# Royal Exchange General Insurance Company Limited (RC: 725727)

## Annual report
## 31 December 2016

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## CORPORATE INFORMATION

| | |
|---|---|
| **Registered office** | New Africa House<br>31, Marina<br>Lagos<br>Nigeria |
| **Operations office** | 34-36 Oshodi/Apapa<br>Expressway, Oshodi,<br>Lagos |
| **Company Secretary** | Sheila Ezeuko |
| **Company registration number** | RC: 725727 |
| **Preparation supervised by** | Olalekan Jayeola<br>*Chief Financial Officer* |
| **Auditor** | KPMG Professional Services,<br>KPMG Tower,<br>Bishop Aboyade Cole Street,<br>Victoria Island, Lagos.<br>Nigeria |
| **Bankers:** | Access Bank Plc<br>Union Bank Plc<br>Guaranty Trust Bank Plc<br>First Bank of Nigeria Plc<br>First City Monument Bank<br>United Bank For Africa |

**Directors' Report**
*for the year ended 31 December, 2016*

The Directors are pleased to submit to the Members of the Company their 8th report on the affairs of Royal Exchange General Insurance Company Limited ("the Company") together with the audited financial statements for the year ended 31 December 2016

## 1 LEGAL FORM AND PRINCIPAL ACTIVITIES

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

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

## 2 RESULTS FOR THE YEAR

The highlights of the Company's operating results for the year ended 31 December, 2016 are as follows:

| *For the year ended 31 December* | 2016 | 2015 |
|---|---|---|
| | *N'000* | *N'000* |
| Gross written premium | **8,995,530** | **6,888,637** |
| Profit before taxation | 285,414 | 140,798 |
| Income taxes | (154,926) | (300,722) |
| Minimum tax | (46,424) | (43,736) |
| Profit/(loss) after taxation | 84,064 | (203,660) |
| Transfer to contingency reserve | (269,866) | (206,659) |
| Transfer from retained earnings | (185,802) | (410,319) |

## 3 DIRECTORS AND DIRECTORS' INTEREST AND SHAREHOLDING

A Board of 8 (eight) Directors determined the general policy of the Company in the year under review

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

| | |
|---|---|
| Alhaji Auwalu Muktari ** | - Chairman |
| Chief Gilbert Temisan Grant | - Independent Director |
| Mr. Chike Mokwunye | - Director |
| Mr Francis Okoli | - Director |
| Mr. Donald Nosiri | - Director |
| Mr Nelson Akerele | - Director |
| Mr Austin Nwankwo * | - Director |
| Mr. Benjamin Agili | - Managing Director |

3.2 Resignation, Appointment and Re-appointment of Directors:

* Mr Austin Nwankwo was appointed as a Director of the Company with effect from 6 January 2016.

** Mr Auwalu Muktari was appointed as Chairman of the Company with effect from 8 August 2016

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

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

## 4 SHARE CAPITAL AND SHAREHOLDING

4.1 *Authorized Share Capital*

The authorized share capital of the Company is ₦5,000,000,000 (2015:₦5,000,000,000) made up of 5,000,000,000 (2015: ₦5,000,000,000) ordinary shares of ₦1.00 each.

4.2 *Called Up, Issued and Fully Paid Share Capital*

The issued and paid-up share capital of the Company currently is ₦4,366,666,667 (2015: N4,366,666,667) made up of 4,366,666,667 (2015: 4,366,666,667) ordinary Shares of N1.00 each. An analysis of the shareholding interest in the issued share capital of the Company is disclosed below:

| | 2016 | 2016 | 2015 | 2015 |
|---|---|---|---|---|
| | **No. of Ordinary Shares** | **% Holding** | **No. of Ordinary Shares** | **% Holding** |
| Royal Exchange Plc | 4,366,666,666 | 99.9% | 4,366,666,666 | 99.9% |
| Mr. K.E. Odogwu | 1 | 0.1% | 1 | 0.1% |
| Total | 4,366,666,667 | 100% | 4,366,666,667 | 100% |

**5 PROPERTY AND EQUIPMENT**

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

**6 DONATIONS**

The Company made a total donation of N220,000 (2015: N2,080,000) to different organisations during the year.

| Beneficiaries | Amount |
|---|---|
| Being Donation towards 2016 Annual CIIN Rahmadhan Tafsir | 100,000 |
| Being Donation towards hosting of the Nigeria CFO Awards Ceremony | 125,000 |
| | **225,000** |

**7 EVENTS AFTER REPORTING DATE**

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

**8 AGENTS, BROKERS AND INTERMEDIARIES**

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

**9 EMPLOYERS' INVOLVEMENT, TRAINING AND WELFARE**

9.1 *Employment of Physically Challenged Persons*

It is the policy of the Company that there will be no discrimination in the consideration of all applications for employment. As at 31 December 2016 (2015: nil), there was no disabled person employed by the Company.

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

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

9.3 *Involvement and Consultation*

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

9.4 *Training*

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

## 10 AUDITORS

Messrs, KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors of the Company. In accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria therefore, the auditors will be re-appointed at the next Annual General Meeting of the Company without any resolution being passed.

## 11 COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE

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

**BY ORDER OF THE BOARD**

**Sheila Ezeuko**
Company Secretary
Lagos, Nigeria.
FRC/2013/NBA/00000004059
29 March 2017

**Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 December 2016**

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

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

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

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:**

**Auwalu Muktari**
**Chairman**
(FRC/2013/IODN/00000004058)
29 March 2017

**Benjamin Agili**
**Managing Director**
(FRC/2016/CIIN/00000014211)
29 March 2017

**KPMG Professional Services**
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Royal Exchange General Insurance Company Limited

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Royal Exchange General Insurance Company Limited (the Company), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 87.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011 and the Insurance Act 2003 and relevant National Insurance Commission of Nigeria ("NAICOM") Circulars.

### *Basis for Opinion*

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

### *Information Other than the Financial Statements and Audit Report thereon*

The Directors are responsible for the other information which comprises the sections Corporate information, Directors' report, Statement of Directors' responsibilities and Other national disclosures, but does not include the financial statements and our audit 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.

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Registered in Nigeria No BN 986925

Partners:
Abiola F. Bada, Adebisi O. Lamikanra, Adekunle A. Elebute, Adetola P. Adeyemi
Adewale K. Ajayi, Ajibola O. Olomola, Ayodele A. Soyinka, Ayodele H. Othihiwa
Ayobami L. Salami, Chibuzor N. Anyanechi, Goodluck C. Obi, Ibitomi M. Adepoju
Joseph O. Tegbe, Kabir O. Okunlola, Mohammed M. Adama, Oladapo R. Okubadejo
Oladimeji I. Salaudeen, Olanike I. James, Olumide O. Olayinka, Olusegun A. Sowande
Oluwafemi O. Awotoye, Oluwatoyin A. Gbagi, Oguntayo I. Ogungbenro, Victor U. Onyenkpa

Associate Partners:
Nneka C. Eluma, Temitope A. Onitiri

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

*Responsibilities of the Directors for the Financial Statements*

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

KPMG

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

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

**Report on Other Legal and Regulatory Requirements**

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

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

*Penalties*

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

Signed:

Kabir O. Okunlola
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
29 March 2017
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

**Company information and statement of accounting policies**

**1 Reporting Entity**

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

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

The Company, which is a wholly owned subsidiary of Royal Exchange Plc, has issued and fully paid share capital of 4,366,666,667 ordinary shares of ₦1 each.

**2 Basis of preparation**

**(a) Statement of compliance with International Financial Reporting Standards**

These financial statements for the year ended 31 December 2016 have been prepared in accordance with, and comply with the, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The financial statements comply with the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act,2011, the Insurance Act 2003 and National Insurance Commission of Nigeria ( "NAICOM") circulars.

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

**(b) Functional and presentation currency**

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

**(c) Basis of measurement**

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

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

The Company adopts the accrual basis of accounting where it records accounting transactions for revenue when earned and expenses when incurred.

**(d) Reporting period**

The financial statements have been prepared for the 12 month period ended 31 December 2016.

**(e) Use of estimates and judgment**

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

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

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

**(f) Changes in accounting policies**

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2016, except for changes/amendments highlighted below:

***Standards, amendments and interpretations effective during the reporting period***

The following standards, ammendments and interpretations which became effective in the reporting period from 1 January 2016, do not have any material impact on the accounting policies, financial position or performance of the Company.

**(g)**

(i) Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
(ii) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
(iii) Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41 )
(iv) Equity Method in Separate Financial Statements (Amendments to IAS 27)
(v) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 12 and IAS 28)
(vi) Disclosure initiative (Amendments to IAS 1)
(vii) Annual improvements to IFRSs 2012-2014 cycle-various standards

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

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

***Effective for the financial year commencing 1 January 2017***

**(i) *Disclosure Initiative (Amendments to IAS 7)***

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

The Company will adopt the amendments for the year ending 31 December 2017.

**(ii) *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)***

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

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

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

The amendment is not expected to have any significant impact on the (consolidated) financial statements of the Company. The Company will adopt the amendments for the year ending 31 December 2017.

***Effective for the financial year commencing 1 January 2018***

**(i) *IFRS 9 Financial Instruments***

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

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Company is currently in the process of performing a more detailed assessment to determine the impact that the initial application of IFRS 9 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

**(ii) IFRS 15 Revenue from contracts with customers**

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue-Barter of Transactions involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The Company is currently in the process of performing more detailed assessment of the impact of this standard on the Company.

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

**(iii) *Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts***

The differing effective dates of IFRS 9 Financial Instruments and the new insurance contracts standard could have a significant impact on insurers.

In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the IASB has issued amendments to IFRS 4 Insurance Contracts.

The amendments reduce the impacts, but companies need to carefully consider their IFRS 9 implementation approach to decide if and how to use them. The two optional solutions raise some considerations which require detailed analysis and management judgement.

The optional solutions are:

1. Temporary exemption from IFRS 9 – Some Companies will be permitted to continue to apply IAS 39 Financial Instruments: Recognition and Measurement. To qualify for this exemption the Company's activities need to be predominantly connected with insurance.

2. Overlay approach – This solution provides an overlay approach to alleviate temporaryaccounting mismatches and volatility. For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

The Company is currently in the process of performing a more detailed assessment of the inpact of these ammendments together with the analysis on the impact of IFRS 9

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

**(iv) *Foreign currency transactions and advance consideration (IFRIC 22)***

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

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

The interpretation applies when a Company:
- pays or receives consideration in a foreign currency; and
- recognises a non-monetary asset or liability – eg. non-refundable advance consideration – before recognising the related item.

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

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

***Effective for the financial year commencing 1 January 2019***

**(iii) *IFRS 16 Leases***

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

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

a. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
b. depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

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

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

**3 Summary of Significant Accounting Policies**

The Company consistently applied the following accounting policies to the periods presented in the financial statements

**(a) Foreign currency transactions**

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

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

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

**(b) Cash and Cash Equivalents**

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

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

**(c) Financial Instruments**

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

**(i) Classification of Financial Assets**

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

The Company classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss (FVTPL),
- Available-for-sale' (AFS) financial assets,
- Held to maturity,
- Loans and receivables and

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

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

*Available-for-sale Finanacial assets (AFS)*

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

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

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

*Held to maturity*

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

*Loans and receivables*

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

**(ii) Classification of Financial Liabilities**

Financial liabilities can be classified as at fair value through profit or loss or as other financial liabilities. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. The rest of the financial liabilities are classified as other financial liabilities.

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

The Company's financial liabilities are classified as other financial liabilities. They include bank overdrafts, trade and other payables.

**(iii) Initial recognition and measurement**

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

**(iv) Subsequent measurement**

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

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

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

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

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

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

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

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

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

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

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

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

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Company has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

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

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

**(v) Fair value measurement**

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

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

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

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

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

The fair value of a non-interest bearing liability is stated at the invoice amount if the impact of discounting is not material

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

**(vi) Impairment of financial assets**

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

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

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

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

The Company assess whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Company concludes that no collective provision is required because all possible risks have been considered in the individual impairment tests.

*Loans and receivables and held to maturity*

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

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

*Available-for-sale financial assets (AFS)*

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

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

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

*Trade receivables*

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

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

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

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

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

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

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

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

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

**(d) Impairment of other non-financial assets**

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

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

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

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

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

**(e) Reinsurance Assets**

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

Reinsurance assets include balances due from various reinsurance companies for ceded insurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying reinsurance contract. Reinsurance assets are recorded in principle equal to loans and other receivables.

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

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

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

**(f) Deferred acquisition costs**

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

Deferred acquisition costs are amortised in the profit or loss systematically over the life of the contracts at each reporting date.

**(g) Other Receivables and Prepayments**

Other receivables balances include dividend receivable, intercompany balances, accrued rental income and security holding trust account.

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

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

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

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

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

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

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

**(i) Investment Properties**

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

*Recognition and measurement*

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.
Investment properties are measured initially at fair value, including all transaction costs.
Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss in the period in which they arise. Fair values are evaluated and assessed annually by an external valuer who is accredited by the Financial Reporting Council.

*De-recognition*

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

*Transfers*

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

**(j) Property and Equipment**

*Recognition and measurement*

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

*Subsequent costs*

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

*Depreciation*

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

The estimated useful lives of property and equipment are as follows:
Freehold and leasehold land are not depreciated.

| | | |
|---|---|---|
| Buildings | | 50 years |
| Furniture and office equipment | | 5 years |
| Motor vehicles | - New | 4 years |
| | - Salvage | 3 years |
| Computer hardware | | 4 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate

*De-recognition*

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

**(k) Intangible Assets**

*Acquired computer software*

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

*Amortization*

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

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

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

**(l) Income Taxes**

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

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

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

**Deferred tax**

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

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

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

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

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

**(m) Statutory Deposits**

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

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

**(n) Hypothecation of Assets**

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

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

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

**(o) Borrowings**

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

Borrowing costs comprise interest payable on loans and bank overdrafts. They are charged to profit or loss as incurred, except those that relate to qualifying assets. Arrangement fees in respect of financing arrangements are charged to borrowing costs over the life of the related facility.

**(p) Deferred income**

Deferred income comprises deferred rental income and deferred commission.

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

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

**(q) Provisions, contingent liabilities and assets**

*Provisions*

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

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

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 a past event. It is not recognized because it is not likely that an outflow of resources will be required to settle the obligation or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to occur.

**(r) Finance and operating lease obligations**

These are the corresponding liabilities on assets acquired under finance lease. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized in the year which they relate in profit or loss.

*Lease assets - lessee*

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

Assets held under other leases are classified as operating leases.

*Lease payments*

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

*Lease assets - lessor*

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

**(s) Insurance Liabilities**

**(i) Classification**

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

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

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

*Unearned premium provision*

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

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

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

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

*Liability Adequacy Test*

At the end of each reporting period, liability adequacy tests are performed to ensure that material and reasonably foreseeable losses arising from existing contractual obligations are recognised. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses, investment income backing such liabilities are considered. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. Any deficiency is recognized in profit or loss by increasing the carrying amount of the related insurance liabilities.
The Liability Adequacy Test (LAT) was carried out by HR Nigeria Limited (Consultant Actuaries) under the supervision of Mr. O.O Okpaise with FRC number (FRC/2012/NAS/00000000738).

**(ii) Recognition and Measurement of Insurance Contract**

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

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

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

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

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

**(t) Employee Benefits**

**(i) Short-term benefits**
Staff benefits such as wages, salaries, paid annual leave allowance, and non-monetary benefits are recognized as employee benefit expenses. The expenses are accrued when the associated services are rendered by the employees of the Company.
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

**(ii) Defined Contribution Plans**

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

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

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

**(iii) Termination Benefits**

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

**(a)Defined Benefit Plan**

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

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

**(b)Pension**

The Company operated a funded pension scheme for its employees prior to the Pension Reform Act 2004. It therefore has continuing pension obligation to its staff who retired prior to the commencement of the contributory pension scheme.
Pensioners are entitled to 3% annual increment. Over 90% of the pension assets are being managed by a pension fund administrator while the balance is invested in marketable securities and bank placement.

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in 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 defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

**(c)Other Long term benefits**
The Company operates a long service award plan for eligible staff who have rendered continued service to the organization.
Benefits accrue after a minimum of 10 years and a maximum of 35 years. The main benefits payable on the scheme are both cash and gift items which vary according to the number of years of service.

The liability is valued annually by a qualified actuary (HR Nigeria Limited) under the supervision of Mr. O.O Okpaise with FRC number (FRC/2012/NAS/00000000738) 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.

**(u) Capital and Reserves**

**(i) Share capital**
The equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

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

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

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

**(iv) Retained Earnings**

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

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

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

**(vii) Other reserves - employee benefit actuarial surplus**

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

**(viii) Dividends on ordinary shares**
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the end of the reporting period are dealt with in the subsequent period.
Dividends proposed by the Directors but not yet approved by shareholders are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act of Nigeria.

**(v) Revenue Recognition**

**(i) Gross Written Premium**

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

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

**(ii) Reinsurance expenses**

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

**(iii) Fees and commission income**

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

**(iv) Investment Income**

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

Interest income

Interest income is recognized in the 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 recognized as an adjustment to the effective interest rate of the instrument.

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

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

Dividend income

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

Realized and Unrealized gains and losses

Realized gains and losses on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value as recorded on occurrence of the sale transaction. Unrealized gains or losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

**(v) Other operating income**

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

**(w) Expense Recognition**

**(i) Insurance claims and benefits incurred**

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

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

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

**(ii) Underwriting expenses**

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

**(iii) Management expenses**

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

**4 Critical accounting estimates and judgments**

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

**A Judgements**

***(i) Determination of significant influence over investees***

Management applies its judgement to determine whether the Company should equity account for its' investment in associates. According to IAS 28, a 20% or more interest in an investee leads to a rebuttable presumption that the investor has significant influence over the investee.

The Company holds a direct interest of 26% in CBC EMEA and 33% in Royal Exchange Healthcare(REHL). Management has considered the fact and circumstances, including the representation of the Company on the board of CBC EMEA and REHL and has concluded that the Company has significant influence over CBC EMEA and REHL and the entities are associates of the Company.

**B Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

***(i) Liabilities arising from insurance contracts***

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

Changes in the outcome of the assumption can have a significant impact on the total recorded liabilities arising from insurance contracts and the claims expenses.

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

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

**(iii) *Fair value of financial instruments***

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

**(iv) *Determination of fair value of investment property***

Management employed the services of estate surveyors and valuers to value its investment properties. The estimated open market value is deemed to be the fair value based on the assumptions that there will be willing buyers and sellers. Recent market prices of neighborhood properties were also considered in deriving the open market values. Other key assumptions are as disclosed in Note 13 to the financial statements.

**(v) *Defined benefit plan***

The present value of the employee benefit obligations depends on a number of factors that are determined in an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of obligations. The assumptions used in determining the net cost (income) for pensions include the discount rate.

The Company determines the appropriate discount rate at the end of the reporting period. In determining the appropriate discount rate, reference is made to the yield on Nigerian Government Bonds that have maturity dates approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions as disclosed in Note 17.

**(vi) *Current income tax***

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

**(vii) *Deferred tax assets***

Recognised deferred tax assets (See note 18) are measured at the tax rates enacted or substantively enacted at the end of the reporting period and represents those amounts that are probable of realisation taking into account management's estimates of future taxable profits. In determining estimates of future taxable profit against which deductible amount can be utilised, management has considered the existence of taxable temporary differences that will reverse in the same year that deductible amounts will reverse.Mangement's estimate of future taxable profits has been determined on the basis of a three year profit forecast. Management affirms that assumptions undelying the three year forecast leading to recognition of a part of the deferred tax assets relating to unrelieved losses and unutilized capital allowances are reasonable given the Company's restructured operations and there are no objective indictors to suggest that the recognised deferred tax assets will not be realized. Management iterates that the amount of recorded deferred tax asset that ultimately will be realized can be materially different, both negative and positive and will depend on the outcome of the restructuring of the Company and its business.

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

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

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

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

## Statement of Financial Position
*for the year ended*

| | Note | 31-Dec-16 N'000 | 31-Dec-15 N'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 6 | 9,615,160 | 5,534,750 |
| Financial assets | | - | - |
| -Available for sale | 7(a) | 409,316 | 346,211 |
| -Fair value through profit or loss | 7(b) | 1,075,988 | 1,234,425 |
| -Loans and receivables | 7(c) | 943,409 | 1,096,303 |
| Trade receivables | 8 | 47,587 | 170,138 |
| Reinsurance assets | 9 | 2,189,935 | 1,582,128 |
| Deferred acquisition cost | 10 | 283,338 | 301,965 |
| Other receivables and prepayments | 11 | 1,082,007 | 1,530,051 |
| Investment in associates | 12 | 415,429 | 500,670 |
| Investment properties | 13 | 3,741,609 | 3,265,716 |
| Property and equipment | 14 | 1,887,386 | 1,912,242 |
| Intangible assets | 15 | 5,907 | 12,597 |
| Statutory deposits | 16 | 340,000 | 340,000 |
| Employees retirement benefits | 17(d) | 234,011 | 154,016 |
| Deferred tax assets | 18 | 339,360 | 401,915 |
| **Total assets** | | 22,610,442 | 18,383,126 |
| **LIABILITIES** | | | |
| Insurance contract liabilities | 23 | 5,398,979 | 4,434,285 |
| Bank overdrafts | 6 | 63,718 | 56,149 |
| Deferred income | 19 | 162,942 | 122,169 |
| Trade payables | 20 | 8,313,225 | 5,376,586 |
| Other liabilities | 21 | 1,052,868 | 704,395 |
| Finance lease obligations | 22 | 103,925 | 5,001 |
| Current income tax liabilities | 24 | 262,572 | 217,737 |
| Employee benefit liability | 17(a) | 29,995 | 493,530 |
| Deferred tax liabilities | 18 | 239,396 | 186,916 |
| **Total liabilities** | | 15,627,620 | 11,596,768 |
| **EQUITY** | | | |
| Share capital | 25 | 4,366,667 | 4,366,667 |
| Share premium | 26 | 802,737 | 802,737 |
| Contigency reserve | 27 | 1,558,477 | 1,288,611 |
| Retained earnings | 28 | 70,087 | 255,889 |
| Other component of equity | 29 | 184,854 | 72,454 |
| **Total equity** | | 6,982,822 | 6,786,358 |
| **Total equity and liabilities** | | 22,610,442 | 18,383,126 |

These financial statements were approved by the Board of Directors on 29 March 2016 and signed on behalf of the board of directors by:

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

Benjamin Agili
Managing Director
(FRC/2013/CIIN/00000000994)

Additionally certified by:

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

*The statement of significant accounting policies and the accompanying notes included from page 9 to 87 form an integral part of these financial statements.*

## Statement of Profit or Loss and Other Comprehensive Income

*for the year ended*

| | Note | 31-Dec-16 ₦'000 | 31-Dec-15 ₦'000 |
|---|---|---|---|
| Gross premium written: | 30(a) | 8,995,530 | 6,888,637 |
| Unearned premium | 30(b) | (235,875) | 80,056 |
| Gross premium income | | 8,759,655 | 6,968,693 |
| Reinsurance expenses | 31 | (3,980,993) | (2,311,560) |
| Net premium income | | 4,778,662 | 4,657,133 |
| Fees and commission income | 32 | 428,420 | 279,985 |
| **Net underwriting income** | | 5,207,082 | 4,937,118 |
| Insurance claims and benefits incurred | 33(a) | (2,717,310) | (2,101,914) |
| Insurance claims and benefits incurred - recoverable from reinsurers | 33(b) | 993,505 | 626,158 |
| Net claims expenses | | (1,723,805) | (1,475,756) |
| Underwriting expenses | 34 | (1,878,225) | (2,142,439) |
| **Total underwriting expenses** | | (3,602,030) | (3,618,195) |
| **Underwriting profit** | | 1,605,052 | 1,318,923 |
| Net investment income | 35 | 272,338 | 313,784 |
| Share of loss on investment in associate | 12 | (79,253) | (35,792) |
| Net fair value gain or loss on financial assets | 35(a) | 372,040 | 285,525 |
| Write-back/(charge) of impairment allowance | 36 | (171,364) | (284,936) |
| Other operating income | 37 | 217,280 | 121,229 |
| | | 611,041 | 399,810 |
| **Net income** | | 2,216,093 | 1,718,733 |
| Foreign exchange (losses)/gains | 38 | (36,683) | 48,875 |
| Management expenses | 39 | (1,893,996) | (1,626,810) |
| **Expenses** | | (1,930,679) | (1,577,935) |
| Profit before taxation | | 285,414 | 140,798 |
| Income taxes | 24(a) | (154,926) | (300,722) |
| Minimum tax | 24(a) | (46,424) | (43,736) |
| Profit after taxation | | 84,064 | (203,660) |
| **Other comprehensive income, net of tax** | | | |
| *Items that will never be classified in profit or loss* | | | |
| Net actuarial gains/(losses) on employee benefits | 17(c) | 73,372 | (73,547) |
| Tax effects on Employee benefits | 18 | (4,890) | 207 |
| *Items that may be classified to profit or loss:* | | | |
| Share of current year results in associates | 12 | (5,988) | 2,418 |
| Fair value changes on AFS | 7(d) | 49,906 | 12,215 |
| Total other comprehensive income, net of tax | | 112,400 | (58,708) |
| Total comprehensive income for the year | | 196,464 | (262,369) |
| Total comprehensive income attributable to shareholders | | 196,464 | (262,369) |

*The statement of significant accounting policies and the accompanying notes included from page 9 to 87 form an integral part of these financial statements.*

## Statement of Changes in Equity
*as at 31 December 2016*

| | Share capital | Share Premium | Contingency Reserve | Retained Earnings | Actuarial Gain/(Loss) Reserve | Fair value reserve | Total |
|---|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance as at 1 January 2016 | 4,366,667 | 802,737 | 1,288,611 | 255,889 | 489 | 71,965 | 6,786,357 |
| Profit for the year | - | | - | 84,064 | - | | 84,064 |
| Transfer to Contingency Reserve (see note 27) | - | - | 269,866 | (269,866) | - | | - |
| Other comprehensive income: | | | | - | | | - |
| Net actuarial gains/(losses) on defined benefit obligations | - | - | - | - | 73,372 | 43,918 | 117,290 |
| Tax effects on other comprehensive income | | | | | (4,890) | | (4,890) |
| Total comprehensive income for the year | - | - | 269,866 | (185,802) | 68,482 | 43,918 | 196,464 |
| **Transactions with owners of the Company:** | | | | | | | |
| Dividend paid | | | | - | - | | - |
| Total contribution and distributions to equity holders | - | - | - | - | - | - | - |
| As at 31 December 2016 | 4,366,667 | 802,737 | 1,558,477 | 70,087 | 68,971 | 115,883 | 6,982,822 |

***as at 31 December 2015***

| | Share capital | Share Premium | Contingency Reserve | Retained Earnings | Actuarial Gain/(Loss) Reserve | Fair value reserve | Total |
|---|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Balance as at 1 January 2015 | 4,366,667 | 802,737 | 1,081,952 | 797,208 | 73,829 | 57,332 | 7,179,725 |
| | | | | | | | - |
| Loss for the year | - | - | - | (203,660) | - | | (203,660) |
| Transfer to Contingency Reserve (see note 27) | | | 206,659 | (206,659) | | | - |
| Other comprehensive income: | | | | | | | - |
| Net actuarial gains/(losses) on defined benefit obligations | - | - | - | - | (73,547) | 14,633 | (58,915) |
| Tax effects on other comprehensive income | | | | | 207 | | 207 |
| Total comprehensive income for the year | - | - | 206,659 | (410,319) | (73,340) | 14,633 | (262,368) |
| **Transactions with owners of the Company:** | | | | | | | |
| Dividend paid | | | | (131,000) | - | | (131,000) |
| Total contribution and distributions to equity holders | - | - | - | (131,000) | - | - | (131,000) |
| As at 31 December 2015 | 4,366,667 | 802,737 | 1,288,611 | 255,889 | 489 | 71,965 | 6,786,357 |

**Statement of Cash Flows**
*for the year ended*

| | Note | 31-Dec-16 ₦'000 | 31-Dec-15 ₦'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Insurance premium received from customers | 40(a) | 9,118,082 | 6,911,443 |
| Insurance benefits and claims paid to customers | 40(b) | (1,988,490) | (2,321,319) |
| Outward reinsurance premium paid | 40(c) | (1,403,259) | (2,056,871) |
| Fees and commission received | 40(d) | 462,937 | 260,050 |
| Claim recoveries made from reinsurers | 40(e) | 744,603 | 774,331 |
| Commissions paid | 40(f) | (736,254) | (821,305) |
| Cash payment to employees, intermediaries and other suppliers | 40(g) | (2,385,642) | (3,306,225) |
| Income tax paid | 24(b) | (46,368) | (73,292) |
| VAT paid | 39 | (16,879) | (45,483) |
| Net cash flow from Operating activities | | 3,748,727 | (678,671) |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | 14 | (139,639) | (136,399) |
| Proceeds from sale of property and equipment | 40(h) | 5,487 | 25,161 |
| Purchase of financial assets | 7(d) | (246,202) | (279,417) |
| Additional investment in associate | 12(a) | - | (30,000) |
| Rental income from investment properties | 40(j) | 59,905 | 55,672 |
| Interest income | 40(k) | 172,183 | 203,475 |
| Dividend income received | 40(i) | 95,268 | 178,178 |
| Proceeds on redemption/disposal of financial assets | 7(d) | 449,045 | 632,691 |
| Net cash flow from/(used in) investing activities | | 396,047 | 649,361 |
| **Cash flows from financing activities** | | | |
| Dividend paid to shareholders | 28 | - | (131,000) |
| Payment of finance lease liabilities | | (35,250) | (7,330) |
| Net cash flow (used in)/from financing activities | | (35,250) | (138,330) |
| Net cash increase in cash and cash equivalents | | 4,109,524 | (167,638) |
| Cash and cash equivalents, beginning of year | 6 | 5,478,601 | 5,602,392 |
| Effect of exchange rate fluctuations | 38 | (36,683) | 43,847 |
| Cash and cash equivalents, end of year | | **9,551,442** | **5,478,601** |

**Notes to the financial statements**

**5 Financial risk management**

Factors relating to general economic conditions, such as consumer spending, business investment, government spending, the volatility and strength of both debt and equity markets, and inflation, all affect the profitability of businesses in Nigeria.

In a sustained economic phase of low growth, characterized by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for financial and insurance products could be adversely affected.

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

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

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

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

**(a) Financial asset valuation bases**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. Fair values are determined at prices quoted in active markets. In our environment, such price information is typically not available for all instruments measured at fair value and the company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs are used within the valuation model. There is no standard model and different assumptions could generate different results.

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

**Fair value hierarchy**

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

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

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

*Level 3* - This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques.
This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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

**Notes to the financial statements**

| *31 December 2016* | | Level 1 ₦'000 | Level 2 ₦'000 | Level 3 ₦'000 | Total ₦'000 |
|---|---|---|---|---|---|
| **Financial Assets:** | | | | | |
| *Fair value through profit or loss:-* | | | | | |
| Quoted equity shares | 7(b) | 945,620 | - | - | 945,620 |
| Treasury bills | 7(b) | 20,603 | - | - | 20,603 |
| Federal Government Bonds | 7(b) | - | - | - | - |
| | | 966,223 | - | - | 966,223 |
| *Available for sale financial assets:-* | | | | | |
| Quoted equity shares | 7(a) | 84,528 | - | - | 84,528 |
| **Total financial assets measured at fair value** | | 1,050,751 | - | - | 1,050,751 |

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

***Financial instruments not measured at fair value***

The fair value information for other financial assets and financial liabilities not measured at fair value has not been disclosed because the carrying amount is a reasonable approximation of its fair value. The fair value of loans and receivables amounts to ₦1.005 billion. Loans and receivables cosists of placements with financial institutions and staff mortgage loans.

These financial instruments include:

*Cash and cash equivalents*

Cash and cash equivalents consists of cash on hand and current balances with banks.

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

*Trade receivables and other receivables*

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

*Bank overdrafts, trade payables, provision and other payables and finance lease obligations*

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

**Notes to the financial statements**

**(b) Financial risks**

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

**(i) *Market risk***

This reflects the possibility that the value of the investments will fall as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all investments traded in the market. The Company is exposed to this risk through its financial assets and comprises currency risk, interest rate risk and price risk.

***Currency risk***

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

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

***Foreign Currency risk***

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

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

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

***31 December 2016***

| | Pounds sterling ₦'000 | Euro ₦'000 | US Dollars ₦'000 | Total ₦'000 |
|---|---|---|---|---|
| Assets (Cash & Cash Equivalent) | 103 | 25,627 | 8,322,921 | 8,348,651 |
| Quoted equities | - | - | 40,245 | 40,245 |
| Loans and receivables | - | - | - | - |
| Liabilities | - | - | (8,005,683) | (8,005,683) |
| | 103 | 25,627 | 357,483 | 383,213 |

***31 December 2015***

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

**Foreign currency sensitivity analysis**

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

**Notes to the financial statements**

*31 December 2016*

| | Pounds sterling ₦'000 | Euro ₦'000 | US Dollars ₦'000 | Total ₦'000 |
|---|---|---|---|---|
| 10% increase | 10 | 2,563 | 35,748 | 38,321 |
| 10% decrease | (10) | (2,563) | (35,748) | (38,321) |
| **Impact of increase on:** | | | | |
| Pre-tax Profit | - | - | - | 323,735 |
| **Impact of decrease on:** | | | | |
| Pre-tax Profit | - | - | - | 247,093 |

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

*31 December 2015*

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

*Interest Rates Risk*

The Company's exposure to interest rate risk relates primarily to the market price and cash flow variability of assets and liabilities associated with changes in interest rates.

Insurance liabilities and employee benefits do not form part of this profile. Although they are significant liabilities subject to interest rate risk, they are not financial instruments within the scope of IFRS 7.

**Notes to the financial statements**

Changes in interest rates result to reduction in income 'spread' or the difference between the amounts that the Company is required to pay under the contracts and the rate of return the Company is able to earn on investments intended to support obligations under the contracts. Investment spread is, arguably, one of the key components of the net income of insurers.

The Company's mitigation efforts with respect to interest rate risk are primarily focused on maintaining an investment portfolio with diversified maturities that has a weighted average duration or tenor approximately equal to the duration of our liability cash flow profile.

Also, the Company manages this risk by adopting close asset/liability matching criteria, to minimize the impact of mismatches between asset and liability values arising from interest rate movements.

Furthermore, the Company uses sensitivity analytics to measure the impact of interest rate changes and movements on the value of our financial assets scenarios.

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

*Interest rate profile*

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

| Financial instruments | Notes | 31-Dec-16 | 31-Dec-15 |
|---|---|---|---|
| | | **₦'000** | **₦'000** |
| *Fixed Interest rate Instruments:* | | | |
| Cash and cash equivalents | 6 | 9,230,675 | 329,678 |
| Federal government bonds | 7(b) | - | 193,528 |
| Treasury bills | 7(b) | 20,603 | 6,185 |
| Placements | 7(c) | 836,717 | 905,156 |
| Statutory deposits | 16 | 340,000 | 340,000 |
| Mortgage loans | 7(c) | 106,692 | 191,147 |
| Finance lease obligations | 22 | 103,925 | (5,001) |
| | | 10,638,612 | 1,960,693 |
| *Others:* | | | |
| Bank overdrafts | 6 | (63,718) | (56,149) |
| | | (63,718) | (56,149) |

**Interest rate sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

| | *Fixed Interest rate analysis* | | *Variable Interest rate analysis* | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Increase in interest rate by 50 basis points (+0.5%) | 53,193 | 8,155 | (319) | (281) |
| Decrease in interest rate by 50 basis points (-0.5%) | (53,193) | (8,155) | 319 | 281 |
| **Impact of increase on:** | | | | |
| Pre-tax profit/(loss) | 338,607 | 148,953 | 285,095 | 140,517 |
| **Impact of decrease on:** | | | | |
| Pre-tax profit/(loss) | 232,221 | 132,643 | 285,733 | 141,079 |

The tax impact of interest rate movement is not included in the impact on shareholders equity as the final impact will depend on the tax status of the Company when it realises the impact of the interest rate results for tax purposes.

**Notes to the financial statements**

***Equity price risk management***

The Company is exposed to equity price risks arising from equity investments primarily from investments not held for unit-linked business. The shares included in financial assets represent investments in listed securities that present the Company with opportunity for return through dividend income and capital appreciation.

Equity investments designated as available-for- sale are held for strategic rather than trading purposes. The Company has no significant concentration of price risk.

The carrying amounts of the Company's equity investments are as follows:

| | | 2016 | 2015 |
|---|---|---|---|
| | | **₦'000** | **₦'000** |
| Equity Securities; - quoted (available for sale) | 7(a) | 84,528 | 84,788 |
| Equity Securities; - quoted (fair value through profit or loss) | 7(b) | 945,620 | 1,034,712 |
| Equity Securities; - unquoted (available for sale) | 7(a) | 324,788 | 261,423 |
| | | 1,354,936 | 1,380,923 |

**Equity price sensitivity analysis**

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| 10% increase | 135,494 | 138,092 |
| 10% decrease | (135,494) | (138,092) |
| **Impact of increase on:** | | |
| Pre-tax profit/(loss) | 420,908 | 278,890 |
| **Impact of decrease on:** | | |
| Pre-tax profit/(loss) | 149,920 | 2,706 |

The tax impact of interest rate movement is not included in the impact on shareholders equity as the final impact will depend on the tax status of the Company when it realises the impact of the interest rate results for tax purposes.

**Notes to the financial statements**

**(ii) Credit risk**

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

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

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

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

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

The majority of debt securities are investment grade and the Company has very limited exposure to sub-standard credits.
Reinsurance assets are reinsurers' share of outstanding claims and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability.
Loans and receivables from policyholders, agents and intermediaries generally do not have a credit rating.
The following table shows aggregated credit risk exposure for assets with external credit ratings:-

**Analysis of financial assets based on credit risk grades**

| **31 December 2016** | Notes | **AAA** **₦'000** | **AA** **₦'000** | **A+** **₦'000** | **A** **₦'000** | **BBB** **₦'000** | **B** **₦'000** | **Not rated** **₦'000** | **Carrying Amount** **₦'000** |
|---|---|---|---|---|---|---|---|---|---|
| Fair value through profit or loss carried at fair value (FVTPL) | | | | | | | | | |
| - FGN Bond | 7(b) | - | - | - | - | - | - | - | - |
| - Treasury bills (> 90 days) | 7(b) | - | - | - | - | - | 20,603 | - | 20,603 |
| | | - | - | - | - | - | 20,603 | - | 20,603 |
| Loans and receivables: | | | | | | | | | |
| - Mortgage Loans | 7(c) | - | - | - | - | - | - | 106,692 | 106,692 |
| - Placement with Finance Houses | 7(c) | - | - | - | - | - | - | 836,717 | 836,717 |
| | | - | - | - | - | - | - | 943,409 | 943,409 |
| - Other receivables net prepayment | 11 | - | - | - | - | - | - | 899,585 | 899,585 |
| | | - | - | - | - | - | - | 899,585 | 899,585 |
| Cash and cash equivalents: | | | | | | | | | |
| - Bank balances | 6 | - | - | 383,364 | - | - | - | - | 383,364 |
| - Tenor Deposits (0-30 days) | 6 | - | - | 9,230,675 | - | - | - | - | 9,230,675 |
| | | - | - | 9,614,039 | - | - | - | - | 9,614,039 |
| Reinsurance assets: | | | | | | | | | |
| Reinsurance claims recoverable | 9 | - | - | - | - | - | - | 972,334 | 972,334 |
| Trade/Insurance receivables | 8 | - | - | - | - | - | - | 47,587 | 47,587 |
| | | - | - | - | - | - | - | 1,019,921 | 1,019,921 |
| - Statutory deposits with CBN | 16 | - | - | - | - | - | - | 340,000 | 340,000 |
| | | - | - | - | - | - | - | 340,000 | 340,000 |
| | | | | | | | | | **13,246,873** |

**Notes to the financial statements**

| **31 December 2015** | Notes | **AAA** ₦'000 | **AA** ₦'000 | **A+** ₦'000 | **A** ₦'000 | **BBB** ₦'000 | **Not rated** ₦'000 | **Carrying Amount** ₦'000 |
|---|---|---|---|---|---|---|---|---|
| Fair value through profit or loss carried at fair value (FVTPL) | | | | | | | | |
| - FGN Bond | 7(b) | - | 193,528 | - | - | - | - | 193,528 |
| - Treasury bills (> 90 days) | 7(b) | 6,185 | - | - | - | - | - | 6,185 |
| | | 6,185 | 193,528 | - | - | - | - | 199,713 |
| Loans and receivables: | | | | | | | | |
| - Mortgage Loans | 7(c) | - | - | - | - | - | 191,147 | 191,147 |
| - Placement with Finance Houses | 7(c) | - | - | - | - | - | 905,156 | 905,156 |
| | | - | - | - | - | - | 1,096,303 | 1,096,303 |
| - Other receivables net prepayment | 11 | - | - | - | - | - | 1,333,703 | 1,361,813 |
| | | - | - | - | - | - | 1,361,813 | 1,361,813 |
| Cash and cash equivalents: | | | | | | | | |
| - Bank balances | 6 | - | - | - | 5,203,757 | - | - | 5,203,757 |
| - Tenor Deposits (0-30 days) | 6 | - | - | - | 329,678 | - | - | 329,678 |
| | | - | - | - | 5,533,435 | - | - | 5,533,435 |
| Reinsurance assets: | | | | | | | | |
| Reinsurance claims recoverable | 9 | - | - | - | - | - | 723,432 | 723,432 |
| Trade/Insurance receivables | 8 | - | - | - | - | 170,138 | - | 170,138 |
| - Statutory deposits with CBN | 16 | - | - | - | - | - | 340,000 | 340,000 |
| | | - | - | - | - | - | 340,000 | 340,000 |
| | | | | | | | | **9,771,045** |

**Analysis of financial assets based on past due status**
**31 December 2016**

| **Past due status** | **Notes** | **Assets carried at fair value through profit/loss (FVTPL)** ₦'000 | **Held to maturity** ₦'000 | **Other receivables less prepayments** ₦'000 | **Loans and receivables** ₦'000 | **Recoverable from reinsurers** ₦'000 | **Insurance/trade receivables** ₦'000 |
|---|---|---|---|---|---|---|---|
| Past due and impaired | 11 | - | - | 825,121 | - | - | - |
| Past due more than 90 days | | - | - | - | - | - | - |
| Past due 31 to 90 days | 8 | - | - | - | - | - | 647,581 |
| Past due less than 30 days | | - | - | - | - | - | - |
| Neither past due nor impaired | 7,11,9,8 | 20,603 | - | 940,260 | 943,409 | 972,334 | 47,587 |
| Total Carrying Amount | | 20,603 | - | 1,765,381 | 943,409 | 972,334 | 695,168 |

**31 December 2015**

| **Past due status** | **Notes** | **Assets carried at fair value through profit/loss (FVTPL)** ₦'000 | **Held to maturity** ₦'000 | **Other receivables less** ₦'000 | **Loans and receivables** ₦'000 | **Recoverable from reinsurers** ₦'000 | **Insurance/trade receivables** ₦'000 |
|---|---|---|---|---|---|---|---|
| Past due and impaired | 11 | - | - | 792,687 | - | - | - |
| Past due more than 90 days | | - | - | - | - | - | - |
| Past due 31 to 90 days | 8 | - | - | - | - | - | 510,263 |
| Past due less than 30 days | | - | - | - | - | - | - |
| Neither past due nor impaired | 7,11,9,8 | 199,713 | - | 1,361,813 | 1,096,303 | 723,432 | 170,137 |
| **Total Carrying Amount** | | 199,713 | - | 2,154,500 | 1,096,303 | 723,432 | 680,400 |

**Notes to the financial statements**

**(iii) Liquidity risk**

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

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

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

***Sources of Liquidity***

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

***Application of funds***

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

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

***Maturity Profile***

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

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

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

| **31 December 2016** | Notes | **Carrying amount** | **Contractual cashflow** | **< 1 month** | **1 - 3 months** | **3 - 12 months** | **1 - 5 years** | **> 5 years** |
|---|---|---|---|---|---|---|---|---|
| ***Non-derivative financial assets*** | | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Cash and cash equivalents | 6 | 9,615,160 | 9,637,827 | 9,613,833 | 23,994 | - | - | - |
| Fair value through profit or loss carried at fair value | 7(b) | 20,603 | 194,999 | 8,227 | - | 29,725 | 113,742 | 43,305 |
| Loans and receivables | 7(c) | 943,409 | 975,682 | 7,746 | 803,454 | 32,213 | 105,571 | 26,698 |
| Trade receivables | 8 | 47,587 | 47,587 | - | 47,587 | - | - | - |
| Reinsurance assets - recoverable from reinsurers | 9 | 972,334 | 972,334 | - | - | 972,334 | - | - |
| Other receivables less prepayment | 11 | 940,260 | 940,260 | - | - | 440,260 | 500,000 | - |
| Statutory deposits | 16 | 340,000 | 548,308 | - | - | - | 173,590 | 374,718 |
| | | 12,879,353 | 13,316,997 | 9,629,806 | 875,035 | 1,474,532 | 892,903 | 444,721 |
| ***Non-derivative financial liabilities*** | | | | | | | | |
| Bank overdrafts | 6 | 63,718 | 63,718 | 63,718 | - | - | - | - |
| Trade payables | 20 | 8,313,225 | 8,372,808 | 8,005,683 | | 367,125 | - | - |
| Other liabilities | 21 | 1,052,868 | 1,052,868 | 1,052,868 | - | - | - | - |
| Finance lease obligations | 22 | 103,925 | 156,435 | 4,696 | 14,089 | 33,833 | 103,817 | - |
| | | 9,533,736 | 9,645,830 | 9,126,965 | 14,089 | 400,958 | 103,817 | - |
| Gap (asset - liabilities) | | 3,345,617 | 3,671,167 | 502,841 | 860,946 | 1,073,574 | 789,086 | 444,721 |
| Cumulative liquidity gap | | 3,345,617 | 3,671,167 | 4,174,008 | 5,034,954 | 6,108,528 | 6,897,614 | 7,342,335 |

| **31 December 2015** | Notes | **Carrying amount** | **Contractual cashflow** | **< 1 month** | **1 - 3 months** | **3 - 12 months** | **1 - 5 years** | **> 5 years** |
|---|---|---|---|---|---|---|---|---|
| ***Non-derivative financial assets*** | | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Cash and cash equivalents | 6 | 5,534,750 | 5,537,048 | 5,205,072 | 331,976 | - | - | - |
| Fair value through profit or loss carried at fair value | 7(b) | 199,713 | 343,344 | 7,376 | 18,489 | 24,541 | 180,811 | 112,127 |
| Loans and receivables | 7(c) | 1,096,303 | 1,123,731 | - | - | 905,439 | 218,293 | - |
| Held to maturity | 7(d) | 170,138 | 170,138 | - | 170,138 | - | - | - |
| Reinsurance assets - recoverable from reinsurers | 9 | 723,432 | 723,432 | - | - | 723,432 | - | |
| Other receivables less prepayment | 11 | 1,361,813 | 1,361,813 | - | - | 861,813 | 500,000 | - |
| Statutory deposits | 16 | 340,000 | 575,860 | - | - | - | 196,550 | 379,310 |
| | | 9,426,149 | 9,835,366 | 5,212,448 | 520,603 | 2,515,225 | 1,095,654 | 491,437 |
| ***Non-derivative financial liabilities*** | | | | | | | | |
| Bank overdrafts | 6 | 56,149 | 56,149 | 56,149 | - | - | - | - |
| Trade payables | 20 | 5,376,586 | 5,376,586 | 5,018,782 | - | 357,804 | - | - |
| Other Liabilities | 21 | 704,396 | 704,396 | 704,396 | - | - | - | - |
| Finance lease obligations | 22 | 5,001 | 5,247 | - | 5,247 | - | - | - |
| | | 6,142,132 | 6,142,378 | 5,779,327 | 5,247 | 357,804 | - | - |
| Gap (asset - liabilities) | | 3,284,017 | 3,692,988 | (566,879) | 515,355 | 2,157,421 | 1,095,654 | 491,437 |
| Cumulative liquidity gap | | 3,284,017 | 3,692,988 | 3,126,109 | 3,641,465 | 5,798,886 | 6,894,539 | 7,385,976 |

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.

## Notes to the financial statements

**Insurance risk management**

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

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

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

**Non-life insurance**

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

The concentration of non-life insurance by the location of the

| | Gross | | Reinsurance | | Net | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Non-life insurance | | | | | | |
| - Within Nigeria | 5,398,979 | 4,434,285 | 2,189,935 | 1,582,128 | 3,209,044 | 2,852,157 |
| - Outside Nigeria | - | - | - | - | - | - |
| | 5,398,979 | 4,434,285 | 2,189,935 | 1,582,128 | 3,209,044 | 2,852,157 |

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

| | Gross | | Reinsurance | | Net | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Fire | 1,507,883 | 1,021,552 | 799,554 | 491,262 | 708,329 | 530,290 |
| Accident | 741,719 | 556,796 | 95,384 | 93,060 | 646,335 | 463,736 |
| Motor | 1,165,026 | 1,016,989 | 142,485 | 126,504 | 1,022,541 | 890,485 |
| Marine | 327,365 | 198,273 | 126,358 | 73,492 | 201,007 | 124,781 |
| Oil and Gas | 1,521,538 | 1,460,761 | 946,892 | 697,414 | 574,646 | 763,347 |
| Engineering | 121,133 | 163,055 | 72,110 | 89,924 | 49,023 | 73,131 |
| Bond | 14,315 | 16,859 | 7,152 | 10,472 | 7,163 | 6,387 |
| | 5,398,979 | 4,434,285 | 2,189,935 | 1,582,128 | 3,209,044 | 2,852,157 |

| | Gross | | Reinsurance | | Net | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Outstanding Claims (IBNR & reported)** | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Fire | 934,662 | 657,276 | 555,691 | 403,777 | 378,971 | 253,499 |
| Accident | 479,739 | 390,808 | 65,926 | 64,399 | 413,813 | 326,409 |
| Motor | 580,693 | 472,017 | 100,022 | 86,204 | 480,671 | 385,813 |
| Marine | 181,941 | 138,687 | 50,286 | 40,479 | 131,655 | 98,208 |
| Oil and Gas | 672,183 | 433,838 | 149,070 | 57,701 | 523,113 | 376,137 |
| Engineering | 76,304 | 102,128 | 44,194 | 62,229 | 32,110 | 39,899 |
| Bond | 14,298 | 16,247 | 7,144 | 8,644 | 7,154 | 7,603 |
| Total | 2,939,820 | 2,211,001 | 972,334 | 723,433 | 1,967,486 | 1,487,568 |

| | Gross | | Reinsurance | | Net | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| **Unexpired Risk** | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Fire | 573,221 | 364,276 | 243,863 | 87,485 | 329,358 | 276,791 |
| Accident | 261,980 | 165,988 | 29,457 | 28,661 | 232,523 | 137,327 |
| Motor | 584,333 | 544,971 | 42,464 | 40,300 | 541,869 | 504,671 |
| Marine | 145,424 | 59,587 | 76,073 | 33,013 | 69,351 | 26,574 |
| Oil and Gas | 849,355 | 1,026,922 | 797,821 | 639,713 | 51,534 | 387,209 |
| Engineering | 44,829 | 60,928 | 27,915 | 27,695 | 16,914 | 33,233 |
| Bond | 17 | 612 | 8 | 1,828 | 9 | (1,216) |
| Total | 2,459,159 | 2,223,284 | 1,217,601 | 858,695 | 1,241,558 | 1,364,588 |

**Assumptions and sensitivities**

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

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

**Claims development table for Royal General Insurance**

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

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

**Notes to the financial statements**

**Claims Development Pattern: Non- Life insurance**

**31 December 2016** — **Incremental Chain ladder-Yearly Projections (N)**

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2007 | 76,974 | 100,566 | 27,226 | 16,493 | 13,104 | 4,602 | 2,386 | 1,605 | 5,957 | 5,953 |
| 2008 | 180,779 | 74,365 | 10,146 | 8,951 | 18,675 | 2,087 | 564 | 873 | | |
| 2009 | 197,340 | 91,202 | 184,430 | 30,627 | 18,601 | 2,407 | 1,240 | 983 | | |
| 2010 | 352,398 | 334,778 | 37,390 | 11,491 | 9,552 | 5,249 | 281 | | | |
| 2011 | 374,208 | 521,134 | 92,590 | 6,147 | 11,036 | 81 | | | | |
| 2012 | 414,429 | 465,000 | 55,692 | 21,416 | 4,767 | | | | | |
| 2013 | 574,907 | 308,167 | 73,927 | 14,108 | | | | | | |
| 2014 | 496,122 | 343,341 | 45,478 | | | | | | | |
| 2015 | 703,341 | 376,397 | - | | | | | | | |
| 2016 | 731,908 | - | - | | | | | | | |

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

| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|
| 2007 | 90,369 | 130,760 | 40,801 | 16,493 | 20,455 | 4,601 | 2,386 | 1,605 | [illegible] |
| 2008 | 224,575 | 120,535 | 10,146 | 8,550 | 29,856 | 2,088 | 564 | 873 | |
| 2009 | 287,763 | 144,615 | 172,929 | 35,249 | 23,593 | 16,790 | 1,240 | | |
| 2010 | 423,867 | 348,593 | 151,026 | 19,554 | 21,506 | 5,250 | | | |
| 2011 | 699,737 | 1,190,807 | 274,558 | 104,759 | 12,044 | | | | |
| 2012 | 484,693 | 976,236 | 349,847 | 58,702 | | | | | |
| 2013 | 703,893 | 571,066 | 181,076 | | | | | | |
| 2014 | 749,384 | 1,018,548 | | | | | | | |
| 2015 | 1,037,614 | | | | | | | | |

**c Capital Management**

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

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

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

The Company fully complied with all externally imposed capital requirements throughout the year and this Solvency requirement was revalidated by HR Nigeria Ltd, the Company's Consultant Actuary in 2014 Actuarial Valuation Report.

The objectives, policies and processes for managing capital were unchanged. Under our capital management policy approved by the Board of Directors, the Managing Director and the Chief Financial Officer are authorized to approve capital actions on behalf of the company and to further delegate authority with respect to capital actions to appropriate officers. Any capital commitment that exceeds the authority granted to senior management is separately authorized by the Board.

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

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

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

## Notes to the financial statements

The company's solvency position is as follows:

| **Solvency margin computation** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| **Admissible Assets** | | |
| Cash and cash equivalents | 8,967,451 | 5,500,258 |
| Financial assets: | | |
| - Available for sale | 409,316 | 346,211 |
| - At fair value through profit or loss | 1,075,988 | 1,234,425 |
| - Loans and receivables | 542,204 | 1,096,303 |
| Investment in associates | 415,429 | 500,669 |
| Trade receivables | 47,587 | 170,138 |
| Other receivables: | 500,000 | 500,000 |
| Deferred acquisition cost | 283,338 | 301,965 |
| Reinsurance assets | 2,189,935 | 1,582,128 |
| Investment properties | 3,060,609 | 2,724,214 |
| Statutory deposit | 340,000 | 340,000 |
| Property and equipment | 797,879 | 801,268 |
| Intangible assets | 5,907 | 12,597 |
| Employees benefits assets | 234,011 | 154,016 |
| **A** | **18,869,654** | **15,264,191** |
| **Less: Admissible liabilities** | | |
| Bank overdrafts | 63,718 | 56,149 |
| Trade and other payables | 8,313,225 | 5,376,586 |
| Provision and other payables | 1,052,868 | 704,396 |
| Deferred income | 162,942 | 122,169 |
| Insurance liabilities | 5,398,979 | 4,434,285 |
| Finance lease obligations | 103,925 | 5,001 |
| Employees benefits obligations | 29,995 | 493,530 |
| Current income tax liabilities | 262,572 | 217,737 |
| **B** | **15,388,224** | **11,409,853** |
| **Solvency margin (A-B)** | **3,481,430** | **3,854,338** |
| **Minimum paid up capital** | 3,000,000 | 3,000,000 |
| **Net premium** | 4,778,662 | 4,657,133 |
| **15% of Net premium** | 716,799 | 698,570 |

The company's solvency margin of ₦3,481,430,000 (2015: ₦3,854,338,000) is more than the minimum paid up capital of N3,000,000,000 (2015: N3,000,000,000). The company is solvent since the solvency margin is higher than the minimum paid up capital & 15% of net premium.

**d Financial assets and liabilities**
**Accounting classification, measurement basis and fair values**

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

**31 December 2016**

| | Notes | Loans and receivables ₦'000 | Designated at fair value ₦'000 | Available- for-sale ₦'000 | Other financial liabilities at amortised cost ₦'000 | Total carrying amount ₦'000 | Fair value ₦'000 |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 6 | 9,615,160 | - | - | - | 9,615,160 | 9,615,160 |
| Financial assets | 7 | 943,409 | 1,075,988 | 409,316 | - | 2,428,713 | 2,490,613 |
| Trade receivables | 8 | 47,587 | - | - | - | 47,587 | 47,587 |
| Other receivables less prepayments | 11 | 940,260 | - | - | - | 940,260 | 940,260 |
| Statutory deposits | 16 | 340,000 | - | - | - | 340,000 | 340,000 |
| Reinsurance assets | 9 | 972,334 | - | - | - | 972,334 | 972,334 |
| | | 12,858,750 | 1,075,988 | 409,316 | - | 14,344,054 | 14,405,954 |
| Bank overdrafts | 6 | - | - | - | 63,718 | 63,718 | 63,718 |
| Trade payables | 20 | - | - | - | 8,313,225 | 8,313,225 | 8,313,225 |
| Other payables | 21 | - | - | - | 1,052,868 | 1,052,868 | 1,052,868 |
| | | - | - | - | 9,429,811 | 9,429,811 | 9,429,811 |

**Notes to the financial statements**

**31 December 2015**

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

**Notes to the financial statements**

## 6 Cash and cash equivalents

| | 2016 ₦'000 | 2015 ₦'000 |
|---|---|---|
| Cash | 1,121 | 1,315 |
| Bank balances | 383,364 | 5,203,757 |
| Short-term deposits (including demand and time deposits) | 9,230,675 | 329,678 |
| Cash and cash equivalents (as per statement of financial position) | 9,615,160 | 5,534,750 |
| Bank overdrafts | (63,718) | (56,149) |
| Cash and cash equivalents (as per statement of cash flows) | 9,551,442 | 5,478,601 |

Short–term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company. All deposits were subject to an average variable interest rate of 6% (2015: 12%).

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

## 7 Financial assets

| | 2016 ₦'000 | 2015 ₦'000 |
|---|---|---|
| Available for sale financial assets: (see note 7(a)below | 409,316 | 346,211 |
| Fair value through profit or loss (FVTPL) (see note 7(b) below | 1,075,988 | 1,234,425 |
| Loans and receivables at amortised cost (see note 7( c) below | 943,409 | 1,096,303 |
| **Total financial assets** | **2,428,713** | **2,676,939** |
| Within one year | 857,320 | 911,341 |
| More than one year | 1,571,393 | 1,765,598 |
| | **2,428,713** | **2,676,939** |

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

| | 2016 ₦'000 | 2015 ₦'000 |
|---|---|---|
| Unlisted equities at cost | 490,195 | 426,830 |
| Listed equities at market value | 84,528 | 84,788 |
| Specific allowance on impairment on available for sale assets (see note 7(a)(ii) below) | (165,407) | (165,407) |
| Carrying amount as at year end | 409,316 | 346,211 |

7(a)(ii) The company's available for sale financial assets comprise investment in unlisted equities which are carried at cost less impairment allowance as the fair value could not be determined reliably. The investments were assessed for impairment as at year end. Quoted investments are carried at fair value with the changes recognised in Other Comprehensive Income ("OCI").

The movements in specific impairment allowance on unlisted equities is analyzed below;

| | 2016 ₦'000 | 2015 ₦'000 |
|---|---|---|
| Balance, beginning of year | 165,407 | 165,407 |
| Impairment allowance recognised during the year | - | - |
| Write-off during the year | - | - |
| Balance, end of year | 165,407 | 165,407 |

**Notes to the financial statements**

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Federal Government bonds | 109,765 | 193,528 |
| Treasury bills | 20,603 | 6,185 |
| Quoted equities | 945,620 | 1,034,712 |
| | 1,075,988 | 1,234,425 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Unlisted debentures | - | - |
| Staff mortgage loans | 106,692 | 191,147 |
| Placements | 836,717 | 905,156 |
| | 943,409 | 1,096,303 |

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

**31-DEC-16**

| | Fair value through profit or loss | Loans and receivables | Available for sale | Total |
|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| As at 1 January 2016 | 1,234,424 | 1,096,303 | 346,211 | 2,676,938 |
| Additions during the year | 193,381 | 39,622 | 13,199 | 246,202 |
| Disposal (sales & redemptions) | (256,529) | (192,516) | - | (449,045) |
| Fair value losses recognised in OCI | - | - | (241) | (241) |
| Fair value losses recognised in profit or loss | (103,853) | - | - | (103,853) |
| Foreign exchange gains recognised in profit or loss | 8,565 | - | - | 8,565 |
| Foreign exchange gains recognised in OCI | - | - | 50,147 | 50,147 |
| As at 31 December 2016 | 1,075,988 | 943,409 | 409,316 | 2,428,713 |

**31-DEC-15**

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

**8 Trade receivables**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Due from agents (see note 8(a) below) | 21,679 | 22,273 |
| Due from co-insurers (see note 8(b) below) | 25,908 | 147,864 |
| | 47,587 | 170,138 |
| Within one year | 47,587 | 170,138 |
| More than one year | - | - |
| | 47,587 | 170,138 |

The carrying amount is a reasonable approximation of fair value

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Gross receivable from agents | 312,626 | 379,754 |
| Less: Impairment allowance (see note 8a(i) below) | (290,947) | (357,481) |
| | 21,679 | 22,273 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance, beginning of year | 357,481 | 82,951 |
| Allowance made during the year | - | 274,530 |
| Write off | - | - |
| Recovery during the year (see note 36) | (66,534) | - |
| | 290,947 | 357,481 |

**8(b)** Due from co-insurers

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Reinsurance Receivables | 382,542 | 300,646 |
| Less: Impairment allowance (see note 8(b)(i) below) | (356,634) | (152,782) |
| | 25,908 | 147,864 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance, beginning of year | 152,782 | 137,510 |
| Allowance made during the year | 203,852 | 15,272 |
| | 356,634 | 152,782 |

**Notes to the financial statements**

**9 Reinsurance assets**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Prepaid reinsurance premium | 1,217,601 | 858,696 |
| Reinsurers' share of claims expenses outstanding | 643,402 | 437,798 |
| Reinsurers' share of incurred but not reported claim | 328,932 | 285,634 |
| | 2,189,935 | 1,582,128 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance, beginnning of year | 858,696 | 912,846 |
| Movement during the year (see note 31) | 358,905 | (54,150) |
| Balance, end of year | 1,217,601 | 858,696 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance, beginnning of year | 437,798 | 436,158 |
| Movement during the year | 205,604 | 1,640 |
| Balance, end of year | 643,402 | 437,798 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance, beginnning of year | 285,634 | 396,570 |
| Movement during the year | 43,298 | (110,936) |
| Balance, end of year | 328,932 | 285,634 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Fire | 799,554 | 491,262 |
| General Accident | 95,384 | 93,060 |
| Motor | 142,485 | 126,504 |
| Marine | 126,358 | 73,492 |
| Oil & Gas | 946,892 | 697,414 |
| Engineering | 72,110 | 89,924 |
| Bonds | 7,152 | 10,472 |
| | 2,189,935 | 1,582,128 |
| Within one year | 2,189,935 | 1,582,128 |
| More than one year | - | - |
| | 2,189,935 | 1,582,128 |

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

**Notes to the financial statements**

**10 Deferred acquisition cost**

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance at start of the year | 301,965 | 327,004 |
| Additions in the year | 676,327 | 772,524 |
| Amortization in the year | (694,954) | (797,563) |
| Balance as at year end | 283,338 | 301,965 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Fire | 69,795 | 52,259 |
| Accident | 38,131 | 26,478 |
| Motor | 30,393 | 37,622 |
| Marine and aviation | 18,250 | 9,640 |
| Oil & Gas | 120,913 | 166,164 |
| Engineering | 5,856 | 9,735 |
| Bond | - | 67 |
| | 283,338 | 301,965 |

**11 Other receivables and prepayment**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Intercompany receivables (see note 11(a) below) | 422,074 | 817,874 |
| Accrued investment income (see 11 (b) below) | 11,313 | 28,110 |
| Other receivables (see note 11(c) below) | 6,873 | 15,829 |
| Security Holding Trust account (see 11(d) below) | 500,000 | 500,000 |
| Prepayments (see 11(e) below) | 141,747 | 168,238 |
| | 1,082,007 | 1,530,051 |
| Within one year | 582,007 | 1,030,051 |
| More than one year | 500,000 | 500,000 |
| | 1,082,007 | 1,530,051 |

The carrying amount is a reasonable approximation of fair value

**11(a) Intercompany receivables**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Royal Exchange Plc | - | 464,025 |
| Royal Exchange Prudential Life Assurance | 294,146 | 273,403 |
| Royal Exchange Healthcare Ltd | 115,313 | 74,905 |
| Royal Exchange Finance | 10,136 | 5,541 |
| Royal Exchange Microfinance Bank Ltd | 2,479 | - |
| | 422,074 | 817,874 |

**Notes to the financial statements**

**11(b) Accrued Investment Income**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Dividend receivables | 11,313 | 28,110 |
| Impairment on accrued investment | - | - |
| | 11,313 | 28,110 |

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

| | 2016 | 2015 |
|---|---|---|
| | 2016 | ₦'000 |
| Balance, beginning of the year | - | 8,855 |
| Allowance made during the year | - | - |
| Reversal of impairment | - | (8,855) |
| Balance, end of the year | - | - |

**11(c) Sundry Receivables**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Other receivables | 713,967 | 672,536 |
| Accrued rental Income | 29,362 | 20,279 |
| Staff loans and other debtors | 88,665 | 115,701 |
| Impairment on other receivables (see 11(c)(i) below) | (825,121) | (792,687) |
| | 6,873 | 15,829 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance, beginning of the year | 792,687 | 792,687 |
| Allowance made during the year | 32,434 | - |
| Reclassifications | - | - |
| Write back of other receivables | - | - |
| Balance, end of the year | 825,121 | 792,687 |

**11(d)** Security holding trust account relates to amounts receivable from Security Holding Trust in respect of an investment in a proposed staff share incentive scheme which is a subject of litigation in suit FHC/L/CS/5479/09. Assets in cash dividends of ₦231million (2015: N231 million) and ordinary shares of Royal Exchange Plc with market value of ₦462 million (2015: ₦462 million) as at 31 December 2016 are being held as guarantee that value will not be lost.

**11(e) Prepayment**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Prepaid furniture allowance | 38,481 | 40,761 |
| Prepaid rent allowance | 54,503 | 58,170 |
| Prepaid staff benefit | 29,657 | 53,985 |
| Prepaid expenses | 19,106 | 15,322 |
| | 141,747 | 168,238 |

The movements in prepayment is analysed below:

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance, beginning of year | 168,239 | 151,565 |
| Amortisations to P&L | (299,974) | (256,805) |
| Additions | 273,482 | 273,479 |
| Reclassification to properties and equipments | - | - |
| Balance, end of year | 141,747 | 168,239 |

**Notes to the financial statements**

**12 Investment in associates**

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

| **31 December 2016** | **CBC EMEA ₦'000** | **REHL ₦'000** | **TOTAL ₦'000** |
|---|---|---|---|
| Balance, beginning of the year | 274,088 | 226,582 | 500,670 |
| Additional investment during the year | - | - | - |
| Dividend income | - | - | - |
| Share of current year other comprehensive income | (5,988) | - | (5,988) |
| | 268,100 | 226,582 | 494,682 |
| Share of current year profit or loss | (1,406) | 9,426 | 8,020 |
| Share of cumulative unrecognised results | (87,547) | 274 | (87,273) |
| Recognised in profit or loss | (88,953) | 9,700 | (79,253) |
| Balance, end of the year | 179,147 | 236,282 | 415,429 |

**Investment in associates**

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

| **31 December 2015** | **CBC EMEA ₦'000** | **REHL ₦'000** | **TOTAL ₦'000** |
|---|---|---|---|
| Balance, beginning of the year | 295,251 | 223,329 | 518,580 |
| Additional investment during the year | 30,000 | - | 30,000 |
| Dividend income | (14,536) | - | (14,536) |
| Share of current year other comprehensive income | - | 2,418 | 2,418 |
| | 310,715 | 225,747 | 536,462 |
| Share of current year profit or loss | (48,799) | 2,569 | (46,230) |
| Share of cumulative unrecognised results | 12,172 | (1,734) | 10,438 |
| Recognised in profit or loss | (36,627) | 835 | (35,792) |
| Balance, end of the year | 274,088 | 226,582 | 500,670 |

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

| **Name of entity** | **Value of equities ₦'000** | **Percentage holding %** |
|---|---|---|
| Royal Exchange Healthcare Limited (see note 12(b)(i) below) | 236,282 | 33.00% |
| CBCEMEA Limited (see note 12(b)(ii) below) | 179,147 | 26.10% |
| Balance, end of year | **415,429** | |

**12(b)(i)** This represents the Company's investment in the ordinary shares of Royal Exchange Healthcare Limited ("REHL"), a company incorporated in Nigeria. Royal Exchange Healthcare Limited is owned by three (3) entities (i.e. Royal Exchange Plc which holds 30%, Royal Exchange General Insurance which holds 33% and Royal Exchange Prudential life Plc which holds 37%).

Royal Exchange Prudential Life Plc and Royal Exchange General Insurance are wholly owned subsidiaries of Royal Exchange Plc. Hence, Royal Exchange Plc indirectly owns 100% of Royal Exchange Healthcare Limited.

The investee company has a 31 December year end.

This represents the Company's investment in the ordinary shares of City Business Computers EMEA Limited (CBC EMEA) incorporated in Nigeria, representing 26.10% (December 2015: 22.92%) equity interest in the company. The investee company has 31 December year end.

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

**Notes to the financial statements**

12(b)(ii) This represents the Company's investment in the ordinary shares of City Business Computers EMEA Limited (CBC EMEA) incorporated in Nigeria, representing 22.92% (December 2015: 22.92%) equity interest in the company. The investee company has 31 December year end.

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

**REHL**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| **Percentage ownership interest** | **33.0%** | **33.00%** |
| Total assets | 1,048,806 | 1,133,397 |
| Total liabilities | 332,803 | 446,788 |
| Net assets | 716,003 | 686,609 |
| Company's share of net assets | 236,281 | 226,581 |
| Carrying amount of associate | 236,281 | 226,581 |
| Net premium income | 356,677 | 419,801 |
| Total underwriting expenses | (386,436) | (329,258) |
| Net other income | 177,010 | 63,784 |
| Total expenses | (110,697) | (140,637) |
| Profit before tax from continuing operations | 36,554 | 13,690 |
| Taxation | (7,990) | (5,906) |
| Profit after tax from continuing operations | 28,564 | 7,784 |
| Other comprehensive income net of tax | | 7,326 |
| Total comprehensive income | 28,564 | 15,110 |
| Company's share of total comprehensive income | 9,426 | 4,986 |
| Company's share of other comprehensive income | - | 2,418 |
| Company's share of profit | 9,426 | 2,569 |

**CBC EMEA**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| **Percentage ownership interest** | **26.1%** | **26.10%** |
| Non-Current Asset | 1,788,506 | 1,767,001 |
| Current Asset | 3,730,915 | 3,369,394 |
| Non-Current Liabilities | (895,587) | (820,867) |
| Current Liabilities | (3,937,447) | (3,265,328) |
| Net assets | 686,387 | 1,050,200 |
| Company's share of net assets | 179,147 | 274,086 |
| Carrying amount of associate | | 274,088 |
| Revenue | 2,734,506 | 3,078,818 |
| (Loss)/profit from continuing operations | (5,387) | (186,978) |
| Other comprehensive (loss)/income | (22,942) | - |
| Total comprehensive income | (28,329) | (186,978) |
| Company's share of total comprehensive income | (7,394) | (48,799) |
| Company's share of other comprehensive income | (5,988) | - |
| Company's share of loss | (1,406) | (48,799) |

**Notes to the financial statements**

## 13 Investment properties

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| At 1 January | 3,265,716 | 3,341,640 |
| Additions during the year | - | - |
| Disposals during the year | | - |
| Transfer to property and equipments | - | (541,887) |
| Fair value gains | 475,893 | 465,963 |
| At 31 December | 3,741,609 | 3,265,716 |

**13(a)** The items of investment properties are valued as shown below:

| Investment properties location | Name of valuer | Address of Valuer | FRC NOS. | NIESVA Reg. no | 2016 | 2015 |
|---|---|---|---|---|---|---|
| | | | | | ₦'000 | ₦'000 |
| No.2, bank road,off Ibrahim Taiwo way, Kano | Associates Estate Surveyor & | Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja | FRC/2013/NIESV/00000 000834 | A-1277 | 405,600 | 320,700 |
| No.5, NBC road,off Ahmadu Bello way, Kaduna | Associates Estate Surveyor & | Suite B7, Halima Plaza, behind Sahad Stores, Balanga, Abuja | FRC/2013/NIESV/00000 000834 | A-1277 | 275,400 | 220,800 |
| No. 7, Usuma Cresent Maitama Abuja | Emeka Orji Partnership | Suite 9G, 9th floor, Ahmed Talib House (NNDC) 18/19 Ahmadu Bello Way, Kaduna | FRC/2013/NIESV/00000 000976 | A-1672 | 560,000 | 545,825 |
| No 1, Eleko Close, Ikoyi,Lagos | Saibu Makinde & Associates | NIPOST Building, 5th floor (right wing), Lafiaji, Lagos | FRC/2013/NIESV/00000 000730 | A-1878 | 799,422 | 700,000 |
| No. 2, Eleko Close Ikoyi Lagos | Saibu Makinde & Associates | NIPOST Building, 5th floor (right wing), Lafiaji, Lagos | FRC/2013/NIESV/00000 000730 | A-1878 | 981,073 | 850,000 |
| No. 26, Abduraman Okene Cresent,Victoria Island, Lagos | Saibu Makinde & Associates | NIPOST Building, 5th floor (right wing), Lafiaji, Lagos | FRC/2013/NIESV/00000 000730 | A-1878 | 720,114 | 628,390 |
| | | | | | **3,741,609** | **3,265,715** |

## Notes to the financial statements

Included in investment properties is an aggregate amount of ₦681 million which represents properties registered in the name of Royal Exchange General Insurance Company Limited. The Company is making concerted efforts to perfect the title of the remaining investment properties, which are in the name of its legacy parent, Royal Exchange Assurance Nigeria Plc.

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

| Property details | Balance as at 1 January 2016 | Addition during the year | Transfer | Fair value gain | Balance as at 31 December 2016 |
|---|---|---|---|---|---|
| No.2, bank road,off Ibrahim Taiwo way, Kano | 320,700 | - | - | 84,900 | 405,600 |
| No.5, NBC road,off Ahmadu Bello way, Kaduna | 220,800 | - | - | 54,600 | 275,400 |
| No. 7, Usuma Cresent Maitama Abuja | 545,825 | - | - | 14,175 | 560,000 |
| No 6A/6B Usuma Cresent,Maitama, Abuja. | - | - | | | - |
| No 1, Eleko Close, Ikoyi,Lagos | 700,000 | - | - | 99,422 | 799,422 |
| No. 2, Eleko Close Ikoyi Lagos | 850,000 | - | - | 131,073 | 981,073 |
| No. 26, Abduraman Okene Cresent,Victoria Island, Lagos | 628,391 | - | - | 91,723 | 720,114 |
| Land at Odonla in Odogunyan Area of Ikorodu,Lagos | - | - | - | - | - |
| | **3,265,716** | - | - | **475,893** | **3,741,609** |

| Property details | Balance as at 1 January 2015 | Addition during the year | Transfer | Fair value gain | Balance as at 31 December 2015 |
|---|---|---|---|---|---|
| No.2, bank road,off Ibrahim Taiwo way, Kano | 302,450 | - | | 18,250 | 320,700 |
| No.5, NBC road,off Ahmadu Bello way, Kaduna | 214,700 | - | | 6,100 | 220,800 |
| No. 7, Usuma Cresent Maitama Abuja | 513,501 | - | | 32,323 | 545,824 |
| No 6A/6B Usuma Cresent,Maitama, Abuja. | 541,886 | | (541,886) | - | - |
| No 1, Eleko Close, Ikoyi,Lagos | 548,970 | - | | 151,030 | 700,000 |
| No. 2,Eleko Close, Ikoyi Lagos | 630,000 | - | | 220,000 | 850,000 |
| No. 26, Abduraman Okene Cresent,Victoria Island, Lagos | 590,133 | - | | 38,258 | 628,391 |
| | **3,341,640** | - | **(541,886)** | **465,961** | **3,265,715** |

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

Investment properties are stated at fair value, which has been determined based on valuations performed by Messrs Yayok Associates, Emeka Orji Partnership & Saibu Makinde Associates as at 31 December 2016. They are industry specialists in valuing these types of investment properties. The fair value is supported by market evidence and represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with standards issued by the International Valuation Standards Committee. Valuations are performed on an annual basis and the fair value gains and losses are reported in profit or loss. The profits or losses on disposal are also reported in profit or loss as they occurred.

The fair value of the company's investment properties are categorized into Level 3 of the fair value hierarchy.

Rental Income earned on the Company's investment properties for the year amounted to N62,732,000.00 (2015: N55,672,000.00). In addition, there are no direct expenses arising from investment properties during the year under review. There is also no restriction on the realisability of the properties.

| Property description | Valuation (₦'000) | Location of property | Valuation technique | Significant unobservable input |
|---|---|---|---|---|
| The property is a fully completed building with 3 floors located in the central business district of Kano which is a commercial neighbourhood.<br><br>Site: The site, which is slightly irregular in shape, appears level and well drained and is relatively flat. It has a total area of approximately 1,685 square metres.<br><br>Situation: Primary access to the property is vide the Ibrahim Taiwo road Kano State. | 405,600 | No.2, bank road,off Ibrahim Taiwo way, Kano | Discounted cashflows of net benefits derivable from the property over its useful economic life. | Future rental cashflows;<br>Estimated vacancy rates;<br>Maintenance costs and<br>Capitalisation rate. |

**Notes to the financial statements**

| Property description | Valuation (₦'000) | Location of property | Valuation technique | Significant unobservable input |
|---|---|---|---|---|
| The property is a 2 storey office block and a commercial bungalow located in the central business district of Kaduna State.<br><br>Site: The site, which is rectangular in shape, appears level and relatively flat. It covers a total land area of approximately 5,184 square metres.<br><br>Situation: Primary access to the property is vide the Ahmadu Bello way while a secondary access is the Broadcasting road Kaduna State. | 275,400 | No.5, NBC road, off Ahmadu Bello way, Kaduna | Discounted cashflows of net benefits derivable from the property over its useful economic life. | Future rental cashflows;<br>Estimated vacancy rates;<br>Maintenance costs and<br>Capitalisation rate. |
| The property is a 5 bedroom detached duplex located in a high brow low density residential neighbourhood in Abuja.<br><br>Site: The site is rectangular in shape, appears firm and is sloped gently towards the back. It has a total land area of approximately 2,133.60 square metres.<br><br>Situation: Primary access to the property is vide the Usman Crescent which takes its root from Gana street which itself takes root from the popular Shehu Shagari way in Maitama Abuja. | 560,000 | No. 7, Usuma Crescent Maitama Abuja | Discounted cashflows of annual rentals | Future rental cashflows;<br>Estimated vacancy rates;<br>Maintenance costs and<br>Capitalisation rate. |

**Notes to the financial statements**

| Property description | Valuation (₦'000) | Location of property | Valuation technique | Significant unobservable input |
|---|---|---|---|---|
| The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighbourhoud of Lagos.<br><br>Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,041.76 square metres.<br><br>Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi. | 799,422 | No 1, Eleko Close, Ikoyi, Lagos | Discounted cashflows of net benefits derivable from the property over its useful economic life | Future rental cashflows;<br>Estimated vacancy rates;<br>Maintenance costs and<br>Capitalisation rate. |
| The property is a 4 bedroom detached house. It is located in the Old Ikoyi fully developed neighbourhoud of Lagos.<br><br>Site: The site, which is rectangular in shape, and covers a total land area of approximately 1,837.85 square metres.<br><br>Situation: Primary access to the property is vide the Macpherson Street which carries traffic to Bourdillon road Ikoyi. | 981,073 | No. 2, Eleko Close Ikoyi Lagos | Discounted cashflows of net benefits derivable from the property over its useful economic life. | Future rental cashflows;<br>Estimated vacancy rates;<br>Maintenance costs and<br>Capitalisation rate. |

**Notes to the financial statements**

| Property description | Valuation (₦'000) | Location of property | Valuation technique | Significant unobservable input |
|---|---|---|---|---|
| The property is a block of open plain office space on two floors. It is located in the commercial area of Lagos State.<br><br>Site: The site, which is rectangular in shape, appears level and relatively flat. It covers a total land area of approximately 1,260 square metres.<br><br>Situation: Primary access to the property is vide the Ligali Ayorinde Street. | 720,114 | No. 26, Abduraman Okene Cresent,Victoria Island, Lagos | Discounted cashflows of net benefits derivable from the property over its useful economic life. | Future rental cashflows;<br>Estimated vacancy rates;<br>Maintenance costs and<br>Capitalisation rate. |

**Notes to the financial statements**

**14 Property and equipment**

| | Leasehold Land | Freehold buildings | Computer Equipment | Furniture, Fittings | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Cost** | | | | | | |
| Balance at 1 January 2016 | 197,525 | 1,649,770 | 226,743 | 431,809 | 451,017 | 2,956,864 |
| Reversals (see note c below) | (2,456) | - | - | - | - | (2,456) |
| Transfer from Investment Properties | - | - | - | - | - | - |
| Additions | | - | 7,070 | 7,731 | 124,838 | 139,639 |
| Disposals | | - | | (3,632) | (86,109) | (89,741) |
| Balance as at 31 December 2016 | 195,069 | 1,649,770 | 233,813 | 435,908 | 489,746 | 3,004,306 |
| | | | | | | |
| Balance at 1 January 2015 | 137,649 | 1,088,343 | 218,654 | 427,966 | 477,781 | 2,350,393 |
| Transfer from Investment Properties | - | 541,887 | - | - | - | 541,887 |
| Reclassifications | (2,624) | 2,624 | - | - | - | - |
| Additions | 62,500 | 16,916 | 8,089 | 7,254 | 41,642 | 136,401 |
| Disposals | - | - | - | (3,411) | (68,406) | (71,817) |
| Balance at 31 December 2015 | 197,525 | 1,649,770 | 226,743 | 431,809 | 451,017 | 2,956,864 |

**Depreciation**

| *In thousands of Naira* | Leasehold Land | Freehold buildings | Computer Equipment | Furniture, Fittings | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| Balance at 1 January 2016 | 2,456 | 146,383 | 205,370 | 359,677 | 330,736 | 1,044,622 |
| Reversals (see note c below) | (2,456) | | | | | (2,456) |
| Transfer from prepaid expenses | - | - | - | | - | - |
| Charge for the year | - | 32,995 | 11,211 | 30,097 | 84,653 | 158,956 |
| Disposals | - | - | - | (1,743) | (82,459) | (84,202) |
| Balance as at 31 December 2016 | - | 179,378 | 216,581 | 388,031 | 332,930 | 1,116,920 |
| | | | | | | |
| Balance at 1 January 2015 | 16 | 108,506 | 191,247 | 324,205 | 291,344 | 915,318 |
| Transfer from prepaid expenses | - | - | - | - | - | - |
| Charge for the year | 2,440 | 37,877 | 14,123 | 38,061 | 82,103 | 174,604 |
| Disposals | - | - | - | (2,589) | (42,711) | (45,300) |
| Balance at 31 December 2015 | 2,456 | 146,383 | 205,370 | 359,677 | 330,736 | 1,044,622 |
| | | | | | | |
| Carrying amounts: | | | | | | |
| Balance as at 31 December 2016 | 195,069 | 1,470,392 | 17,232 | 47,877 | 156,816 | 1,887,386 |
| Balance as at 31 December 2015 | 195,069 | 1,503,387 | 21,373 | 72,132 | 120,281 | 1,912,242 |

(a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2015: nil).

(b) The Company had no capital commitments as at the balance sheet date (2015: nil)

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

Consequently, the Company has discontinued depreciation of leasehold land. The previously recognized accumulated depreciation was nilled of during the year against the cost.

(d) Included in properties and equipment is an aggregate amount of₦797.88 million registered in the name of Royal Exchange General Insurance Company Limited. The Company is making concerted efforts to perfect the title of the remaining assets, which are in the name of Royal Exchange Plc and its legacy parent, Royal Exchange Assurance Nigeria Plc.

**Notes to the financial statements**

15 **Intangible assets**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| *Cost:* | | |
| At 1 January | 165,007 | 165,007 |
| Additions | - | - |
| Balance at 31 December 2016 | 165,007 | 165,007 |
| *Accumulated amortisation:* | | |
| At 1 January | 152,411 | 143,929 |
| Charge for the year (see note 39) | 6,689 | 8,481 |
| Balance at 31 December 2016 | 159,100 | 152,410 |
| Balance at 31 December 2016 | 5,907 | 12,597 |

All Company's intangible assets represents purchased software.

16 **Statutory Deposits**

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Deposits with Central Bank of Nigeria | 340,000 | 340,000 |
| | 340,000 | 340,000 |

17 **Employee benefit obligations**

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

The Company offers its employees defined benefit plan in the form of gratuity scheme and other long-term benefits. The Gratuity Scheme covers all employees who were in service as at 31 May, 2008 and it is payable to an employee on resignation only if the employee has served the company for more than five years. The gratuity benefit is based on a percentage of an employee's annual emolument.
Qualification for long service award scheme operated are for employees who have spent 10 years and above in service of the company. This is awarded in different categories of 10 years, 15 years, 20 years, 25 years, 30 years and 35 years.
The employee benefit obligations are actuarially determined at the year end by HR Nigeria Limited with FRC number FRC/2012/NAS/00000000738. The actuarial valuation is computed based on the "Projected Unit Credit" method. Gains and losses of changes in actuarial assumptions are charged to other comprehensive income.

The details of the employee benefit obligations are as below:

17(a)

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Employees retirement benefits( see note 17(d)) | 234,011 | 154,016 |
| Gratuity (outstanding liability) | - | (454,603) |
| Long Service Award (Outstanding liability) | (29,995) | (38,927) |
| Net Employees' Retirement Obligations | (29,995) | (493,530) |

**Notes to the financial statements**

| | | 2016 | 2015 |
|---|---|---|---|
| **17(b)** | Company's Asset for:- | **₦'000** | **₦'000** |
| | – Pension benefits (see note 17d) | 415,841 | 396,808 |
| | Total | 415,841 | 396,808 |

| | | 2016 | 2015 |
|---|---|---|---|
| **17(c)** | Company's obligations for:- | **₦'000** | **₦'000** |
| | – Pension benefits (see note 17(d)) | (181,830) | (242,792) |
| | – Gratuity (see note 17(e)) | - | (454,603) |
| | – Long Service Award (see note 17(f)) | (29,995) | (38,927) |
| | Total Company's obligation | (211,825) | (736,322) |
| | | | |
| | Amount expenses in profit or loss :- | | |
| | – Pension benefits | (21,904) | (27,838) |
| | – Gratuity | - | 46,623 |
| | – Long Service Award | (6,133) | 8,288 |
| | Total (see note 39) | (28,037) | 27,073 |
| | | | |
| | Gain/ (loss) on other comprehensive income | | |
| | -Adjustments for Net Pension Assets | 58,091 | (74,236) |
| | -Adjustments for Gratuity Obligations | - | - |
| | -Adjustments for Long-Service Awards Obligations | 15,281 | 689 |
| | Total (see note 29) | 73,372 | (73,547) |

**17(d) Pension benefits**

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Present value of funded obligations | (181,830) | (242,792) |
| Fair value of plan assets | 415,841 | 396,808 |
| Asset in the statement of financial position | 234,011 | 154,016 |

| | | |
|---|---|---|
| Current | - | - |
| Non-current | 234,011 | 154,016 |
| Asset in the statement of financial position | 234,011 | 154,016 |

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| At 1 January | 242,792 | 193,545 |
| Current service cost | | |
| Interest cost | 25,713 | 26,724 |
| Actuarial losses/(gains)-Assumption | (41,413) | 37,436 |
| Actuarial losses/(gains)-Experience | (19,659) | 15,303 |
| Benefits paid by employer | - | (30,216) |
| Benefits paid by the Fund | (25,603) | - |
| At 31 December | 181,830 | 242,792 |

**Notes to the financial statements**

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| At 1 January | 396,808 | 363,743 |
| Expected return on plan assets | 47,617 | 54,562 |
| Employer contributions | - | - |
| Benefit paid from the fund | (25,603) | - |
| Actuarial Gains/(Losses) | (2,981) | (21,497) |
| At 31 December | 415,841 | 396,808 |

The amounts recognised in the profit or loss are as follows

| | 2016 | 2015 |
|---|---|---|
| | | ₦'000 |
| Current service costs | - | - |
| Net interest costs/income: | | |
| - Interest costs | 25,713 | 26,724 |
| - Expected Return on plan asset | (47,617) | (54,562) |
| At 31 December | (21,904) | (27,838) |

The principal actuarial assumptions used were as follows:

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 16% | 12% |
| Future pension increases | 3% | 3% |
| Inflation rate | 12% | 9% |

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

| | 2016 | 2015 |
|---|---|---|
| Male | 79 | 80 |
| Female | 83 | 84 |

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

**2016**

| | Change in assumption | | Impact on overall liability | |
|---|---|---|---|---|
| Discount rate | -0.50% | 0.50% | 186,392 | 177,486 |

**2015**

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

17(e) **Gratuity Benefits**

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Present value of funded obligations | - | - |
| Fair value of plan assets | - | - |
| | - | - |
| Present value of unfunded obligations | - | 454,603 |
| Liability in the statement of financial position | - | 454,603 |

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Current | - | - |
| Non-current | - | (454,603) |
| Liability in the statement of financial position | - | (454,603) |

**Notes to the financial statements**

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| At 1 January | 454,603 | 482,612 |
| Current service cost | | 38,432 |
| Interest cost | | 30,888 |
| Past Service Cost (including Curtailments) | | (22,697) |
| Benefits paid | (454,603) | (74,632) |
| Actuarial losses/(gains) | - | - |
| At 31 December | - | 454,603 |

The gratuity plan was terminated effective 31 December 2015. The Company has settled the employees from its' placements in 2016.

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Current service costs | - | 38,432 |
| Net interest costs/income: | - | - |
| - Interest costs | - | 30,888 |
| - Expected Return on plan asset | - | (22,697) |
| Past service costs (including curtailment) | - | - |
| At 31 December | - | 46,623 |

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

**17(f) Long Service Awards**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Present value of funded obligations | - | - |
| Fair value of plan assets | - | - |
| | - | - |
| Present value of unfunded obligations | (29,995) | (38,927) |
| Liability in the statement of financial position | 29,995 | 38,927 |

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Current | - | - |
| Non-current | (29,995) | (38,927) |
| Liability in the statement of financial position | (29,995) | (38,927) |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| At 1 January | 38,927 | 32,481 |
| Current service cost | 4,756 | 4,105 |
| Interest cost | 4,392 | 4,872 |
| Past Service Cost (including Curtailments) | - | - |
| Benefits paid | (2,799) | (1,842) |
| Settlements (Transfer of plan liabilities) | - | - |
| Actuarial losses/(gains) | (15,281) | (689) |
| At 31 December | 29,995 | 38,927 |

**Notes to the financial statements**

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Current service costs | 4,756 | 4,105 |
| Net interest costs/income: | | |
| - Interest costs | 4,392 | 4,872 |
| At 31 December | 9,148 | 8,977 |

The principal actuarial assumptions used were as follows:

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 16% | 12% |
| Future salary increases | 13% | 11% |
| Inflation rate | 12% | 9% |

The sensitivity of overall long service award liability to

**2016**

| | Change in assumption | | Impact on overall liability | |
|---|---|---|---|---|
| Discount rate | -0.50% | 0.50% | 27,277 | 25,952 |
| Future salary increases | -0.50% | 0.50% | 26,075 | 27,094 |
| Inflation rate | -0.50% | 0.50% | 26,468 | 26,684 |

**2015**

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

**Notes to the financial statements**

**18 Deferred Taxation**

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

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

*In thousands of Naira*

| | | | 2016 | | | |
|---|---|---|---|---|---|---|
| | **Net balance as at 1 January** | **Recognised in profit or loss** | **Recognised in OCI** | **Net balance as at 31 December 2016** | **Deferred tax asset** | **Deferred tax liabilities** |
| ***Net Deferred tax assets*** | | | | | | |
| Property and equipment, and software | 11,194 | 103,008 | | 114,202 | 114,202 | |
| Unrelieved loss | 242,663 | (27,103) | | 215,560 | 215,560 | |
| Employee benefits | 148,058 | (138,461) | - | 9,597 | 9,597 | |
| **Deferred tax assets** | **401,915** | **(62,556)** | **-** | **339,360** | **339,359** | |
| ***Deferred tax liabilities*** | | | | | | |
| Investment properties | (186,916) | (47,590) | (4,890) | (239,396) | | (239,396) |
| **Deferred tax assets/(liabilities)** | **214,999** | **(110,146)** | **(4,890)** | **99,964** | **339,359** | **(239,396)** |

*In thousands of Naira*

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

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

As at 31 December 2016, an amount of ₦273.190 million was not recorded as deferred tax asset (31 December 2015: ₦264.534million) as it is not deemed probable that future taxable profits will be available which can be utilised.

**Notes to the financial statements**

## 19 Deferred income

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Deferred rental income | 29,648 | 23,392 |
| Deferred commission income (see note 19(b)) | 133,294 | 98,777 |
| | 162,942 | 122,169 |

| | | |
|---|---|---|
| Due within 1 - 12months | 154,335 | 95,885 |
| Due afer more than 12months | 8,610 | 26,284 |
| | 162,945 | 122,169 |

### 19(a) *Deferred rental income*

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| At 1 January | 23,392 | 28,716 |
| Additions during the year | 67,949 | 34,060 |
| Amortised during the year | (61,693) | (39,384) |
| At 31 December | 29,648 | 23,392 |

### 19(b) *Deferred commission income*

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance at start of the year | 98,777 | 73,518 |
| Additions during the year | 462,937 | 305,245 |
| Amortised during the year | (428,420) | (279,985) |
| Balance as at year end | 133,294 | 98,777 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Fire | 75,349 | 23,504 |
| Accident | (3,495) | 9,825 |
| Motor | 11,832 | 10,326 |
| Marine and aviation | 6,531 | 9,802 |
| Oil & Gas | 22,762 | 37,480 |
| Engineering | 20,169 | 7,291 |
| Bond | 147 | 549 |
| | 133,295 | 98,777 |

## 20 Trade payables

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Reinsurance payables | 307,542 | 357,804 |
| YOA Insurance brokers- Premium received in advance (see (i) below ) | 8,005,683 | 5,018,782 |
| | 8,313,225 | 5,376,586 |

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

| | | |
|---|---|---|
| Due within 1 - 12months | 8,313,225 | 5,376,586 |
| Due afer more than 12months | - | - |
| | 8,313,225 | 5,376,586 |

**(i)** Included in the trade payable account is N8.055 billion which represents premium received in advance relating to policy written. The policy has an insurance period between January 2017 to 31 December 2017

**Notes to the financial statements**

## 21 Other liabilities

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Accruals | 86,456 | 161,723 |
| NAICOM levy | 42,313 | 34,491 |
| Other liabilities (see (i) below) | 409,670 | 223,712 |
| Provision for litigations and claims | 78,954 | 78,954 |
| Payable to Royal Exchange Finance and Asset Management Company | - | 60,505 |
| Payable to Royal Exchange Plc | 281,964 | 11,060 |
| Payable to Royal Exchange Trustee Fund | 153,511 | 133,949 |
| Payable to Royal Exchange Microfinance Bank Ltd | - | - |
| | 1,052,868 | 704,395 |

| | | |
|---|---|---|
| Due within 1 - 12months | 1,052,868 | 168,440 |
| Due afer more than 12months | - | 535,955 |
| | 1,052,868 | 704,396 |

**(i)** Other liabilities is made up of the following balances:

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Employee benefit payable | 133,021 | 27,941 |
| PAYE payable | 13,343 | 9,894 |
| Witholding tax payable | 54,525 | 44,877 |
| VAT Payable | 17,796 | 24,406 |
| Pension payable | 67,672 | 33,840 |
| NHF payable | 7,418 | 7,418 |
| Professional fee payable | 17,045 | - |
| Subscription payable | 8,799 | 736 |
| Provision | 90,051 | 74,600 |
| | 409,670 | 223,712 |

## 22 Finance lease obligations

The Company leased certain of its property, plant and equipment under finance leases. The average lease term is 3 years. The Company has options to purchase the equipment for a nominal amount at the end of the lease terms. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 18% to 22% (2015: 18% to 22%) per annum.

| | Future minimum lease payments | | Interest | | Present value of future lease payments | |
|---|---|---|---|---|---|---|
| | **31-Dec-16** | **31-Dec-15** | **31-Dec-16** | **31-Dec-15** | **31-Dec-16** | **31-Dec-15** |
| | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** | **₦'000** |
| Not later than one year | 56,356 | 5,247 | 21,245 | 246 | 35,111 | 5,001 |
| Later than one year and not later than 5 years | 82,692 | - | 13,879 | - | 68,814 | - |
| | 139,048 | 5,247 | 35,124 | 246 | 103,925 | 5,001 |
| Within one year | 56,356 | 5,247 | 21,245 | 246 | 35,111 | 5,001 |
| More than one year | - | - | 13,879 | - | 68,814 | - |
| | 56,356 | 5,247 | 35,124 | 246 | 103,925 | 5,001 |

## 23 Insurance contract liabilities

| | 2016 | 2015 |
|---|---|---|
| Non-life business | **₦'000** | **₦'000** |
| Unexpired risk (See note 23(b) and (c) below) | 2,459,159 | 2,223,284 |
| Outstanding claims: (See note 23(d) and (e) below) | - | - |
| - Claims outstanding | 1,971,277 | 1,432,816 |
| - Incurred but not reported | 968,543 | 778,185 |
| | 5,398,979 | 4,434,285 |

**Notes to the financial statements**

**23(b)** Unexpired risk is summarised by type below

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Fire | 573,221 | 364,276 |
| Accident | 261,980 | 165,988 |
| Motor | 584,333 | 544,971 |
| Marine | 145,424 | 59,587 |
| Oil and Gas | 849,355 | 1,026,922 |
| Engineering | 44,829 | 60,928 |
| Bond | 17 | 612 |
| Total | 2,459,159 | 2,223,283 |

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Balance, beginnning of year | 2,223,284 | 2,303,340 |
| Movement during the year (see note 30(b)) | 235,875 | (80,056) |
| Balance, end of year | 2,459,159 | 2,223,284 |

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

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Fire | 934,662 | 657,276 |
| Accident | 479,739 | 390,808 |
| Motor | 580,693 | 472,017 |
| Marine | 181,941 | 138,687 |
| Oil and Gas | 672,183 | 433,838 |
| Engineering | 76,304 | 102,128 |
| Bond | 14,298 | 16,247 |
| Total | 2,939,820 | 2,211,000 |

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

| | ₦'000 |
|---|---|
| 0- 90 days | 259,590 |
| 91- 180 days | 226,092 |
| 181-270 days | 177,239 |
| 271-360 days | 205,290 |
| Above 360 days | 1,103,066 |
| | **1,971,277** |

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

| | 2016 | 2015 |
|---|---|---|
| | **₦'000** | **₦'000** |
| Balance, beginnning of year | 2,211,000 | 2,430,405 |
| Movement during the year (see note 33) | 728,820 | (219,405) |
| Balance, end of year | 2,939,820 | 2,211,000 |

**Notes to the financial statements**

**23(f) Hypothecation of Insurance Fund on Assets**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| Insurance liabilities | - | 5,398,979 | - | 4,434,285 |
| Less Reinsurance recoverable: | | | | |
| Reinsurers' expenses prepaid | 1,217,601 | | 858,696 | |
| Reinsurers' s share of claims expenses outstanding | 643,402 | | 437,798 | |
| Reinsurers' s share of incurred but not reported claim | 328,932 | | 285,634 | |
| *Total recoverables* | | (2,189,935) | | (1,582,128) |
| | | 3,209,044 | | 2,852,157 |
| **Asset Cover:** | | | | |
| Quoted equity, not more than 50% of insurance liability | 945,620 | | 847,884 | |
| Cash and cash equivalents | 961,768 | | 515,968 | |
| Loans and receivables | 435,512 | | 905,156 | |
| Federal government bond | 109,765 | | 193,528 | |
| State government and Corporate bond | - | | - | |
| Unlisted debentures | - | | - | |
| Treasury bills | 20,603 | | 6,185 | |
| Mortgage loan | 106,692 | | 191,147 | |
| Unquoted equity | 409,316 | | 285,216 | |
| Property and Equipment | 797,879 | | | |
| Intangible assets | - | | | |
| *Total assets* | | 3,787,155 | | 2,945,084 |
| Surplus/ (deficit) | | 578,111 | | 92,927 |

**24 Taxation**

**24(a) *Charge for the year***

| | Notes | 2016 | 2015 |
|---|---|---|---|
| *Recognised in profit or loss* | | ₦'000 | ₦'000 |
| Company Income tax | | - | - |
| Withholding tax on dividends | | - | 5,640 |
| Under provision in prior years | | 41,955 | 15,380 |
| Tertiary education tax | | - | 2,199 |
| Technology tax | | 2,826 | 1,408 |
| | | 44,781 | 24,627 |
| Origination of temporary differences | 18 | 110,145 | 276,095 |
| Income taxes | | 154,926 | 300,722 |
| Minimum tax | | 46,424 | 43,736 |
| *Recognised in other comprehensive income* | | | |
| Deferred tax on remeasurement of defined benefit scheme | 18 | (4,890) | 207 |

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004 as amended and Tetiary Education Tax Act, CAP E4 LFN 2004.

**Reconciliation of effective tax rate**

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Tax rate | Amount | Tax rate | Amount |
| | % | ₦'000 | % | ₦'000 |
| Profit before tax | | 285,414 | | 140,798 |
| Company income tax using the domestic corporation tax rate | 30% | 85,624 | 30% | 42,239 |
| Non-deductible expenses | 28% | 79,756 | 0% | 698 |
| Tax exempt income | -51% | (144,700) | -22% | (31,377) |
| Derecognition of unrelieved losses | 31% | 89,465 | 188% | 264,534 |
| Prior year tax underprovision | 15% | 41,955 | 11% | 15,380 |
| Minimum tax | 16% | 46,424 | 31% | 43,736 |
| WHT paid on dividends | 0% | - | 4% | 5,640 |
| Information technology tax levy | 1% | 2,826 | 1% | 1,408 |
| Tertiary education tax | 0% | - | 1% | 2,199 |
| | 71% | 201,350 | 244% | 344,457 |

**Notes to the financial statements**

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Beginning of the year | 217,737 | 222,666 |
| Charge for the year | 91,205 | 68,363 |
| Paid during the year | (46,368) | (73,292) |
| As at year end | 262,572 | 217,737 |

**25 Share capital**

Share capital comprises

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Authorized share capital | | |
| 5,000,000,000 ordinary share of ₦1 each | 5,000,000 | 5,000,000 |
| | | |
| Ordinary share capital | | |
| 4,366,666,666 ordinary share of ₦1 each | 4,366,667 | 4,366,667 |
| Addition during the year | - | - |
| 4,366,666,666 ordinary share of ₦1 each | 4,366,667 | 4,366,667 |

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

**Dividends on ordinary shares**

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

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

**26 Share premium**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Beginning of the year | 802,737 | 802,737 |
| Additions during the year | - | - |
| As at year end | 802,737 | 802,737 |

**27 Contingency reserve**

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

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Beginning of the year | 1,288,611 | 1,081,952 |
| Transfer from profit or loss account | 269,866 | 206,659 |
| As at year end | 1,558,477 | 1,288,611 |

**Notes to the financial statements**

## 28 Retained earnings

The reserve comprises undistributed profit/ (loss) from previous years and the current year available for dividend distribution to the equity shareholders of the company (if approved at the Annual General Meeting). For the analysis of movement in Retained Earnings, see the 'Statement of Changes in Equity'

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| At the beginning of the year | 255,889 | 797,208 |
| Transfer from profit and loss | 84,064 | (203,660) |
| Transfer to contingency reserve | (269,866) | (206,659) |
| Dividend paid during the year | - | (131,000) |
| At end of the year | 70,087 | 255,889 |

## 29 Other components of equity

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Balance at the beginning of the year | 72,454 | 131,162 |
| Fair value changes : | | |
| -Available for sale financial assets (see note 7(d) | 49,906 | 12,215 |
| -Share of current year results in equity accounted investees (see note 12(a) | (5,988) | 2,418 |
| Total fair value changes in statement of changes in equity | 43,918 | 14,633 |
| -Actuarial losses/(gain) on employee benefit obligations (see note 17(c)) | 73,372 | (73,547) |
| Tax effects on OCI (see note 18) | (4,890) | 207 |
| At end of the year | 184,854 | 72,454 |

### b Nature and purpose of other components of equity

***Fair value reserves***

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

***Acturial reserves***

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

## 30(a) Premium written

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| **Non-life insurance premiums:** | | |
| Gross written premiums | 8,995,530 | 6,888,637 |

## 30(b) Unearned premium

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Change in unearned premiums | (235,875) | 80,056 |
| **Gross earned premiums** | 8,759,655 | 6,968,693 |

## 31 Reinsurance expenses

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Gross written reinsurance premiums | 4,339,898 | 2,257,409 |
| Change in reinsurance unearned premiums | (358,905) | 54,150 |
| | 3,980,993 | 2,311,560 |

**Notes to the financial statements**

**32 Fee and commission income**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Reinsurance commissions | 428,420 | 279,985 |
| | 428,420 | 279,985 |

**33 Insurance claims and benefits incurred**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Gross claims paid | 1,988,490 | 2,321,319 |
| Less: Movement in gross outstanding claims and IBNR (see note 23(e)) | 728,820 | (219,405) |
| Gross incurred claims (see note 33(a) below) | 2,717,310 | 2,101,914 |
| Less: Reinsurance incurred claims (see note 33(b) below) | (993,505) | (626,158) |
| | **1,723,805** | **1,475,757** |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Motor and Accident | 953,756 | 834,795 |
| Fire and IAR | 1,045,221 | 844,977 |
| Marine | 415,869 | 438,174 |
| Engineering | 20,084 | 141,495 |
| Bond | 5,267 | 7,255 |
| Special Risk | 277,113 | (164,782) |
| | 2,717,310 | 2,101,914 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Motor and Accident | 179,416 | 231,808 |
| Fire and IAR | 490,371 | 281,298 |
| Marine | 119,045 | 114,549 |
| Engineering | 110,947 | 63,747 |
| Bond | (1,500) | (1,072) |
| Special Risk | 95,226 | (64,173) |
| | 993,505 | 626,158 |

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Salaries & allowances - underwriting employees (39(a)) | 688,303 | 723,026 |
| Accommodation costs | 80,547 | 90,679 |
| Communication Costs | 200,573 | 323,269 |
| Business and administration expenses | 172,548 | 195,780 |
| Acquisition costs: | | |
| Insurance contracts – non-life | 676,327 | 755,212 |
| Amortisation of insurance contracts deferred acquisition costs | 18,627 | 13,419 |
| Other commissions | 41,300 | 41,054 |
| | 1,878,225 | 2,142,439 |

**Notes to the financial statements**

## 35 Investment and other income

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Interest income on investment (see note 35 (a) below) | 194,483 | 227,338 |
| Dividend income (see note 35(a) below) | 78,471 | 79,485 |
| Net realised gains/(losses) on financial assets | (616) | 6,962 |
| Net Investment Income | 272,338 | 313,784 |
| Changes in fair value (see note 35(a)) | 372,040 | 285,525 |
| **Total Investment Income** | 644,378 | 599,309 |

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

| | 2016 | | | | |
|---|---|---|---|---|---|
| | Dividend Income | Net realised gains and losses | Changes in fair value | Interest Income | Total |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Debt securities:** | | | | | |
| *Available-for-sale | - | - | - | - | - |
| *At fair value through profit/loss | - | - | - | - | - |
| *Loans & receivables (amortised cost) | - | - | - | - | - |
| **Equity Securities:** | | | | - | - |
| *Available-for-sale | 51,363 | - | - | - | 51,363 |
| *At fair value through profit/loss | 27,108 | (616) | (103,853) | 194,483 | 117,122 |
| Investment properties | - | - | 475,893 | - | 475,893 |
| Cash and cash equivalents | - | - | - | - | - |
| Deposits with credit institutions | - | - | - | - | - |
| Mutual funds and unit trusts | - | - | - | - | - |
| Investment management income | - | - | - | - | - |
| | 78,471 | (616) | 372,040 | 194,483 | 644,378 |

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Dividend Income | Net realised gains and losses | Changes in fair value | Interest Income | Total |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Debt securities:** | | | | | |
| *Available-for-sale | - | - | - | - | - |
| *At fair value through profit/loss | - | - | - | 18,772 | 18,772 |
| *Loans & receivables (amortised cost) | - | - | - | 107,230 | 107,230 |
| **Equity Securities:** | | | | | - |
| *Available-for-sale | 11,302 | - | - | - | 11,302 |
| *At fair value through profit/loss | 68,182 | 6,962 | (180,438) | - | (105,294) |
| **Investment properties** | - | - | 465,963 | - | 465,963 |
| **Cash and cash equivalents** | - | - | - | 42,821 | 42,821 |
| Deposits with credit institutions | - | - | - | 14,729 | 14,729 |
| Mutual funds and unit trusts | - | - | - | - | - |
| Investment management income | - | - | - | 43,786 | 43,786 |
| | 79,485 | 6,962 | 285,525 | 227,338 | 599,309 |

## 36 Write back/allowance for impairment

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Impairment allowance on premium receivables - non-life business (see note 8(a)(i)) | (66,534) | 274,530 |
| Impairment allowance on reinsurance receivables (see note 8(b)(i)) | 203,852 | 15,273 |
| Impairment allowance on other receivables (see note 11(c)(i)) | 32,434 | 3,988 |
| Writeback/additional impairment allowance on dividend receivables (see note 11(b)(i)) | - | (8,855) |
| Write back of impairment allowance on cash & cash equivalents | - | - |
| Writeback/additional impairment allowance on fair value through proft or loss | 1,612 | - |
| | 171,364 | 284,936 |

**Notes to the financial statements**

**37 Other operating income**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Rental income | 62,732 | 55,672 |
| Loss on disposal of property and equipments | (52) | (1,356) |
| Interest on loan & advances | 673 | 4,563 |
| Income from lead-underwriting businesses | 153,927 | 11,622 |
| Recoveries of previously written off assets | - | 11,868 |
| Bonus payments by brokers (ceeding commission profit) | - | 38,859 |
| | 217,280 | 121,229 |

**38 Foreign exchange gains**

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Gains on translation of foreign currency transactions | (36,683) | 48,875 |
| | (36,683) | 48,875 |

**39 Management expenses**

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | ₦'000 | ₦'000 |
| Salaries and allowances of other employees | 39(a) | 502,332 | 542,850 |
| Post employment defined benefit expenses | 17( c) | (8,184) | 27,073 |
| Audit fees | | 16,193 | 15,500 |
| Amortization of intangible assets | | 6,689 | 8,481 |
| Promotional and advert expenses | | 3,155 | 3,907 |
| Depreciation on property and equipment | | 158,956 | 174,605 |
| Directors' fees | | 578 | 1,048 |
| Donations | | 225 | 2,080 |
| Bank charges | | 23,066 | 29,888 |
| Legal fee retainer | | 27,533 | 21,554 |
| Insurance premium | | 45,705 | 30,131 |
| Accounting consultancy fee | | 22,645 | 18,066 |
| Investment expenses | | 150,809 | 157,219 |
| Penalties paid to NAICOM | | - | - |
| Electricity charges | | 47,476 | 116,867 |
| VAT paid | | 16,879 | 45,483 |
| Repairs and maintenance | | 21,271 | 77,657 |
| Telephone expenses | | 18,536 | 27,008 |
| Transportation expenses | | 45,665 | 103,955 |
| Annual software renewal fees | | 19,872 | 40,326 |
| Subscription and Journals | | 1,940 | 24,268 |
| Assets written off | | 13,363 | - |
| Marketing expenses | | 575,196 | - |
| Advertisements | | 119,240 | - |
| Finance Charges | | 19,995 | 1,449 |
| Other administrative expenses see note (i) below. | | 44,861 | 157,396 |
| | | **1,893,996** | **1,626,810** |

(i) Other administrative expenses relate to expenses incurred for the day to day running of the Company during the year.

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

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Salaries & allowances - underwriting employees (see note 34) | 688,303 | 723,026 |
| Salaries and allowances of other employees | 502,332 | 542,850 |
| | **1,190,635** | **1,265,876** |

**Notes to the financial statements**

## 40 Reconciliation notes to statement of cash flows

40(a) Insurance premium received from customers

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Gross written premiums (See note 30(a)) | 8,759,655 | 6,968,693 |
| | | |
| Unexpired risk,opening balance (See note 23(c)) | (2,223,284) | (2,303,340) |
| Unexpired risk,closing balance (See note 23(c)) | (2,459,159) | (2,223,284) |
| **Unearned premium** | **235,875** | **(80,056)** |
| | | |
| Trade receivables,opening balance (See note 8) | 170,138 | 32,832 |
| Trade receivables,closing balance (See note 8) | (47,587) | (170,138) |
| **Premium received from trade debtors** | **122,551** | **(137,306)** |
| | | |
| **Insurance premium received from customers** | **9,118,081** | **6,911,443** |

40(b) Insurance benefits and claims paid to customers

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Claims incurred (See note 33) | (2,717,310) | (2,101,914) |
| Outstanding claims reserve, opening balance (See note 23(d)) | (2,211,000) | (2,430,405) |
| Outstanding claims reserve, closing balance (See note 23(d)) | 2,939,820 | 2,211,000 |
| **Insurance benefits and claims paid to customers** | **(1,988,490)** | **(2,321,319)** |

40(c) Outward reinsurance premium paid

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Opening trade payables (See note 20) | 5,376,586 | 5,121,897 |
| Gross expenses recognised in Profit or Loss (See note 31) | 4,339,898 | 2,311,560 |
| Closing trade payables (See note 20) | (8,313,225) | (5,376,586) |
| **Outward reinsurance premium paid** | **1,403,259** | **2,056,871** |

40(d) Fees and commission received

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Opening deferred income (See note 19(b)) | (98,777) | (102,234) |
| Net fee and commission recognized in P or L (See note 32) | (428,420) | (279,985) |
| Closing deferred income (See note 19(b)) | 133,294 | 122,169 |
| **Fees and commission received** | **(462,937)** | **(260,050)** |

40(e) Claim recoveries made from reinsurers

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Reinsurers' share of claims expenses outstanding, opening (See note 9) | 437,798 | 475,035 |
| Reinsurers' share of claims expenses outstanding, closing (See note 9) | (643,402) | (437,798) |
| **Movement in reinsurers' share of claims expenses outstanding** | **(205,604)** | **37,237** |
| | | |
| Reinsurers' share of incurred but not reported claim, opening (See note 9) | 285,634 | 396,570 |
| Reinsurers' share of incurred but not reported claim, closing (See note 9) | (328,932) | (285,634) |
| **Movement in reinsurers' share of incurred but not reported claim** | **(43,298)** | **110,936** |
| | | |
| Claims recovery (See note 33(b)) | 993,505 | 626,158 |
| **Claim recoveries made from reinsurers** | **744,603** | **774,331** |

40(f) Commissions paid

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Deferred Acquisition cost, opening balance (See note 10) | 301,965 | 327,004 |
| Deferred Acquisition cost, closing balance (See note 10) | (283,338) | (301,965) |
| Charge to Profit or Loss | (717,627) | (796,266) |
| **Commissions paid** | **(736,254)** | **(821,305)** |

**Notes to the financial statements**

**40(g)** Cash payment to employees, intermediaries and other suppliers

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Cash payments to employees (See note 39(a)) | 1,190,635 | 1,265,876 |
| Other cash payments to intermediaries and suppliers | 1,195,007 | 2,040,349 |
| **Cash payments to employees, intermediaries and other suppliers** | **(2,385,642)** | **(3,306,225)** |

**40(h)** Proceeds from sale of property and equipment

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Cost of property and equipment | 89,741 | 71817 |
| Accumulated depreciation | (84,202) | (45,300) |
| Loss on disposal (See note 37) | (52) | (1,356) |
| **Proceeds from sale of property and equipment** | **5,487** | **25,161** |

**40(i)** Dividend income received

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Dividend accrual, opening balance (See note 11(b)) | 28,110 | 117,948 |
| Profit or loss Charge (See note 35) | 78,471 | 79,485 |
| Impairment charge (See note 36) | - | 8,855 |
| Dividend accrual, closing balance (See note 11(b)) | (11,313) | (28,110) |
| **Dividend income received** | **95,268** | **178,178** |

**40(j)** Rental Income

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Rental income recognised in profit or loss (see note 37) | 62,732 | 55,672 |
| Non-cash adjustments | (2,827) | - |
| **Rental income received** | **59,905** | **55,672** |

**40(k)** Interest income

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Accrued interest income (opening) | 35,222 | 11,359 |
| Profit or loss charge | 194,483 | 227,338 |
| Accrued interest income (closing) | (57,522) | (35,222) |
| **Interest income received** | **172,183** | **203,475** |

**Notes to the financial statements**

**41 Outstanding claims on insurance contracts**

Outstanding claim represents the estimated ultimate cost of settling all claims arising from incidents occurring as at the date of the statement of financial position. Provision for outstanding claims of ₦2,939,820,000 (See table 40(a)(iv) below) was actuarially determined based on information presented below:

**41(a) Reserving Methods and Assumptions - 31 December 2016**

The provision for outstanding claims, including IBNR, was determined for each line of business on both gross and net of reinsurance basis. A yearly cohort from year 2007 has been adopted in building the historical claims. In some cases, only the year of accidents or settlement was given and hence made it impossible to identify the exact period of the year when the accident or settlement was made. However, where such cases arose, we have assumed that the accident or settlement was made in the same year.

We have carried out our calculations using the following four (4) approaches explained below;

i **The Basic Chain Ladder Method (BCL):** The Basic Chain Ladder method forms the basis to the reserving methods explained below. Historical paid claims were grouped into accident year cohorts by class of business–representing when they were paid after their accident year e.g. a claim paid 3 years after accident year 2007 etc. These cohorts form the development triangles. Each accident years, paid claims were accumulated to the valuation date and projected into future their expected ultimate claim amount using the trends observed in the historical data. The gross claim reserve was then derived from the difference between the cumulated paid claims and the estimated ultimate claim. For the later years where the cohorts are underdeveloped or has less than expected claims, the Bornheutter Ferguson (BF) method was used to estimate the ultimate claims. The appropriate loss ratio used in estimated the BF ultimate claim was the average of fully developed historical years

ii **The Inflation Adjusted Chain Ladder Method (IACL):** Under this method, the historical paid losses were adjusted to allow for inflation to the valuation date using thecorresponding inflation index in each of the accident years.The inflation adjusted paid claims were then treated similarly to the Basic Chain Ladder described above. Thedifference between the estimated ultimate values and the cumulative historical paid claims is then split into future expected payment periods and inflated based on our future inflation assumption to the expected future payment date.

We have adopted the official inflation indices below in our calculations:

| Year | Inflation Index |
|---|---|
| 2007 | 6.60% |
| 2008 | 15.10% |
| 2009 | 13.90% |
| 2010 | 11.80% |
| 2011 | 10.30% |
| 2012 | 12.00% |
| 2013 | 8.00% |
| 2014 | 8.30% |
| 2015 | 9.60% |
| 2016 | 18.48% |
| 2017+ | 15.00% |

iii **Discounted Basic Chain Ladder (BCL) and Inflation Adjusted Basic Chain Ladder (IABCL)** : This is the discounted form of the BCL and IABCL. In determining the value, the future expected cash flow forclaim payments is discounted to present day terms using our assumed discount rate.

iv **Stochastic Reserving Method (Bootstrap):** This method is a further extension of the Chain Ladder method. Rather than producing a single deterministicestimate it provides a distribution of possible results. The approach starts with the BCL model explained above but allows the Development ratio assumptions to vary. For example, the Development ratio could vary from year to year between 1.5% - 3% dependent on the past trend. The Model then follows the same calculation as the BCL but a thousands times, each picking different values from the Development ratios at random. From the result distribution, we estimate the results as a percentile of the distribution e.g. 50%, 95% or 99.5%.

The calculation are on two bases;

- By discounting the claims estimated to the valuation date at a discount rate of 16% p.a which atvaluation data was close to the weighted average of bonds with outstanding term of 4 years or less.
- With no discounting

**Assumptions**

- Our methods assumes policies are written uniformly throughout the year for each class of business.
- Claims occur uniformly throughout the year for each class of business. This implies that claims occur on average halfway through year.
- Future claims follow a regression pattern from the historical data. Hence payment patterns will be broadlysimilar in each accident year. The proportionate increase in the known cumulative payments from one development year to the next is used to calculate the expected cumulative payments for the future development periods.
- An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged into the future.
- We assume gross claim amount includes all related claim expenses. If this is not the case, we will hold a separate reserve to cover claim expenses.
- The UPR is calculated on the assumption that risk will occur evenly during the duration of the policy.
- Under the Average Cost per claim method used in estimating large losses, we assumed the early years (e.g.accident years 2007, 2008) are fully developed

*Summary of Gross Outstanding Claims reserves*

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

**31 December 2016**

**Table 41(a)(i): Basic Chain Ladder Method (undiscounted)**

| Class of Business | Gross Outstanding Claims N'000 | Estimated Reinsurance Recoveries N'000 | Net Outstanding Claims N'000 |
|---|---|---|---|
| General Accident | 487,704,697 | (67,021,082) | 420,683,615 |
| Engineering | 78,056,486 | (45,209,362) | 32,847,124 |
| Fire | 969,178,341 | (576,212,467) | 392,965,874 |
| Marine | 187,076,698 | (51,705,082) | 135,371,616 |
| Motor | 590,439,144 | (101,700,871) | 488,738,273 |
| Bond* | 14,297,705 | (7,144,098) | 7,153,607 |
| Oil & Gas* | 672,183,375 | (149,070,485) | 523,112,890 |
| TOTAL | **2,998,936,446** | **(998,063,447)** | **2,000,872,999** |

**Estimated using Expected loss ratio method*

Applying discounting, the gross claims reserve will reduce from ₦2.998 billion to ₦2.733billion leading to a net position of ₦2.000 billion as detailed in Table 41(a)(i) above.

**31 December 2016**

**Table 41(a)(ii): Basic Chain Ladder Method (Discounted)**

Summary of Expected Outstanding Claims -Discounted

| Class of Business | Gross Outstanding Claims N'000 | Estimated Reinsurance Recoveries N'000 | Net Outstanding Claims N'000 |
|---|---|---|---|
| General accident | 427,437,313 | (58,739,051) | 420,683,615 |
| Engineering | 67,330,504 | (38,997,004) | 32,847,124 |
| Fire | 867,149,691 | (515,552,651) | 392,965,874 |
| Marine | 166,474,425 | (46,010,935) | 135,371,616 |
| Motor | 518,484,178 | (89,306,905) | 488,738,273 |
| Bond* | 14,297,705 | (7,144,098) | 7,153,607 |
| Oil and gas* | 672,183,375 | (149,070,485) | 523,112,890 |
| TOTAL | **2,733,357,191** | **(904,821,129)** | **2,000,872,999** |

**Estimated using Expected Loss Ratio method*

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

Applying inflation, the gross claims reserve will increase from ₦2.733 billion to ₦3.234 billion leading to a net position of ₦1.675 billion as detailed in Table 40(a)(iii) below.

**31 December 2016**

**Table 41(a)(iii): Inflation Adjusted Basic Chain Ladder Method**

| Class of Business | Gross Outstanding Claims N'000 | Estimated Reinsurance Recoveries N'000 | Net Outstanding Claims N'000 |
|---|---|---|---|
| Accident | 547,837,089 | (75,284,562) | 472,552,527 |
| Engineering | 88,250,355 | (51,113,526) | 37,136,829 |
| Fire | 1,045,772,787 | (621,750,706) | 424,022,081 |
| Marine | 203,885,016 | (56,350,639) | 147,534,377 |
| Motor | 662,129,208 | (114,049,209) | 548,079,999 |
| Bond* | 14,297,705 | (7,144,098) | 7,153,607 |
| Oil and gas* | 672,183,375 | (149,070,485) | 523,112,890 |
| **TOTAL** | **3,234,355,535** | **(1,074,763,225)** | **1,675,891,011** |

**Estimated using Expected Loss Ratio method*

Should there be discounting, the gross claims reserve will decreaase from ₦3.234 billion to ₦2.939 billion leading to a net position of ₦1.967 billion as detailed in Table 41(a)(iv)below.

**31 December 2016**

**Table 41(a)(iv): Discounted Inflation Adjusted Basic Chain Ladder Method- Discounted**

| Class of Business | Gross Outstanding Claims N'000 | Estimated Reinsurance Recoveries N'000 | Net Outstanding Claims N'000 |
|---|---|---|---|
| General Accident | 479,738,894 | (65,926,410) | 413,812,484 |
| Engineering | 76,304,065 | (44,194,381) | 32,109,684 |
| Fire | 934,662,236 | (555,691,363) | 378,970,873 |
| Marine | 181,940,469 | (50,285,508) | 131,654,961 |
| Motor | 580,692,988 | (100,022,133) | 480,670,855 |
| Bond* | 14,297,705 | (7,144,098) | 7,153,607 |
| Oil & Gas* | 672,183,375 | (149,070,485) | 523,112,890 |
| **TOTAL** | **2,939,819,732** | **(972,334,378)** | **1,967,485,354** |

**Estimated using Expected loss ratio method and discounted*

The discounted inflation adjusted basic chain ladder method resulted in a gross outstanding claims reserve of ₦2.939 billion leading to a net outstanding claims of ₦1.967 billion as detailed in Table 41(a)(iv) above.

**41(b) Claims Data**

The claims data has seven risk groups – (Marine, Motor, Engineering, Bond, Fire, General Accident, and Oil and gas).

The combined claims data, for all lines of business between 2007 and 2016, are summarized in Table 37.1.2.1 below.

**31 December 2016**

**Table 41(b)(i)**

**Incremental Chain Ladder:**

| | Incremental Chain ladder-Yearly Projections (N) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | 76,974 | 100,566 | 27,226 | 16,493 | 13,104 | 4,602 | 2,386 | 1,605 | 5,952 | 5,952 |
| 2008 | 180,779 | 74,363 | 10,146 | 8,951 | 13,675 | 2,087 | 564 | 873 | - | - |
| 2009 | 197,240 | 91,202 | 154,490 | 30,627 | 15,601 | 2,402 | 1,240 | 983 | - | - |
| 2010 | 352,398 | 334,778 | 57,260 | 11,491 | 9,532 | 5,249 | 281 | - | - | - |
| 2011 | 374,208 | 521,134 | 92,530 | 6,147 | 11,036 | 81 | - | - | - | - |
| 2012 | 414,429 | 465,000 | 55,092 | 21,416 | 4,767 | - | - | - | - | - |
| 2013 | 574,907 | 307,167 | 73,027 | 14,108 | - | - | - | - | - | - |
| 2014 | 496,122 | 343,341 | 45,878 | - | - | - | - | - | - | - |
| 2015 | 703,341 | 376,397 | - | - | - | - | - | - | - | - |
| 2016 | 731,908 | - | - | - | - | - | - | - | - | - |

**Table 41(b)(ii) Cumulative Claims Development Pattern: Motor**

| | Incremental Chain Ladder- Yearly Projections (₦) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | 13,481 | 8,411 | 4,318 | 4,083 | 1,604 | 325 | 1,686 | 255 | 3,578 | 575 |
| 2008 | 30,101 | 10,914 | 934 | 1,504 | 1,750 | - | 439 | 427 | - | - |
| 2009 | 88,639 | 30,546 | 99,832 | 8,761 | - | 60 | 494 | 840 | - | - |
| 2010 | 219,849 | 156,838 | 6,546 | 1,268 | - | 59 | 281 | - | - | - |
| 2011 | 183,238 | 161,510 | 11,635 | 265 | 617 | - | - | - | - | - |
| 2012 | 236,986 | 190,408 | 2,851 | 678 | 1,923 | - | - | - | - | - |
| 2013 | 344,468 | 81,833 | 9,053 | 77 | - | - | - | - | - | - |
| 2014 | 317,989 | 125,683 | 14,156 | - | - | - | - | - | - | - |
| 2015 | 359,380 | 102,119 | - | - | - | - | - | - | - | - |
| 2016 | 372,082 | - | - | - | - | - | - | - | - | - |

**Table 41(b)(iii) Cumulative Claims Development Pattern: Marine**

| | Incremental Chain Ladder- Yearly Projections (₦) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | 235 | 116 | 798 | 32 | 1 | 123 | - | - | - | - |
| 2008 | 5,094 | 13,421 | 902 | 2 | 2,993 | - | - | - | - | - |
| 2009 | 15,955 | 7,849 | 12,960 | 169 | 60 | 135 | 2 | - | - | - |
| 2010 | 11,390 | 13,740 | 4,545 | 1,674 | 13 | 12 | - | - | - | - |
| 2011 | 52,361 | 31,987 | 5,208 | 656 | 1,880 | 21 | - | - | - | - |
| 2012 | 25,040 | 28,365 | 1,420 | 900 | 50 | - | - | - | - | - |
| 2013 | 22,666 | 13,975 | 4,969 | 1,030 | - | - | - | - | - | - |
| 2014 | 20,490 | 13,795 | 812 | - | - | - | - | - | - | - |
| 2015 | 48,679 | 6,158 | - | - | - | - | - | - | - | - |
| 2016 | 36,262 | - | - | - | - | - | - | - | - | - |

**Table 41(b)(iv) Cumulative Claims Development Pattern: General Accident**

| | Incremental Chain Ladder- Yearly Projections (₦) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | 246 | 17,808 | 3,409 | 2,586 | 2,238 | 3,115 | 700 | - | 2,374 | 577 |
| 2008 | 28,038 | 22,092 | 3,571 | 4,596 | 8,527 | 2,076 | 87 | 446 | - | - |
| 2009 | 49,304 | 46,466 | 32,266 | 8,745 | 13,906 | 1,563 | 668 | 143 | - | - |
| 2010 | 25,299 | 52,033 | 17,162 | 5,387 | 2,002 | 4,988 | - | - | - | - |
| 2011 | 35,326 | 66,368 | 22,754 | 2,957 | 7,081 | 52 | - | - | - | - |
| 2012 | 46,970 | 70,541 | 17,706 | 11,504 | 857 | - | - | - | - | - |
| 2013 | 46,991 | 33,390 | 17,903 | 8,647 | - | - | - | - | - | - |
| 2014 | 35,364 | 46,283 | 6,211 | - | - | - | - | - | - | - |
| 2015 | 61,158 | 41,138 | - | - | - | - | - | - | - | - |
| 2016 | 62,774 | - | - | - | - | - | - | - | - | - |

**Table 41(b)(v) Cumulative Claims Development Pattern: Fire**

| | Incremental Chain Ladder- Yearly Projections (₦) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | 54,175 | 62,508 | 4,435 | 4,602 | 3,840 | 1,039 | - | 1,350 | - | 650 |
| 2008 | 116,006 | 3,304 | 1,505 | 678 | 405 | 11 | 38 | - | - | - |
| 2009 | 31,420 | 3,701 | 9,303 | 332 | 1,635 | 644 | - | - | - | - |
| 2010 | 70,296 | 88,760 | 1,013 | 2,668 | 7,384 | 190 | - | - | - | - |
| 2011 | 86,312 | 134,821 | 52,933 | 2,234 | 1,458 | - | - | - | - | - |
| 2012 | 29,082 | 170,000 | 27,385 | 5,795 | 1,937 | - | - | - | - | - |
| 2013 | 156,771 | 171,249 | 35,020 | 4,354 | - | - | - | - | - | - |
| 2014 | 117,750 | 143,860 | 24,699 | - | - | - | - | - | - | - |
| 2015 | 211,660 | 214,902 | - | - | - | - | - | - | - | - |
| 2016 | 226,674 | - | - | - | - | - | - | - | - | - |

**Table 41(b)(vi) Cumulative Claims Development Pattern: Engineering**

| | Incremental Chain Ladder- Yearly Projections (₦) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 2007 | 8,837 | 11,723 | 14,266 | 5,190 | 5,421 | - | - | | | |
| 2008 | 1,540 | 24,632 | 3,234 | 2,171 | - | - | | | | |
| 2009 | 11,922 | 2,640 | 129 | 12,620 | - | - | 76 | | | |
| 2010 | 25,564 | 23,407 | 27,994 | 494 | 133 | - | | | | |
| 2011 | 16,971 | 126,448 | - | 35 | - | 8 | | | | |
| 2012 | 76,351 | 5,686 | 5,730 | 2,539 | | | | | | |
| 2013 | 4,011 | 6,720 | 6,082 | | | | | | | |
| 2014 | 4,529 | 13,720 | | | | | | | | |
| 2015 | 22,434 | 12,080 | | | | | | | | |
| 2016 | 34,116 | | | | | | | | | |

**41(c) Reserving Methods and Assumptions - 31 December 2015**

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

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

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

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

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

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

The calculation are on two bases;

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

**Assumptions**

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

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

- The run off period is six (6) years
- An implicit assumption of the chain ladder is that weighted past average inflation will remain unchanged in to the future.
- We assume gross claim amount includes all related claim expenses. If this is not the case, we will hold a separate reserve to cover claim expenses.
- BCL method adopted assumes past experience is not fully representative of the future
- Stochastic approach samples the loss development factors with replacement

***Summary of Gross Outstanding Claims reserves***

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

**31 December 2015**

**Table 41(c)(i): Basic Chain Ladder Method (Undiscounted)**

| Class of Business | Gross Outstanding Claims ₦'000 | Estimated Reinsurance Recoveries ₦'000 | Net Outstanding Claims ₦'000 |
|---|---|---|---|
| General accident | 474,610,379 | (64,399,336) | 410,211,043 |
| Engineering | 60,955,305 | (62,228,849) | (1,273,544) |
| Fire | 710,046,590 | (403,776,728) | 306,269,862 |
| Marine | 173,366,655 | (40,479,092) | 132,887,563 |
| Motor | 327,500,308 | (86,203,716) | 241,296,592 |
| Bond* | 34,079,764 | (8,643,628) | 25,436,136 |
| Oil and gas* | 765,075,443 | (57,701,248) | 707,374,195 |
| TOTAL | **2,545,634,444** | **(723,432,597)** | **1,822,201,847** |

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

Applying discounting, the gross claims reserve will increase from ₦2,211 billion to ₦2,268 billion leading to a net position of ₦1.545 billion as detailed in Table 41(c)(i) above.

**31 December 2015**

**Table 41(c)(ii): Basic Chain Ladder Method (discounted)**

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

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

**Estimated using Expected Loss Ratio method*

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

Applying inflation, the gross claims reserve will increase from ₦2.084 billion to ₦2.399 billion leading to a net position of ₦1.361 billion as detailed in Table 41(c)(ii) above.

**31 December 2015**

**Table 41(c)(iii): Inflation Adjusted Basic Chain Ladder Method**

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

**Estimated using Expected Loss Ratio method*

Should there be discounting, the gross claims reserve will increase from ₦2.084 billion to ₦2.399 billion leading to a net position of ₦1.676 billion as detailed in Table 41(c)(iii) above.

**31 December 2015**

**Table 41(c)(iv): Discounted Inflation Adjusted Basic Chain Ladder Method**

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

**Estimated using Expected Loss Ratio method*

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

**41(d) Claims Data**

The claims data has seven risk groups – (Marine, Motor, Engineering, Bond, Fire, General Accident, and Oil and gas).

The combined claims data, for all lines of business between 2007 and 2014, are summarized in Table 37.1.2.1 below.

**31 December 2015**

**Table 41(d)(i)**

**Incremental Chain Ladder:**

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

**Table 41(d)(ii) Cumulative Claims Development Pattern: Motor**

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

**Table 41(d)(iii) Cumulative Claims Development Pattern: Marine**

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

**Table 41(d)(iv) Cumulative Claims Development Pattern: General Accident**

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

**Table 41(d)(v) Cumulative Claims Development Pattern: Fire**

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

**Table 41(d)(vi) Cumulative Claims Development Pattern: Engineering**

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

The actuarial valuation was done by:

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

**Notes to the financial statements**

## 42 Related party transactions:

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

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

**Name of related party/(relationship)**

| **Other receivables** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Royal Exchange Plc (Parent Company) | - | 464,025 |
| Royal Exchange Prudential Life Assurance Plc (Sister Company) | 294,146 | 273,403 |
| Royal Exchange Finance and Investment Ltd (Sister Company) | 10,136 | 5,541 |
| Royal Exchange Healthcare Plc (Sister Company) | 115,313 | 74,905 |
| Royal Exchange Microfinance Bank Ltd (Sister Company) | 2,479 | - |
| | 422,074 | 817,874 |

| **Other payables** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Royal Exchange Microfinance Bank Ltd (Sister Company) | | |
| Royal Exchange Finance and Investment Ltd (Sister Company) | - | 60,505 |
| Royal Exchange Plc (Parent Company) | 235,237 | 11,060 |
| Royal Exchange Trustee Fund | 153,511 | 133,949 |
| Royal Exchange Dividend Fund | 46,727 | - |
| | 435,475 | 205,514 |

| **Gross premium written** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Royal Exchange Finance and Investment Ltd (Sister Company) | - | 1,345 |
| Royal Exchange Prudential Life Assurance Plc (Sister Company) | 10,783 | 23,208 |
| Royal Exchange Healthcare Plc (Sister Company) | - | 2,198 |
| Royal Exchange Microfinance Bank Ltd (Sister Company) | - | 632 |
| | 10,783 | 27,383 |

| **Finance lease obligations** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Royal Exchange Finance and Investment Ltd (Sister Company) | 35,111 | 5,001 |

| **Trade receivables- Premium outstanding** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Royal Exchange Finance and Investment Ltd (Sister Company) | - | 623 |
| Royal Exchange Prudential Life Assurance Plc (Sister Company) | 7,846 | 23,605 |
| Royal Exchange Healthcare Plc (Sister Company) | - | 2,941 |
| Royal Exchange Microfinance Bank Ltd (Sister Company) | - | 238 |
| | 7,846 | 27,407 |

| **Interest Income** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Royal Exchange Finance and Investment Ltd (Sister Company)- short term deposits | - | 3,639 |
| Royal Exchange Prudential Life Assurance Plc (Sister Company)- borrowings | - | 13,524 |
| | - | **17,163** |

| **Interest expenses** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Royal Exchange Finance and Investment Ltd (Sister Company) | 19,564 | 1,087 |

**Notes to the financial statements**

| **Management expenses** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Royal Exchange Healthcare Plc (Sister Company)- Employee health insurance | 39,939 | 45,986 |
| Royal Exchange Prudential Life Assurance Plc (Sister Company)- Employee group life cover | 14,992 | 13,555 |
| | 54,931 | 59,541 |

| **Cash and cash equivalents** | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Royal Exchange Microfinance Bank Ltd (Sister Company)- (bank overdraft)/bank balance | (47,285) | (55,968) |
| Royal Exchange Finance and Investment Ltd (Sister Company)- short term deposits | - | - |
| | (47,285) | (55,968) |

**43 Contingencies and Commitments**

**a Commitments for expenditure**

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

**b Contingencies and commitments**

*Contingent liabilities*

| | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Legal proceedings and litigations | 5,987,121 | 2,024,793 |

The Company in its ordinary course of business, is presently involved in 57 (2015: 52) litigation cases as a plaintiff and defendants.The total amount claimed in the cases against the Company is stated above. The Directors having sought the advice of professional legal counsel are of the opinion that based on the advise received, no additional provisions other than those in the books are deemed necessary for these claims.

*Contingent assets*

The company has no contingent assets at the reporting date.

**44 Events after the reporting period**

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

**45 Compensation of key management personnel**

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

| | **2016** | **2015** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Chairman | 829 | 444 |
| Other Directors | 20,546 | 33,588 |
| | 21,375 | 34,032 |
| Directors' fees | 578 | 165 |
| Emoluments as Executives | 21,522 | 33,588 |
| | 22,100 | 33,753 |
| The highest paid director | **14,697** | **21,838** |

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

| | **2016** | **2015** |
|---|---|---|
| 2,000,001 - 5,000,000 | - | 1 |
| Above N5,000,000 | - | - |

**Notes to the financial statements**

**Employees remunerated at higher rates**

The number of employees in receipt of emoluments including allowances within the following ranges were:

| | 2016 | 2015 |
|---|---|---|
| 800,001 - 900,000 | 0 | 3 |
| 900,001 - 1,000,000 | 0 | 6 |
| 1,000,001 - 2,000,000 | 12 | 10 |
| 2,000,001 - 3,000,000 | 118 | 112 |
| 3,000,001 - 4,000,000 | 4 | 16 |
| 4,000,001 - 5,000,000 | 48 | 38 |
| 5,000,001 - 6,000,000 | 19 | 13 |
| 6,000,001 - 7,000,000 | 10 | 12 |
| 7,000,001 - 8,000,000 | 6 | 8 |
| 8,000,001 - 9,000,000 | 7 | 3 |
| 9,000,001 - 10,000,000 | 3 | 4 |
| 10,000,001 - 12,000,000 | 5 | 6 |
| 12,000,001 - 18,000,000 | 4 | 3 |
| 18,000,001 - 22,000,001 | 0 | 1 |
| | **236** | **235** |

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

| | 2016 | 2015 |
|---|---|---|
| Managerial | 14 | 18 |
| Senior staff | 210 | 202 |
| Junior staff | 12 | 15 |
| | **236** | **235** |

The staff costs for the above persons was:

| | 2016 | 2015 |
|---|---|---|
| | ₦'000 | ₦'000 |
| Salaries , wages and other allowances | 1,154,168 | 1,257,288 |
| Pension cost | 57,318 | 70,031 |
| | 1,211,486 | 1,327,319 |
| Pension Scheme | | |
| At January | - | - |
| Provision in the year | 57,318 | 70,031 |
| Remitted to Pension Fund Administrators | (57,318) | (70,031) |
| At 31 December | - | - |

**46 Contraventions**

During the year, the Company did not contravene any sections of the Insurance Act CAP 117 LFN 2004 and the NAICOM Insurance guideline 2009 and paid no penalties.

**47 Solvency Margin requirements**

The Company's solvency margin as at 31 December 2016 was ₦3.48 billlon. This is ₦481.43 million above the Company's required minimum solvency margin of₦3 billion.

# OTHER NATIONAL DISCLOSURES

**Royal Exchange General Insurance Company**
**FINANCIAL SUMMARY**

| | 2016 ₦'000 | 2015 ₦'000 | 2014 ₦'000 | 2013 ₦'000 | 2012 ₦'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | 9,615,160 | 5,534,750 | 5,617,944 | 835,809 | 796,973 |
| Financial assets | 2,428,713 | 2,676,939 | 3,193,407 | | 2,082,693 |
| Investment in associate | 415,429 | 500,669 | 518,580 | 437,024 | 444,064 |
| Deferred acqusition cost | 283,338 | 301,965 | 327,004 | 390,154 | 208,448 |
| Trade receivables | 47,587 | 170,138 | 32,832 | 140,284 | 156,949 |
| Other receivables and prepayment | 1,082,007 | 1,530,051 | 1,133,203 | 1,040,217 | 1,112,204 |
| Reinsurance assets | 2,189,935 | 1,582,128 | 1,745,574 | 1,896,185 | 1,540,448 |
| Statutory deposits | 340,000 | 340,000 | 340,000 | 340,000 | 340,000 |
| Intangible assets | 5,907 | 12,597 | 21,078 | 32,887 | 26,054 |
| Investment properties | 3,741,609 | 3,265,716 | 3,341,640 | 3,014,763 | 2,457,858 |
| Property and equipment | 1,887,386 | 1,912,242 | 1,435,078 | 1,498,849 | 1,200,105 |
| Employees retirement benefits/LSA | 234,011 | 154,016 | 170,198 | 166,963 | 49,370 |
| Deferred tax assets | 339,360 | 401,915 | 671,643 | 699,334 | 523,150 |
| **Total Assets** | **22,610,442** | **18,383,126** | **18,548,181** | **10,492,469** | **10,938,316** |
| **EQUITY & LIABILITIES** | | | | | |
| *Share Capital & Reserves:* | | | | | |
| Ordinary share capital | 4,366,667 | 4,366,666 | 4,366,666 | 3,716,667 | 3,716,667 |
| Share premium | 802,737 | 802,737 | 802,737 | 412,737 | 412,737 |
| Statutory contingency reserve | 1,558,477 | 1,288,611 | 1,081,952 | 880,373 | 678,366 |
| General reserve | 70,087 | 255,889 | 797,208 | 1,090,345 | 978,107 |
| Other component of equity | 184,854 | 72,454 | 131,162 | 130,421 | 18,716 |
| **Total Equity** | **6,982,822** | **6,786,357** | **7,179,725** | **6,230,543** | **5,804,593** |
| Borrowings | 63,718 | 56,149 | 15,552 | 5,723 | 17,953 |
| Deferred income | 162,942 | 122,169 | 102,234 | 84,797 | 92,674 |
| Trade payables | 8,313,225 | 5,376,586 | 5,121,897 | 431,363 | 340,760 |
| Provision and other payables | 1,052,868 | 704,396 | 464,182 | 599,188 | 151,253 |
| Finance lease obligations | 103,925 | 5,001 | 12,331 | 41,820 | 69,169 |
| Insurance contract liabilities | 5,398,979 | 4,434,285 | 4,733,745 | 4,802,573 | 3,764,306 |
| Income tax payable | 262,572 | 217,737 | 222,666 | 211,432 | 213,041 |
| Deferred tax liabilities | 239,396 | 186,916 | 180,756 | 148,068 | 88,378 |
| Employees retirement benefits | 29,995 | 493,530 | 515,093 | 479,239 | 396,189 |
| Other liabilities | | | | | |
| **Total Liabilities** | **15,627,620** | **11,596,769** | **11,368,456** | **6,804,203** | **5,133,723** |
| **Total Equity & Liabilities** | **22,610,442** | **18,383,126** | **18,548,181** | **13,034,746** | **10,938,316** |
| **TURNOVER AND PROFIT** | | | | | |
| Gross premium written | 8,995,530 | 6,888,637 | 6,719,311 | 6,733,550 | 6,197,230 |
| Net premium earned | 4,778,662 | 4,657,133 | 4,757,033 | 3,916,907 | 4,391,831 |
| Profit/(Loss) before taxation | 285,414 | 140,798 | 159,413 | 539,520 | 729,625 |
| Profit/(Loss) after taxation | 84,064 | (203,660) | 57,109 | 611,578 | 673,377 |

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

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

**The following is an analysis of the Company's revenue and result by reportable segment in 2016.**

| | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Motor and Accident | Marine Life | | Fire & IAR | Bond | Special Risk | Total |
| | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 | ₦'000 |
| **Income:** | | | | | | | |
| Gross written premiums | 2,870,116 | 728,543 | 191,882 | 1,776,837 | 13,015 | 3,415,138 | 8,995,531 |
| Net change in unearned premiums | (135,353) | (85,838) | 16,099 | (208,945) | 595 | 177,566 | (235,876) |
| | 2,734,763 | 642,705 | 207,981 | 1,567,892 | 13,610 | 3,592,704 | 8,759,655 |
| Insurance premium ceded to reinsurers | 348,769 | 291,817 | 146,971 | 726,299 | 5,192 | 2,820,850 | 4,339,898 |
| Net change in unearned premiums | (2,327) | (43,059) | (220) | (157,012) | 1,820 | (158,107) | (358,905) |
| | 346,442 | 248,758 | 146,751 | 569,287 | 7,012 | 2,662,743 | 3,980,993 |
| **Net insurance premium income** | 2,388,321 | 393,947 | 61,230 | 998,605 | 6,598 | 929,961 | 4,778,662 |
| Fee and commission income | 80,646 | 84,522 | 36,032 | 111,636 | 16,506 | 99,078 | 428,420 |
| Segment income | 2,468,967 | 478,469 | 97,262 | 1,110,241 | 23,104 | 1,029,039 | 5,207,082 |
| **Expenses:** | | | | | | | |
| Claims and benefits | 953,756 | 415,869 | 20,084 | 1,045,221 | 5,267 | 277,113 | 2,717,310 |
| Reinsurers' share - Change in insurance liabilities | (179,416) | (119,045) | (110,947) | (490,371) | 1,500 | (95,226) | (993,505) |
| Fees and commission expense | 238,743 | 95,997 | 19,567 | 235,992 | 2,130 | 83,898 | 676,327 |
| Business Acquisition cost | 13,177 | 3,345 | 881 | 8,158 | 60 | 15,679 | 41,300 |
| Salaries & Allowances - Undewriting personnel | 219,610 | 55,745 | 14,682 | 135,957 | 996 | 261,313 | 688,303 |
| Other Underwriting Expenses | 150,691 | 38,251 | 10,074 | 93,290 | 683 | 179,306 | 472,295 |
| | 1,396,561 | 490,162 | (45,659) | 1,028,246 | 10,636 | 722,084 | 3,602,030 |
| Segment underwriting profit | 1,072,406 | (11,693) | 142,920 | 81,995 | 12,468 | 306,956 | 1,605,052 |
| Net investment return | 194,959 | 49,488 | 13,034 | 120,696 | 884 | 231,981 | 611,041 |
| Other income | - | - | - | - | - | - | - |
| Management expenses | (616,003) | (156,365) | (41,183) | (381,356) | (2,793) | (732,979) | (1,930,679) |
| Profit before Tax | 651,362 | (118,570) | 114,771 | (178,666) | 10,559 | (194,042) | 285,414 |
| Income Tax expense | | | | | | | (154,926) |
| Minimum Tax Expense | | | | | | | (46,424) |
| Profit after Tax | | | | | | | 84,064 |
| Net actuarial gains/(losses) on employee benefits | | | | | | | 117,290 |
| Tax effects on other comprehensive income | | | | | | | (4,890) |
| **Total comprehensive income** | | | | | | | **196,464** |

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

## OTHER NATIONAL DISCLOSURES
## VALUE ADDED STATEMENT

| | 2016 ₦'000 | % | 2015 ₦'000 | % |
|---|---|---|---|---|
| Net premium income | 8,759,655 | | 6,968,693 | |
| Reinsurance, claims, commission and others | (5,311,304) | | (4,715,618) | |
| | 3,448,351 | | | |
| Investment income | 272,338 | | 313,784 | |
| Fees and commission income | | | 279,985 | |
| Other income | 217,280 | | 121,229 | |
| Bought in goods and services | (2,188,080) | | (1,451,301) | |
| Value added | 1,749,889 | 100% | (736,303) | 100% |
| *Applied as follows:* | | | | |
| In payment of employees: | | | | |
| - Salaries, wages and other benefits | 1,190,635 | 68% | 1,265,876 | -172% |
| In payment to government: | | | | |
| - Taxation | 46,368 | 3% | 73,292 | -10% |
| For future replacement of assets | | | | |
| and expansion of business: | | | | |
| Depreciation | 158,956 | 9% | 174,605 | -24% |
| Contingency reserve | 269,866 | 15% | 206,659 | -28% |
| General reserve | 84,064 | 5% | (203,660) | 28% |
| | 1,749,889 | 100% | 1,516,772 | -206% |