</u>	<u>(5,184)</u>
Net deposit administration fund	<u>(2,043)</u>	<u>(5,184)</u>
Investment managed fund		
Deposits made during the year (see note 15 (b))	93,289	113,586
Withdrawal made during the year (see note 15 (b))	<u>(94,098)</u>	<u>(104,816)</u>
Net deposit administration fund	<u>(809)</u>	<u>8,770</u>
Cash inflow/(outflow) at the end of the year	<u>(2,852)</u>	<u>3,586</u>
(vi) Proceeds from disposal of PPE		
Loss/(gain) on disposal (see note 38)	974	1,757
Cost (see note 11)	3,995	11,201
Accumulated depreciation (see note 11)	<u>(3,995)</u>	<u>(11,201)</u>
Proceeds on disposal of assets	<u>974</u>	<u>1,757</u>
(vii) Rental income from investment property		
Rental income for the year (see note 33)	<u>22,080</u>	<u>20,513</u>
Rental income for the year	<u>22,080</u>	<u>20,513</u>

Notes to the financial statements

	<u>31-Dec-21</u>	<u>31-Dec-20</u>
	N'000	N'000
(viii) Other operating cash payments		
Other management expenses	592,255	2,415,237
Net Changes in intercompany balances:		
Royal Exchange Plc	17,714	(7,179)
Royal Exchange General Insurance Company Limited	5,168	(3,306)
Royal Exchange Healthcare Limited	1,577	1,113
Royal Exchange General Insurance Company Limited	18,845	-
Royal Exchange Finance and Investment Limited	-	-
Royal Exchange Plc	-	-
	<u>43,304</u>	<u>(9,372)</u>
Balance at the end of the year	<u>635,559</u>	<u>2,405,865</u>
(ix) Investment income received		
Accrued investment income, closing balance	-	-
Interest income on Treasury bills & Bond- FVOCI	6,026	27,681
Statutory Deposit Interest	5,464	28,051
Staff Housing Loan Interest	276	631
Interest income on Deposits	<u>53,851</u>	<u>163,947</u>
	<u>65,616</u>	<u>220,310</u>

53 Hypothecation of assets as at 31 December 2021

In thousands of Naira

ASSETS	Shareholder's & other funds N'000 (a)	Insurance contract Liabilities N'000 (b)	Deposit Administration N'000 (c)	Policyholder's fund N'000 (d)=(b)+(c)	Total N'000 (e)=(a)+(d)
Cash and cash equivalents	587,817	2,037,226	239,038	2,276,264	2,864,081
Financial Assets:					
Fair value through profit or loss(listed Equity securities)		372,647		372,647	372,647
Fair value through OCI (Treasury Bill and Bond)		2,462	42,410	44,872	44,872
Fair value through OCI (unlisted Equity securities)		142,389		142,389	142,389
Amorised cost(Policy Loan)		90,328		90,328	90,328
Amorised cost(others)	15,240			-	15,240
Trade receivable	1,993			-	1,993
Reinsurance assets		234,017		234,017	234,017
Deferred acquisition cost	54,243			-	54,243
Other receivables and prepayment	536,457			-	536,457
Right of use asset	11,372			-	11,372
Investment in associate	252,671			-	252,671
Investment Properties		1,407,159		1,407,159	1,407,159
Non current asset held for sale	399,914	573,725		573,725	973,639
Intangible Assets	44,000			-	44,000
Property and equipment	105,391			-	105,391
Statutory Deposits	215,000			-	215,000
TOTAL ASSET	2,224,098	4,859,952	281,448	5,141,401	7,365,499
Total Liabilities	-	5,659,669	281,448	5,941,118	-
Deficit in Asset Cover	-	(799,717)	(0)	(799,717)	-

Hypothecation of assets as at 31 December 2020

In thousands of Naira

ASSETS	Shareholder's & other funds N'000 (a)	Insurance contract Liabilities N'000 (b)	Deposit Administration N'000 (c)	Policyholder's fund N'000 (d)=(b)+(c)	Total N'000 (e)=(a)+(d)
Cash and cash equivalents		2,722,897	202,988	2,925,885	2,925,885
Financial Assets:					
Fair value through profit or loss(listed Equity securities)		371,641		371,641	371,641
Fair value through OCI (Treasury Bill)		20,974	73,991	94,965	94,965
Fair value through OCI (unlisted Equity securities)		163,633		163,633	163,633
Amorised cost(Policy Loan)		96,212		96,212	96,212
Amorised cost(others)	9,696			-	9,696
Trade receivable	44,975			-	44,975
Reinsurance assets		451,107		451,107	451,107
Deferred acquisition cost	55,191			-	55,191
Other receivables and prepayment	514,026			-	514,026
Right of use asset	51,354			-	51,354
Investment in associate	283,217			-	283,217
Investment Properties		1,368,484		1,368,484	1,368,484
Non current asset held for sale	591,743	381,896		381,896	973,639
Intangible Assets	-			-	-
Property and equipment	109,943			-	109,943
Statutory Deposits	215,000			-	215,000
TOTAL	1,875,145	5,576,844	276,979	5,853,823	7,728,968
TOTAL LIABILITIES	-	5,576,844	276,979	5,853,823	-
Surplus/Deficit in Asset cover	-	-	-	-	-

Other national disclosures

Value added statement

	31-Dec-21		31-Dec-20	
	N'000	%	N'000	%
Net premium earned	2,652,805		3,304,183	
Reinsurance, claims, commission and others	(3,388,328)		(3,284,666)	
	<u>(735,523)</u>	<u>137</u>	<u>19,517</u>	<u>6</u>
Investment income	84,975	(16)	220,311	63
Fees and commission income	83,982	(16)	95,164	27
Other operating income	30,904	(6)	14,731	4
Value added	<u>(535,663)</u>	<u>100</u>	<u>349,723</u>	<u>100</u>
Applied as follows:				
In payment of employees:				
- Salaries, wages and other benefits	246,470	(46)	287,750	83
In payment to government:				
- Taxation	515	(0)	610	-
Deferred taxation	3,868	(1)	1,468	-
Depreciation and amortisation	46,650	(9)	43,036	12
Transfer to contingency reserve	27,353	(5)	32,777	9
Transfer to life fund	(259,924)	49	462,513	132
Transfer to revenue reserve	(600,595)	112	(478,431)	(137)
	<u>(535,663)</u>	<u>100</u>	<u>349,723</u>	<u>100</u>

Financial summary

	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
	N'000	N'000	N'000	N'000	N'000
Assets					
Cash and cash equivalents	2,864,081	2,925,885	3,817,172	1,145,992	965,546
Financial assets:					
- Fair value through profit or loss	372,647	371,641	258,347	1,797,764	1,657,341
- Fair value through other comprehensive income	187,260	258,598	1,874,576	-	-
- Amortised cost	105,567	105,908	72,016	-	-
Available for sale	-	-	-	1,231,477	1,116,096
Loans and Receivables				58,870	45,925
Trade receivables	1,993	44,975	15,690	5,485	38,869
Reinsurance assets	234,017	451,107	464,841	581,937	470,591
Deferred acquisition cost	54,243	55,191	41,855	44,791	48,640
Other receivables and prepayments	536,458	514,026	336,347	1,471,758	502,853
Right of use asset	11,372	51,354	-	-	-
Investment in associates	252,671	283,217	283,217	283,217	283,217
Investment properties	1,407,159	1,368,484	1,348,152	1,348,163	1,259,750
Non-current asset held for sale	973,639	973,639	973,639	973,639	973,639
Intangible assets	44,000	-	407	757	1,579
Property and equipment	105,391	109,943	190,302	197,635	230,687
Statutory deposits	215,000	215,000	215,000	215,000	215,000
Total assets	7,365,499	7,728,968	9,891,561	9,356,485	7,809,733
Liabilities					
Insurance contract liabilities	5,659,669	5,576,844	5,486,877	5,709,261	4,615,352
Investment contract liabilities	281,448	276,979	302,426	293,555	339,456
Trade payables	387,752	170,821	118,380	94,671	41,879
Deposit for shares	-	-	1,000,000	-	500,000
Other payables	173,391	153,121	523,454	798,786	748,210
Finance lease	0	24,068	67,086	44,512	-
Borrowing	-	-	24,061	-	24,133
Employee benefit liability	5,201	7,723	4,365	5,043	4,205
Income taxes	515	610	33,145	50,038	-
Deferred tax liabilities	56,095	52,227	50,194	35,956	33,992
Total liabilities	6,564,071	6,262,393	7,609,988	7,031,822	6,307,227
EQUITY					
Share capital	3,461,339	3,461,339	3,461,339	3,461,339	2,161,339
Share premium	404,494	404,494	404,494	404,494	404,494
Contingency reserve	312,415	285,062	218,454	180,092	156,063
					(1,045,74)
Retained earnings	(3,440,665)	(2,730,548)	(1,811,451)	(1,700,819)	7)
Fair value reserves	57,258	43,524	5,225	(23,095)	(176,015)
Other reserves-employee benefit actuarial surplus	6,586	2,704	3,512	2,652	2,372
Total equity	801,428	1,466,575	2,281,573	2,324,663	1,502,506
Total equity and liabilities	7,365,499	7,728,968	9,891,561	9,356,485	7,809,733

Statement of Profit or Loss and Other Comprehensive Income

	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
	N'000	N'000	N'000	N'000	N'000
Financial summary					
Insurance premium revenue	2,735,345	3,277,726	3,383,084	3,836,162	3,005,802
Net insurance premium revenue	2,133,711	2,763,417	2,976,510	3,515,194	2,705,392
(Loss)/profit before tax	(596,212)	(476,353)	(372,846)	7,492	(637,665)
Income tax expense	(4,382)	(2,078)	(1,212)	(47,390)	(46,654)
(Loss)/profit after tax	(600,594)	(478,431)	(374,058)	(39,898)	(684,319)
Transfer to contingency reserve	27,353	32,777	33,831	38,362	24,029

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 2021 and 2020 respectively are as follows:

31 December 2021	Long Term N'000	Short Term N'000	Investment Linked N'000	Total N'000
Gross Premium Income	1,018,601	1,634,204		2,652,805
Reinsurance Expenses	(105,612)	(413,482)	-	(519,094)
Net insurance premium income	912,989	1,220,722	-	2,133,711
Fees and Commission income	16,796	67,186	-	83,982
Net underwriting income	929,785	1,287,908	-	2,217,693
Net Insurance claims and benefits	(908,585)	(902,460)	-	(1,811,045)
Changes in insurance contract liabilities	259,924	-	-	259,924
Underwriting Expenses	(125,099)	(500,395)	(1,506)	(627,000)
Underwriting profit	156,025	(114,947)	(1,506)	39,573
Profit from Investment contracts	-	-	42,030	42,030
Other Investment income	12,746	67,980	4,249	84,975
Fair value gains/(losses)	6,036	32,191	2,012	40,238
Other operating income	4,636	24,723	1,545	30,904
Depreciation on Property and Equipment	(5,348)	(28,520)	(1,782)	(35,650)
Amortisation of intangible assets	(1,650)	(8,800)	(550)	(11,000)
Charge of impairment	(41,597)	(221,851)	(13,866)	(277,314)
Impairment on allowance (ECL)	55	291	18	364
Employee expenses	(15,329)	(81,757)	(5,110)	(102,196)
Management expenses	(61,220)	(326,508)	(20,407)	(408,135)
Results from operating activities	54,354	(657,198)	6,634	(596,212)

Royal Exchange Prudential Life Plc

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31 December 2020	Long Term N'000	Short Term N'000	Investment Linked N'000	Total N'000
Gross Premium Income	958,421	2,345,762		3,304,183
Reinsurance Expenses	(96,621)	(444,145)	-	(540,766)
Net insurance premium income	861,800	1,901,617	-	2,763,417
Fees and Commission income	19,033	76,131	-	95,164
Net underwriting income	880,833	1,977,748	-	2,858,581
Net Insurance claims and benefits	(869,320)	(986,883)		(1,856,204)
Changes in insurance contract liabilities	(472,714)	10,201	-	(462,513)
Underwriting Expenses	(156,606)	(626,426)	(1,814)	(784,845)
Underwriting profit	(617,807)	374,640	(1,814)	(244,981)
Profit from Investment contracts			115,564	115,564
Other Investment income	33,047	176,249	11,015	220,310
Fair value gains/(losses)	15,745	83,973	5,248	104,966
Disposal of Annuity portfolio	(84,585)			(84,585)
Other operating income	2,210	11,784	737	14,731
Depreciation on Property and Equipment	(6,430)	(34,292)	(2,142)	(42,866)
amortisation of intangible assets	(26)	(137)	(9)	(172)
Charge of impairment	3,495	18,638	1,165	23,299
Impairment on allowance (ECL)	10,361	55,259	3,454	69,074
Employee expenses	(17,982)	(95,905)	(5,994)	(119,882)
Management expenses	(79,772)	(425,450)	(26,591)	(531,813)
Results from operating activities	(741,744)	164,759	100,633	(476,354)